O-Bank and Subsidiaries

Consolidated Financial Statements for the Six Months Ended June 30, 2020 and 2019 and Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
O-Bank

Opinion

We have audited the accompanying consolidated financial statements of O-Bank (the "Bank") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of June 30, 2020, December 31, 2019 and June 30, 2019, the consolidated statements of comprehensive income for the three months ended June 30, 2020 and 2019 and for the six months ended June 30, 2020 and 2019, the consolidated statements of changes in equity and cash flows for the six months ended June 30, 2020 and 2019, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of June 30, 2020, December 31, 2019 and June 30, 2019, its consolidated financial performance for the three months ended June 30, 2020 and 2019 and for the six months ended June 30, 2020 and 2019, and its consolidated cash flows for the six months ended June 30, 2020 and 2019 in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Publicly Held Bills Finance Companies, and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the six months ended June 30, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The descriptions of the key audit matters of the consolidated financial statements for the six months ended June 30, 2020 are as follows:

Allowance for Credit Losses of Loans

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

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

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

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

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

- We examined that the classifications of loans were in accordance with the “Regulations Governing the Procedures for Bad Debts”. We also recalculated the amount of the allowance for credit losses on loans and checked whether the Bank meets the requirement of regulation or not.

Assessment of Reserve for Losses on Guarantee Contracts

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

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

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

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

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

- We reviewed the assessment schedule of reserve for losses on credit-granting assets, which the management used to assess the reserve. We checked the completeness of amount of credit-granting assets in the schedule and rationality of classifications. We recalculated the amounts of reserve for losses on guarantee contracts in the schedule and checked whether the reserve meets the requirement of regulation or not.

Other Matter

We have also audited the parent company only financial statements of the Bank as of and for the six months ended June 30, 2020 and 2019 on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Publicly Held Bills Finance Companies, and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the six months ended June 30, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

August 21, 2020

Notice to Readers

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

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

O-BANK AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

	June 30, 2020		December 31, 2019		June 30, 2019	
ASSETS	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
CASH AND CASH EQUIVALENTS (Note 6)	$ 6,696,015	1	$ 6,570,002	1	$ 5,628,225	1
DUE FROM THE CENTRAL BANK AND CALL LOANS TO OTHER BANKS (Note 7)	22,462,176	4	19,311,763	4	21,638,512	4
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 8 and 41)	158,658,657	28	172,913,193	31	162,906,805	29
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 9, 41 and 45)	162,796,688	28	142,112,770	25	142,976,631	25
INVESTMENTS IN DEBT INSTRUMENTS AT AMORTISED COST (Note 45)	-	-	-	-	500,000	-
BILLS AND BONDS PURCHASED UNDER RESELL AGREEMENTS (Note 10)	4,010,578	1	100,013	-	860,000	-
RECEIVABLES, NET (Notes 11 and 13)	15,063,043	3	16,483,174	3	16,791,523	3
CURRENT TAX ASSETS	381,968	-	422,886	-	403,038	-
DISCOUNTS AND LOANS, NET (Notes 12, 13, 40 and 41)	194,231,869	34	194,246,229	35	203,496,865	36
OTHER FINANCIAL ASSETS (Notes 16 and 41)	2,314,252	-	1,229,503	-	1,550,145	-
PROPERTY AND EQUIPMENT, NET (Notes 17 and 42)	2,747,173	1	2,854,194	1	2,882,430	1
RIGHT-OF-USE ASSETS, NET (Note 18)	459,125	-	485,426	-	463,333	-
INTANGIBLE ASSETS, NET (Note 19)	2,260,082	-	2,319,547	-	2,404,746	1
DEFERRED TAX ASSETS	714,975	-	734,542	-	699,844	-
OTHER ASSETS (Notes 18 and 20)	877,587	-	916,774	-	904,948	-
TOTAL	$ 573,674,188	100	$ 560,700,016	100	$ 564,107,045	100
LIABILITIES AND EQUITY						
LIABILITIES						
Deposits From the Central Bank and other banks (Note 21)	$ 52,049,753	9	$ 43,439,398	8	$ 38,686,001	7
Financial liabilities at fair value through profit or loss (Note 8)	394,302	-	533,582	-	329,172	-
Bills and bonds sold under repurchase agreements (Note 22)	158,289,087	28	159,553,385	29	157,370,894	28
Payables (Note 23)	4,748,158	1	3,687,621	1	5,090,397	1
Current tax liabilities	198,047	-	46,361	-	199,986	-
Deposits and remittances (Notes 24 and 40)	272,278,213	48	265,731,824	47	268,960,305	48
Bank debentures payable (Note 25)	16,400,000	3	18,700,000	3	20,350,000	4
Other financial liabilities (Note 26)	13,780,458	2	12,909,259	2	17,553,513	3
Provisions (Notes 13, 27 and 28)	1,991,524	-	1,915,054	-	1,918,774	-
Lease liabilities (Note 18)	475,749	-	498,832	-	472,763	-
Deferred income tax liabilities	523,236	-	451,572	-	420,388	-
Other liabilities (Note 29)	2,263,328	-	2,416,851	1	2,471,576	-
Total liabilities	523,391,855	91	509,883,739	91	513,823,769	91
EQUITY ATTRIBUTABLE TO OWNERS OF THE BANK						
Total capital						
Common stock	24,130,063	4	24,130,063	4	24,130,063	4
Preferred stock	3,000,000	1	3,000,000	1	3,000,000	1
Total Capital	27,130,063	5	27,130,063	5	27,130,063	5
Capital surplus	10,574	-	9,750	-	9,757	-
Retained earnings						
Legal reserve	3,697,811	1	3,367,681	1	3,367,681	1
Special reserve	1,396,353	-	1,631,335	-	1,631,335	-
Unappropriated earnings	421,434	-	1,187,851	-	855,084	-
Total retained earnings	5,515,598	1	6,186,867	1	5,854,100	1
Other equity	(50,308)	-	(67,477)	-	229,686	-
Treasury shares	(38,304)	-	-	-	-	-
Total equity attributable to owners of the Bank	32,567,623	6	33,259,203	6	33,223,606	6
NON-CONTROLLING INTERESTS	17,714,710	3	17,557,074	3	17,059,670	3
Total equity (Note 30)	50,282,333	9	50,816,277	9	50,283,276	9
TOTAL	$ 573,674,188	100	$ 560,700,016	100	$ 564,107,045	100

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

O-BANK AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2020		2019		2020		2019	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
INTEREST REVENUE (Notes 31 and 40)	$ 1,954,138	98	$ 2,437,631	110	$ 4,173,395	108	$ 4,880,441	109
INTEREST EXPENSE (Notes 31 and 40)	(1,015,609)	(51)	(1,445,755)	(65)	(2,309,367)	(60)	(2,902,683)	(65)
NET INTEREST	938,529	47	991,876	45	1,864,028	48	1,977,758	44
NET REVENUE OTHER THAN INTEREST REVENUE								
Service fee revenue, net (Notes 32 and 40)	504,845	25	530,929	24	976,652	25	1,077,355	24
Gains on financial assets or liabilities measured at fair value through profit or loss (Note 33)	97,592	5	945,544	42	530,264	14	1,624,004	37
Realized gains on financial assets at fair value through other comprehensive income (Note 34)	42,078	2	80,783	4	176,703	5	120,849	3
Foreign exchange gain (loss), net	385,082	19	(390,099)	(18)	285,603	7	(433,632)	(10)
Reversal of impairment losses (impairment losses) on assets	(6,092)	-	2,558	-	(5,637)	-	(6,861)	-
Other net revenue other than interest	30,939	2	60,100	3	48,445	1	88,434	2
Total net revenue other than interest revenue	1,054,444	53	1,229,815	55	2,012,030	52	2,470,149	56
NET REVENUE	1,992,973	100	2,221,691	100	3,876,058	100	4,447,907	100
BAD DEBTS EXPENSE, COMMITMENT AND GUARANTEE LIABILITY PROVISION (Notes 4 and 13)	(172,045)	(8)	(403,259)	(18)	(428,365)	(11)	(508,651)	(12)
OPERATING EXPENSES								
Employee benefits expenses (Notes 35 and 40)	645,429	32	669,014	30	1,303,093	33	1,376,523	31
Depreciation and amortization expenses (Note 36)	155,926	8	154,288	7	311,374	8	306,309	7
Other general and administrative expenses (Notes 37 and 40)	253,092	13	309,262	14	529,393	14	628,949	14
Total operating expenses	1,054,447	53	1,132,564	51	2,143,860	55	2,311,781	52

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O-BANK AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2020		2019		2020		2019	
	Amount	%	Amount	%	Amount	%	Amount	%
PROFIT FROM CONTINUING OPERATIONS BEFORE TAX	$ 766,481	39	$ 685,868	31	$ 1,303,833	34	$ 1,627,475	36
INCOME TAX EXPENSE (Note 38)	151,539	8	184,104	8	302,173	8	415,586	9
INCOME FROM CONTINUING OPERATIONS	614,942	31	501,764	23	1,001,660	26	1,211,889	27
INCOME (LOSS) FROM DISCONTINUED OPERATIONS (Note 14)	(1,304)	-	1,778	-	(10,392)	(1)	(2,167)	-
NET PROFIT FOR THE PERIOD	613,638	31	503,542	23	991,268	25	1,209,722	27
OTHER COMPREHENSIVE INCOME (LOSS)								
Components of other comprehensive income that will not be reclassified to profit or loss:								
Gains (losses) on remeasurements of defined benefit plans	-	-	-	-	111	-	(41)	-
Revaluation gains (loss) on investments in equity instruments measured at fair value through other comprehensive income	355,862	18	(4,359)	-	39,418	1	243,617	5
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (Note 38)	-	-	(429)	-	(22)	-	8	-

(Continued)

O-BANK AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2020		2019		2020		2019	
	Amount	%	Amount	%	Amount	%	Amount	%
Components of other comprehensive income that will be reclassified to profit or loss:								
Exchange differences on translation of financial statements of foreign operations	$ (228,342)	(12)	$ 35,614	2	$ (207,571)	(5)	$ 109,811	3
Gains (losses) from investments in debt instruments measured at fair value through other comprehensive income	1,216,305	61	123,791	5	487,772	13	453,450	10
Income tax related to components of other comprehensive income that will be reclassified to profit or loss (Note 38)	(123,674)	(6)	(38,218)	(2)	(23,345)	(1)	(84,074)	(2)
Other comprehensive income for the period, net of income tax	1,220,151	61	116,399	5	296,363	8	722,771	16
TOTAL COMPREHENSIVE INCOME	$ 1,833,789	92	$ 619,941	28	$ 1,287,631	33	$ 1,932,493	43
NET PROFIT ATTRIBUTABLE TO:								
Owners of the Bank	$ 338,758	17	$ 266,018	12	$ 454,198	11	$ 738,310	17
Non-controlling interests	274,880	14	237,524	11	537,070	14	471,412	10
	$ 613,638	31	$ 503,542	23	$ 991,268	25	$ 1,209,722	27
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:								
Owners of the Bank	$ 1,045,658	52	$ 316,297	14	$ 438,603	11	$ 1,244,751	28
Non-controlling interests	788,131	40	303,644	14	849,028	22	687,742	15
	$ 1,833,789	92	$ 619,941	28	$ 1,287,631	33	$ 1,932,493	43
EARNINGS PER SHARE (Note 39)								
From continuing and discontinued operations								
Basic	$0.09		$0.10		$0.14		$0.30	
Diluted	$0.08		$0.10		$0.12		$0.30	
From continuing operations								
Basic	$0.09		$0.10		$0.14		$0.30	
Diluted	$0.08		$0.10		$0.12		$0.30	

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

O-BANK AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Bank (Notes 4, 9 and 30)													
	Capital Stock				Retained Earnings				Other Equity					
	Common Stock (In Thousands)	Preferred Stocks (In Thousands)	Total	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on Translating of Foreign Financial Statements of Foreign Operations	Unrealized Gain (Losses) on Financial Measures at Fair Value Through Other Comprehensive Income	Treasury Shares	Owner of the Bank	Non-controlling Interests (Note 30)	Total Equity
BALANCE AT JANUARY 1, 2019	$ 24,130,063	$ 3,000,000	$ 27,130,063	$ 8,503	$ 3,184,667	$ 1,215,831	$ 610,045	$ 5,010,543	$ (92,806)	$ (67,175)	$ -	$ 31,989,128	$ 17,129,584	$ 49,118,712
Appropriation and distribution of 2018 earnings:														
Legal reserve	-	-	-	-	183,014	-	(183,014)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	415,504	(415,504)	-	-	-	-	-	-	-
Cash dividends of preferred stock distributed by the Bank	-	-	-	-	-	-	(11,527)	(11,527)	-	-	-	(11,527)	-	(11,527)
Changes in capital surplus from investments in subsidiaries accounted for using the equity method	-	-	-	913	-	-	-	-	-	-	-	913	-	913
Unclaimed dividends	-	-	-	341	-	-	-	-	-	-	-	341	2,307	2,648
Cash dividends distributed by subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	(759,963)	(759,963)
Net profit for the six months ended June 30, 2019	-	-	-	-	-	-	738,310	738,310	-	-	-	738,310	471,412	1,209,722
Other comprehensive income (loss) for the six months ended June 30, 2019	-	-	-	-	-	-	(9)	(9)	90,016	416,434	-	506,441	216,330	722,771
Total comprehensive income for the six months ended June 30, 2019	-	-	-	-	-	-	738,301	738,301	90,016	416,434	-	1,244,751	687,742	1,932,493
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	-	116,783	116,783	-	(116,783)	-	-	-	-
BALANCE AT JUNE 30, 2019	$ 24,130,063	$ 3,000,000	$ 27,130,063	$ 9,757	$ 3,367,681	$ 1,631,335	$ 855,084	$ 5,854,100	$ (2,790)	$ 232,476	$ -	$ 33,223,606	$ 17,059,670	$ 50,283,276
BALANCE AT JANUARY 1, 2020	$ 24,130,063	$ 3,000,000	$ 27,130,063	$ 9,750	$ 3,367,681	$ 1,631,335	$ 1,187,851	$ 6,186,867	$ (307,473)	$ 239,996	$ -	$ 33,259,203	$ 17,557,074	$ 50,816,277
Reversal of special reserve	-	-	-	-	-	(234,982)	234,982	-	-	-	-	-	-	-
Appropriation and distribution of 2019 earnings:														
Legal reserve	-	-	-	-	330,130	-	(330,130)	-	-	-	-	-	-	-
Cash dividends of ordinary stock distributed by the Bank	-	-	-	-	-	-	(965,203)	(965,203)	-	-	-	(965,203)	-	(965,203)
Cash dividends of preferred stock distributed by the Bank	-	-	-	-	-	-	(127,500)	(127,500)	-	-	-	(127,500)	-	(127,500)
Changes in capital surplus from investments in subsidiaries accounted for using the equity method	-	-	-	488	-	-	-	-	-	-	-	488	1,232	1,720
Unclaimed dividends	-	-	-	336	-	-	-	-	-	-	-	336	-	336
Cash dividends distributed by subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	(692,624)	(692,624)
Net profit for the six months ended June 30, 2020	-	-	-	-	-	-	454,198	454,198	-	-	-	454,198	537,070	991,268
Other comprehensive income (loss) for the six months ended June 30, 2020	-	-	-	-	-	-	25	25	(170,013)	154,393	-	(15,595)	311,958	296,363
Total comprehensive income (loss) for the six months ended June 30, 2020	-	-	-	-	-	-	454,223	454,223	(170,013)	154,393	-	438,603	849,028	1,287,631
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	(38,304)	(38,304)	-	(38,304)
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	-	(32,789)	(32,789)	-	32,789	-	-	-	-
BALANCE AT JUNE 30, 2020	$ 24,130,063	$ 3,000,000	$ 27,130,063	$ 10,574	$ 3,697,811	$ 1,396,353	$ 421,434	$ 5,515,598	$ (477,486)	$ 427,178	$ (38,304)	$ 32,567,623	$ 17,714,710	$ 50,282,333

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

O-BANK AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)

	For the Six Months Ended June 30	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit from continuing operations before tax	$ 1,303,833	$ 1,627,475
Loss from discontinued operations before tax	(10,392)	(2,167)
Adjustments to reconcile profit (loss):		
Depreciation expenses	178,094	182,613
Amortization expenses	133,579	124,004
Expect credit losses/recognition of provisions	434,002	515,512
Net gain on financial assets or liabilities at fair value through profit or loss	(527,998)	(1,625,256)
Interest expense	2,309,367	2,902,683
Interest revenue	(4,173,977)	(4,881,237)
Dividends income	(22,069)	(22,145)
Loss (gain) on disposal of property and equipment	400	(464)
Gain on disposal of investments	(154,634)	(98,704)
Changes in operating assets and liabilities		
Due from the Central Bank and call loans to other banks	(3,016,482)	(1,154,466)
Financial assets at fair value through profit or loss	14,453,496	(9,843,075)
Financial assets at fair value through other comprehensive income	(19,710,417)	7,792,201
Bills and bonds purchased under resell agreements	(3,910,565)	131,363
Receivables	1,326,808	3,816,466
Discounts and loans	(318,866)	(6,621,580)
Due to the Central Bank and other banks	8,610,355	(16,843,375)
Financial liabilities at fair value through profit or loss	(139,280)	(464,100)
Bills and bonds sold issued under repurchase agreement	(1,264,298)	5,923,994
Payables	(503,548)	(1,429,942)
Deposits and remittances	6,546,389	7,156,984
Provisions	(8,663)	13,223
Cash inflow (outflow) used in generated from operations	1,535,134	(12,799,993)
Interest received	4,232,644	5,074,874
Interest paid	(2,522,718)	(2,781,216)
Dividends received	23,928	19,745
Income taxes paid	(18,338)	(203,228)
Net cash flows generated from (used in) operating activities	3,250,650	(10,689,818)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of property and equipment	(36,974)	(41,771)
Proceeds from disposal of property and equipment	292	2,517
Decrease in refundable deposits	37,713	217,760
Acquisitions of intangible assets	(50,307)	(48,420)
Increase in other financial assets	(792,652)	-
Decrease in other financial assets	-	401,374

(Continued)

O-BANK AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)

	For the Six Months Ended June 30	
	2020	**2019**
Increase in other assets	$ -	$ (32,489)
Decrease in other assets	1,474	-
Net cash flows (used in) generated from investing activities	(840,454)	498,971
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	1,589,439	697,706
Increase in commercial papers	1,460,000	1,999,362
Proceeds from issuing bank debentures	-	2,500,000
Repayments of bank debentures	(2,300,000)	-
Repayments of long-term borrowings	(1,531,615)	(373,410)
Repayment of the principal portion of lease liabilities	(87,309)	(86,963)
Increase in other financial liabilities	-	195,441
Decrease in other financial liabilities	(646,383)	-
Increase in other liabilities	-	70,702
Decrease in other liabilities	(153,434)	-
Payments to acquire treasury shares	(38,304)	-
Net cash flows (used in) generated from financing activities	(1,707,606)	5,002,838
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(150,549)	87,811
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	552,041	(5,100,198)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	17,550,472	23,961,422
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	$ 18,102,513	$ 18,861,224

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

	June 30	
	2020	**2019**
Cash and cash equivalents reported in the consolidated balance sheets	$ 6,696,015	$ 5,628,225
Due from the Central Bank and call loans to other banks qualifying for cash and cash equivalents under the definition of IAS 7	10,813,294	12,611,398
Other items qualifying for cash and cash equivalents under the definition of IAS 7	593,204	621,601
Cash and cash equivalents at the end of the period	$ 18,102,513	$ 18,861,224

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

O-BANK AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2020 AND 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

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

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

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

As of June 30, 2020, the Bank has eight main departments - Business Department, Principal Investment Department, Treasury Department, Securities Trading Department, Corporate and Institutional Banking Department, Corporate Finance Department, Consumer Lending Department and Digital Wealth Management Department. It also has five domestic branches - Zhongxiao Dunhua branch, Taoyuan branch, Hsinchu branch, Taichung branch and Kaohsiung branch. In addition, it has an Offshore Banking Unit, Hong Kong branch, and Tianjin representative office.

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

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

As of June 30, 2020, December 31, 2019 and June 30, 2019, the Bank and its subsidiaries (the "Group") had 1,467, 1,527 and 1,461 employees, respectively.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors and authorized for issue on August 21, 2020.

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

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

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

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

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

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

Statement of Compliance

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

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

Basis of Preparation

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

Since the operating cycle in the banking industry could not be clearly identified, accounts included in the consolidated financial statements of the Bank were not classified as current or noncurrent. Nevertheless, accounts were properly categorized according to the nature of each account and sequenced by their liquidity. Refer to Note 45 for the maturity analysis of liabilities.

Basis of Consolidation

Principles for preparing consolidated financial statements

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

Refer to Note 15, Tables 6 and 7 for the list of main business activities and ownership percentages of subsidiaries.

Other Significant Accounting and Reporting Policies

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

a. Employee benefits

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

b. Taxation

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

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

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

c. Impairment of financial assets

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

The Group always recognizes lifetime Expected Credit Loss (i.e. ECL) for trade receivables. For all other financial instruments, the Group recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

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

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

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

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

Impairment losses on all financial assets are reduced by means of a provision account, but the provision for losses on investments in debt instruments measured at fair value through other comprehensive income are recognized as other comprehensive income and loss and do not reduce their book value.

Referring to the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans", the Bank classifies the credit assets as normal credit assets according to the financial position of the debtor (excluding the ROC government), and after assessing whether there is a delay in the payment of principal and interest and whether the loans have adequate collaterals, the Bank further classifies credit assets into need attention, expect to recover, difficult to recover, and hopeless to recover.

For the above-mentioned normal credit (excluding the balance of claims against the ROC government), need attention, expect to recover, difficult to recover, and hopeless to recover, minimum provisions of 1%, 2%, 10%, 50%, and 100%, respectively, of the outstanding balance are made. In addition, the Bank recognizes provision of at least 1.5% of normal credit assets in mainland China (including short-term advances for trade finance) and loans for the purchase and repair of residential property and construction loans.

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

The Group writes off credits deemed uncollectable after the write-off is proposed and approved by the board of directors.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Estimated Impairment of Loans and Financial Guarantee Contract

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

6. CASH AND CASH EQUIVALENTS

	June 30, 2020	December 31, 2019	June 30, 2019
Cash on hand and petty cash	$ 94,091	$ 89,949	$ 81,613
Checking for clearing	35,248	535,095	137,432
Due from banks	6,566,676	5,944,958	5,409,180
	$ 6,696,015	$ 6,570,002	$ 5,628,225

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

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

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

	June 30, 2020	December 31, 2019	June 30, 2019
Reserves for deposits - Type A	$ 5,924,327	$ 2,573,579	$ 1,152,831
Reserves for deposits - Type B	5,188,322	5,124,527	5,372,967
Reserves for deposits - Financial	506,573	900,268	2,501,316
Call loans to banks	10,813,294	10,679,363	12,611,398
Others	29,660	34,026	-
	$ 22,462,176	$ 19,311,763	$ 21,638,512

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

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	June 30, 2020	December 31, 2019	June 30, 2019
Financial assets mandatorily classified as at FVTPL			
Hybrid financial assets			
Convertible bond - domestic (include assets swap contracts)	$ 11,454,623	$ 9,470,333	$ 8,930,344
Structured debt	597,001	608,116	629,682
	12,051,624	10,078,449	9,560,026
Derivative financial assets			
Currency swap contracts	208,507	171,375	301,375
Forward contracts	16,391	7,189	24,306
Interest rate swap contracts	12,800	7,610	13,586
Cross-currency swap contracts	-	-	14,277
Currency option contracts-call	20,649	2,882	2,175
Promised purchase contracts	-	164	-
	258,347	189,220	355,719

(Continued)

	June 30, 2020	December 31, 2019	June 30, 2019
Non-derivative financial assets			
Bills	$ 100,518,026	$ 91,656,052	$ 87,373,384
Negotiable certificates of deposit	44,779,759	69,631,538	65,266,663
Stocks and beneficiary certificates	951,648	1,257,942	351,013
Government bonds	99,253	99,992	-
	146,348,686	162,645,524	152,991,060
	$ 158,658,657	$ 172,913,193	$ 162,906,805
Held-for-trading financial liabilities			
Derivative financial instruments			
Currency swap contracts	$ 310,465	$ 437,940	$ 166,772
Forward contracts	15,925	15,830	47,387
Interest rate swap contracts	33,596	72,003	96,468
Currency option contracts-put	19,690	2,687	2,182
Cross-currency swap contracts	-	-	13,335
Others	5,367	660	1,087
	385,043	529,120	327,231
Non-derivative financial liabilities			
Commercial paper contracts	9,259	4,462	1,941
	$ $394,302	$ 533,582	$ 329,172

(Concluded)

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

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

	June 30, 2020	December 31, 2019	June 30, 2019
Interest rate swap contracts	$ 17,939,114	$ 19,594,243	$ 20,290,705
Currency swap contracts	76,067,172	54,299,506	66,232,658
Cross-currency swap contracts	-	-	1,329,952
Forward contracts	4,630,092	3,796,613	23,345,575
Currency option contracts			
Buy	1,355,767	851,940	785,289
Sell	846,161	586,190	785,289
Promised purchase contracts	9,450,000	750,000	450,000

As of June 30, 2020, December 31, 2019 and June 30, 2019, financial assets at fair value through profit and loss under agreement to repurchase were in the amount of $56,755,614 thousand, $62,715,800 thousand and $61,811,200 thousand, respectively.

Refer to Note 41 for information relating to financial assets at fair value through profit or loss pledges as security.

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	June 30, 2020	December 31, 2019	June 30, 2019
Investments in equity instruments at FVTOCI	$ 4,857,373	$ 3,003,645	$ 2,008,734
Investments in debt instruments at FVTOCI			
Government bonds	25,412,082	33,722,794	39,465,409
Bank debentures	37,411,256	34,814,733	34,816,602
Corporate bonds	64,658,174	64,389,574	62,445,873
Overseas government bonds	977,678	3,297,940	1,500,054
Mortgage backed securities	1,836,963	2,884,084	2,739,959
Negotiable certificates of deposit	27,643,162	-	-
	$ 162,796,688	$ 142,112,770	$ 142,976,631

a. Investments in equity instruments at FVTOCI

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

The Group disposed stock classified as at FVTOCI for invested management purpose for the six months end June 30, 2020 and 2019. The fair value of stocks classified as at FVTOCI which had to be disposed of were $1,181,267 thousand and $1,623,383 thousand and the accumulated loss and gain related to the sold assets of $32,789 thousand loss and $116,783 thousand gain, respectively, were transferred from other equity-unrealized valuation gain or loss on financial assets at FVTOCI to retained earnings.

Dividends income from FVTOCI of $22,069 thousand and $25,325 thousand were recognized in profit or loss for the six months ended June 30, 2020 and 2019. The dividends related to investments held at the end of the reporting period were $22,069 thousand and $25,325 thousand, respectively.

b. Investments in debt instruments at FVTOCI

1) Refer to Note 41 for information relating to investments in debt instruments at FVTOCI pledged as security.

2) Refer to Note 45 for information relating to the credit risk management and impairment assessment of investments in debt instruments at FVTOCI.

3) Investments in debt instruments at FVTOCI under agreement to repurchase were in the face amount of $93,134,752 thousand, $92,927,159 thousand, and $90,682,225 thousand, as of on June 30, 2020, December 31, 2019 and June 30, 2019, respectively.

10. BILLS AND BONDS PURCHASED UNDER RESELL AGREEMENTS

The Group's bills and bonds purchased under resale agreements are all government bonds. As of June 30, 2020, December 31, 2019 and June 30, 2019, the bonds purchased under agreements to resell were in the amount of $4,011,502 thousand, $100,030 thousand and $860,240 thousand, respectively. As of June 30, 2020, December 31, 2019 and June 30, 2019, bonds purchased under agreements to resell were sold under agreements to repurchase in the face amount of $4,010,000 thousand, $100,000 thousand and $860,000 thousand, respectively.

11. RECEIVABLES, NET

	June 30, 2020	December 31, 2019	June 30, 2019
Lease payment receivable	$ 10,783,391	$ 12,236,876	$ 11,693,433
Factored receivable	1,502,485	1,585,725	2,656,437
Interests receivable	1,660,387	1,719,054	1,696,613
Accounts receivable	844,857	1,064,051	1,103,951
Investment settlements receivable	775,253	29,993	387,414
Acceptances receivable	154,920	220,594	178,750
Settlement accounts receivable - trusteeship	87,033	118,092	98,559
Others	230,261	677,925	185,066
	16,038,587	17,652,310	18,000,223
Less: Unrealized interest revenue	536,069	688,852	655,344
Allowance for possible losses	439,475	480,284	553,356
Receivables, net	$ 15,063,043	$ 16,483,174	$ 16,791,523

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

	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Total
Balance at January 1, 2020	$ 16,348,342	$ 190,010	$ 425,106	$ 16,963,458
Transfers				
To 12-month ECLs	7,947	(7,933)	(14)	-
To lifetime ECLs	(69,594)	69,594	-	-
To credit-impaired financial assets	(19,966)	(31,908)	51,874	-
New financial assets purchased	7,385,017	2,210	571	7,387,798
Derecognition of financial assets	(8,317,931)	(140,917)	(73,878)	(8,532,726)
Write-offs	-	-	(44,898)	(44,898)
Exchange rate or other changes	(263,098)	(2,507)	(5,509)	(271,114)
Balance at June 30, 2020	$ 15,070,717	$ 78,549	$ 353,252	$ 15,502,518

(Continued)

	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Total
Balance at January 1, 2019	$ 20,765,683	$ 304,253	$ 371,269	$ 21,441,205
Transfers				
To 12-month ECLs	7,411	(7,411)	-	-
To lifetime ECLs	(173,038)	173,038	-	-
To credit-impaired financial assets	(81,662)	(157,957)	239,619	-
New financial assets purchased	8,713,535	44,602	3,150	8,761,287
Derecognition of financial assets	(12,693,250)	(121,681)	(69,281)	(12,884,212)
Write-offs	-	-	(78,249)	(78,249)
Exchange rate or other changes	100,010	2,589	2,249	104,848
Balance at June 30, 2019	$ 16,638,689	$ 237,433	$ 468,757	$ 17,344,879

(Concluded)

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

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

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

12. DISCOUNTS AND LOANS, NET

	June 30, 2020	December 31, 2019	June 30, 2019
Short-term	$ 58,556,659	$ 52,637,640	$ 76,968,439
Medium-term	109,176,911	117,968,744	112,430,141
Long-term	27,613,785	25,364,024	16,754,240
Accounts receivables financing	251,090	284,150	327,865
Export bill negotiated	-	-	10,704
Guaranteed overdraft	73,776	69	-
Overdue loans	1,281,397	703,831	372,899
	196,953,618	196,958,458	206,864,288
Less: Allowance for credit losses	2,721,749	2,712,229	3,367,423
	$ 194,231,869	$ 194,246,229	$ 203,496,865

The changes in gross carrying amount on discount and loans for the six months ended June 30, 2020 and 2019 were as follows:

	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Total
Balance at January 1, 2020	$ 177,477,719	$ 16,398,011	$ 3,082,728	$ 196,958,458
Transfers				
To 12-month ECLs	315,336	(300,298)	(15,038)	-
To lifetime ECLs	(514,508)	514,508	-	-
To credit-impaired financial assets	(53,236)	(2,860)	56,096	-
New financial assets purchased	71,742,835	6,837,720	228,975	78,809,530
Derecognition of financial assets	(69,765,832)	(7,631,810)	(541,312)	(77,938,954)
Write-offs	-	-	(314,410)	(314,410)
Exchange rate or other changes	(586,845)	(77,486)	103,325	(561,006)
Balance at June 30, 2020	$ 178,615,469	$ 15,737,785	$ 2,600,364	$ 196,953,618
Balance at January 1, 2019	$ 183,751,973	$ 15,147,609	$ 1,390,597	$ 200,290,179
Transfers				
To 12-month ECLs	1,069,326	(1,069,326)	-	-
To lifetime ECLs	(2,283,516)	2,283,516	-	-
To credit-impaired financial assets	(249,934)	(1,163)	251,097	-
New financial assets purchased	76,424,771	8,426,808	1,471,732	86,323,311
Derecognition of financial assets	(71,380,010)	(8,516,370)	(201,914)	(80,098,294)
Write-offs	-	-	(64,412)	(64,412)
Exchange rate or other changes	533,254	(76,587)	(43,163)	413,504
Balance at June 30, 2019	$ 187,865,864	$ 16,194,487	$ 2,803,937	$ 206,864,288

The balance of the overdue loans of the Group as of June 30, 2020, December 31, 2019 and June 30, 2019 no longer include the calculation of interest. The unrecognized interest revenue on the above loans amounted to $27,335 thousand and $3,788 thousand for the six months ended June 30, 2020 and 2019, respectively. For the six months ended June 30, 2020 and 2019, the Group wrote off credits only upon completing the required legal procedures.

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

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

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

13. ALLOWANCE FOR CREDIT LOSSES AND PROVISIONS

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

Allowance for Receivables	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Accumulated Amount under IFRS 9	Difference Between IFRS 9 and Local Requirements	Total
Balance at January 1, 2020	$ 196,173	$ 35,928	$ 226,869	$ 458,970	$ 21,314	$ 480,284
Transfers						
To 12-month ECLs	2,699	(2,693)	(6)	-	-	-
To lifetime ECLs	(7,495)	7,495	-	-	-	-
To credit-impaired financial assets	-	(20,181)	20,181	-	-	-
New financial assets purchased	12,462	12,527	8,885	33,874	-	33,874
Derecognition of financial assets	(14,570)	(106)	(3,896)	(18,572)	-	(18,572)
Change in model or risk parameters	754	(6)	122	870	-	870
Difference between IFRS 9 and local requirements	-	-	-	-	(6,167)	(6,167)
Write-offs	-	-	(44,898)	(44,898)	-	(44,898)
Withdrawal after write-offs	-	-	4,037	4,037	-	4,037
Exchange rate or other changes	(3,905)	(866)	(5,115)	(9,886)	(67)	(9,953)
Balance at June 30, 2020	$ 186,118	$ 32,098	$ 206,179	$ 424,395	$ 15,080	$ 439,475

Allowance for Discounts and Loans	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Accumulated Amount under IFRS 9	Difference Between IFRS 9 and Local Requirements	Total
Balance at January 1, 2020	$ 265,977	$ 77,304	$ 403,522	$ 746,803	$ 1,965,426	$ 2,712,229
Transfers						
To 12-month ECLs	7,553	(1,127)	(6,426)	-	-	-
To lifetime ECLs	(689)	689	-	-	-	-
To credit-impaired financial assets	(173)	(914)	1,087	-	-	-
New financial assets purchased	250,689	40,567	355,532	646,788	-	646,788
Derecognition of financial assets	(67,963)	(7,979)	(75,234)	(151,176)	-	(151,176)
Change in model or risk parameters	249,236	106,955	16,783	372,974	-	372,974
Difference between IFRS 9 and local requirements	-	-	-	-	(535,361)	(535,361)
Write-offs	-	-	(314,410)	(314,410)	-	(314,410)
Withdrawal after write-offs	-	-	3,284	3,284	-	3,284
Exchange rate or other changes	(1,846)	(648)	(2,424)	(4,918)	(7,661)	(12,579)
Balance at June 30, 2020	$ 702,784	$ 214,847	$ 381,714	$ 1,299,345	$ 1,422,404	$ 2,721,749

Reserve for Losses on Guarantees and Financing Quota Preparation	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Accumulated Amount under IFRS 9	Difference Between IFRS 9 and Local Requirements	Total
Balance at January 1, 2020	$ 75,284	$ 4,380	$ -	$ 79,664	$ 1,531,119	$ 1,610,783
Transfers						
To 12-month ECLs	-	-	-	-	-	-
To credit-impaired financial assets	(251)	251	-	-	-	-
New financial assets purchased	90,366	10,557	-	100,923	-	100,923
Derecognition of financial assets	(30,300)	(2,267)	-	(32,567)	-	(32,567)
Change in model or risk parameters	17,484	1,126	-	18,610	-	18,610
Difference between IFRS 9 and local requirements	-	-	-	-	(1,831)	(1,831)
Withdrawal after write-offs	-	-	-	-	449	449
Exchange rate or other changes	(272)	(7)	-	(279)	32	(247)
Balance at June 30, 2020	$ 152,311	$ 14,040	$ -	$ 166,351	$ 1,529,769	$ 1,696,120

Allowance for Receivables	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Accumulated Amount under IFRS 9	Difference Between IFRS 9 and Local Requirements	Total
Balance at January 1, 2019	$ 218,853	$ 111,931	$ 227,909	$ 558,693	$ 52,561	$ 611,254
Transfers						
To 12-month ECLs	4,496	(4,496)	-	-	-	-
To lifetime ECLs	(8,525)	8,525	-	-	-	-
To credit-impaired financial assets	(48)	(68,217)	68,265	-	-	-
New financial assets purchased	2,626	38,102	24,704	65,432	-	65,432
Derecognition of financial assets	(33,692)	(64)	(269)	(34,025)	-	(34,025)
Change in model or risk parameters	(14)	(1)	154	139	-	139
Difference between IFRS 9 and local requirements	-	-	-	-	(21,783)	(21,783)
Write-offs	-	-	(78,249)	(78,249)	-	(78,249)
Withdrawal after write-offs	-	-	5,396	5,396	-	5,396
Exchange rate or other changes	1,939	2,496	674	5,109	83	5,192
Balance at June 30, 2019	$ 185,635	$ 88,276	$ 248,584	$ 522,495	$ 30,861	$ 553,356

Allowance for Discounts and Loans	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Accumulated Amount under IFRS 9	Difference Between IFRS 9 and Local Requirements	Total
Balance at January 1, 2019	$ 203,195	$ 49,620	$ 334,761	$ 587,576	$ 2,364,553	$ 2,952,129
Transfers						
To 12-month ECLs	3,375	(3,375)	-	-	-	-
To lifetime ECLs	(3,303)	3,303	-	-	-	-
To credit-impaired financial assets	(340)	(333)	673	-	-	-
New financial assets purchased	93,579	8,259	696,788	798,626	-	798,626
Derecognition of financial assets	(74,144)	(28,945)	(72,788)	(175,877)	-	(175,877)
Change in model or risk parameters	24,383	2,390	75,778	102,551	-	102,551
Difference between IFRS 9 and local requirements	-	-	-	-	(262,535)	(262,535)
Write-offs	-	-	(64,412)	(64,412)	-	(64,412)
Withdrawal after write-offs	-	-	1,967	1,967	-	1,967
Exchange rate or other changes	503	229	2,275	3,007	11,967	14,974
Balance at June 30, 2019	$ 247,248	$ 31,148	$ 975,042	$ 1,253,438	$ 2,113,985	$ 3,367,423

Reserve for Losses on Guarantees and Financing Quota Preparation	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Accumulated Amount under IFRS 9	Difference Between IFRS 9 and Local Requirements	Total
Balance at January 1, 2019	$ 98,213	$ 11,098	$ -	$ 109,311	$ 1,466,472	$ 1,575,783
Transfers						
To 12-month ECLs	314	(314)	-	-	-	-
To lifetime ECLs	(181)	181	-	-	-	-
New financial assets purchased	37,761	2,390	-	40,151	-	40,151
Derecognition of financial assets	(23,950)	(7,995)	-	(31,945)	-	(31,945)
Change in model or risk parameters	(33,315)	2,173	-	(31,142)	-	(31,142)
Difference between IFRS 9 and local requirements	-	-	-	-	59,059	59,059
Withdrawal after write-offs	-	-	-	-	1,415	1,415
Exchange rate or other changes	165	1	-	166	411	577
Balance at June 30, 2019	$ 79,007	$ 7,534	$ -	$ 86,541	$ 1,527,357	$ 1,613,898

14. DISCONTINUED OPERATIONS

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

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

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

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	**2019**	**2020**	**2019**
Interest revenue	$ 388	$ 1,478	$ 1,500	$ 2,359
Interest expenses	-	-	-	-
Net interest	388	1,478	1,500	2,359
Net revenue other than interest				
Service fee revenue, net	-	22	-	30
Gain (loss) on financial assets and liabilities measured at fair value through profit or loss	2,670	642	(2,266)	1,252
Gain (loss) on financial assets and liabilities at fair value through other comprehensive income	-	3,180	-	3,180
Foreign exchange gain, net	-	8	11	11
Other net revenue other than interest	(8)	1,573	(278)	1,731
Total net revenue other than interest	2,662	5,425	(2,533)	6,204
Net revenue	3,050	6,903	(1,033)	8,563
Operating expenses				
Employee benefits expenses	1,849	1,878	4,152	4,222
Depreciation and amortization expense	149	155	299	308
Other general and administrative expenses	2,181	2,484	4,333	5,000
Total operating expenses	4,179	4,517	8,784	9,530
Income tax expense	-	-	-	-
Income (loss) from discontinued operations before elimination	(1,129)	2,386	(9,817)	(967)
Elimination of transactions with related parties	(175)	(608)	(575)	(1,200)
Income (loss) from discontinued operations	$ (1,304)	$ 1,778	$ (10,392)	$ (2,167)
Income (loss) of discontinued operations attributable to:				
Owners of the Bank	$ (1,300)	$ 1,774	$ (10,365)	$ (2,161)
Non-controlling interests	(4)	4	(27)	(6)
	$ (1,304)	$ 1,778	$ (10,392)	$ (2,167)

(Continued)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	**2019**	**2020**	**2019**
Cash inflow from:				
Net cash flows generated from (used in) operating activities	$ (7,098)	$ 14,917	$ (2,811)	$ 20,616
Net cash flows generated from (used in) generated from investing activities	37	(11)	(2)	(13)
Net cash flows generated from (used in) financing activities	-	-	-	-
Effect of exchange rate changes on cash and cash equivalents	3,815	(2,245)	1,022	(2,379)
Net cash inflow (outflow)	$ (3,246)	$ 12,661	$ (1,791)	$ 18,224

(Concluded)

15. SUBSIDIARIES

a. Subsidiary included in consolidated financial statements:

Investor	Investee	Main Business	% of Ownership June 30, 2020	% of Ownership December 31, 2019	% of Ownership June 30, 2019	Remark	Audited by CPA
The Bank	China Bills Finance Co. (CBF)	Bonds underwriting, dealing and brokerage of securities	28.37	28.37	28.37	Founded in 1978	Yes
	IBT Holding Corp. (IBTH)	Holding company	100.00	100.00	100.00	Founded in 2006 in California	Yes
	IBT Leasing	Leasing	100.00	100.00	100.00	Founded in 2011	Yes
	IBTM	Investment consulting	100.00	100.00	100.00	Founded in 2000	Yes
	Chun Teng New Century Co., Ltd. (former IBTS)	Investment (former Security Firm)	99.75	99.75	99.75	Founded in 1961 (dissolved on November 11, 2016 and still recognized using the equity method)	Yes
IBT Leasing	IBT International Leasing Corp.	Leasing	100.00	100.00	100.00	Founded in 2011 in mainland China (commonly held with IBT VII)	Yes
	IBT VII Venture Capital Co., Ltd.	Venture capital	100.00	100.00	100.00	Founded in 2014	Yes
Chun Teng New Century Co., Ltd (formerly IBTS)	IBTS Holding B.V.I. Limited (IBTSH)	Holding company	100.00	100.00	100.00	Founded in 2003 in the British Virgin Islands	Yes
IBTSH	IBTS Financial (HK) Limited	Investment	100.00	100.00	100.00	Founded in 2003 in Hong Kong	Yes
	IBTS Asia (HK) Limited	Securities and investment	100.00	100.00	100.00	Founded in 2004 in Hong Kong	Yes
IBTH	EverTrust Bank	Banking	91.78	91.78	91.78	Founded in 1994 in California	Yes

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

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

The summarized financial information below represents amounts before intragroup eliminations:

	June 30, 2020	December 31, 2019	June 30, 2019
CBF			
Equity attributable to:			
Owners of CBF	$ 6,828,219	$ 6,767,508	$ 6,570,905
Non-controlling interests of CBF	17,241,250	17,087,954	16,591,550
	$ 24,069,469	$ 23,855,462	$ 23,162,455

	For the Six Months Ended June 30	
	2020	2019
Net revenue	$ 1,174,633	$ 1,015,379
Net profit from continuing operations	$ 737,859	$ 631,643
Other comprehensive income for the period	441,359	290,037
Total comprehensive income for the period	$ 1,179,218	$ 921,680
Profit attributable to:		
Owners of CBF	$ 209,322	$ 179,216
Non-controlling interests of CBF	528,537	452,427
	$ 737,859	$ 631,643
Total comprehensive income attributable to:		
Owners of CBF	$ 334,530	$ 261,496
Non-controlling interests of CBF	844,688	660,184
	$ 1,179,218	$ 921,680
Net cash inflow (outflow) from:		
Operating activities	$ (1,387,003)	$ 9,909,287
Investing activities	(8,175)	(3,761)
Financing activities	1,398,242	(9,952,462)
Net cash inflow (outflow)	$ 3,064	$ (46,936)
Dividends paid to non-controlling interests of CBF	$ -	$ -

16. OTHER FINANCIAL ASSETS

	June 30, 2020	December 31, 2019	June 30, 2019
Time deposits with original maturities more than 3 months	$ 77,235	$ 46,371	$ 110,614
Pledged time deposits	734,616	741,091	753,553
Compensation account for payment	20,251	116,258	39,117
Prepaid investment	863,564	-	-
Call loans to securities firms	593,204	301,107	621,601
Others	25,382	24,676	25,260
	$ 2,314,252	$ 1,229,503	$ 1,550,145

The above prepaid investment in Beijing Sunshine Consumer Finance Co., Ltd., was jointly invested by the Bank, China Everbright Bank and China CYTS Tours Holding. The Bank hand 20% ownership of the joint venture and with the investment amounted to RMB200,000 thousand and it opened on August 17, 2020.

17. PROPERTY AND EQUIPMENT

	June 30, 2020	December 31, 2019	June 30, 2019
Carrying amounts of each class of			
Land	$ 781,970	$ 781,970	$ 781,970
Buildings	1,302,782	1,324,482	1,344,999
Machinery and computer equipment	330,635	349,605	357,063
Transportation equipment	32,988	35,942	40,630
Office and other equipment	72,488	83,386	94,605
Lease improvement	171,503	187,479	211,797
Construction in progress and prepayments for equipment	54,807	91,330	51,366
	$ 2,747,173	$ 2,854,194	$ 2,882,430

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

	Freehold Land	Buildings	Machinery and Computer Equipment	Transportation Equipment	Office and Other Equipment	Lease Improvement	Construction in Progress and Prepayments for Equipment	Total
Cost								
Balance at January 1, 2020	$ 781,970	$ 1,898,849	$ 809,120	$ 78,739	$ 280,283	$ 373,783	$ 91,330	$ 4,314,074
Additions	-	1,362	10,907	3,065	1,324	2,412	17,904	36,974
Disposals and scrapped	-	-	(10,384)	(2,371)	(37)	-	-	(12,792)
Reclassification	-	-	5,887	-	38	7,459	(54,374)	(40,990)
Effect of foreign currency exchange differences	-	-	(1,420)	(352)	(828)	(2,406)	(53)	(5,059)
Balance at June 30, 2020	$ 781,970	$ 1,900,211	$ 814,110	$ 79,081	$ 280,780	$ 381,248	$ 54,807	$ 4,292,207

(Continued)

	Freehold Land	Buildings	Machinery and Computer Equipment	Transportation Equipment	Office and Other Equipment	Lease Improvement	Construction in Progress and Prepayments for Equipment	Total
Accumulated depreciation and impairment								
Balance at January 1, 2020	$ -	$ 574,367	$ 459,515	$ 42,797	$ 196,897	$ 186,304	$ -	$ 1,459,880
Disposals and scrapped	-	-	(9,985)	(2,084)	(31)	-	-	(12,100)
Depreciation expense	-	23,062	34,949	5,523	12,032	25,395	-	100,961
Reclassification	-	-	-	-	-	(733)	-	(733)
Effect of foreign currency exchange differences	-	-	(1,004)	(143)	(606)	(1,221)	-	(2,974)
Balance at June 30, 2020	$ -	$ 597,429	$ 483,475	$ 46,093	$ 208,292	$ 209,745	$ -	$ 1,545,034
Carrying amounts								
Balance at June 30, 2020	$ 781,970	$ 1,302,782	$ 330,635	$ 32,988	$ 72,488	$ 171,503	$ 54,807	$ 2,747,173
Cost								
Balance at January 1, 2019	$ 781,970	$ 1,898,675	$ 747,969	$ 77,088	$ 282,253	$ 385,137	$ 87,501	$ 4,260,593
Additions	-	99	10,202	11,528	797	738	18,407	41,771
Disposals and scrapped	-	(2,429)	(5,343)	(10,631)	(2,624)	-	-	(21,027)
Reclassification	-	-	39,998	-	2,643	435	(54,571)	(11,495)
Effect of foreign currency exchange differences	-	-	760	(182)	658	1,888	29	3,153
Balance at June 30, 2019	$ 781,970	$ 1,896,345	$ 793,586	$ 77,803	$ 283,727	$ 388,198	$ 51,366	$ 4,272,995
Accumulated depreciation and impairment								
Balance at January 1, 2019	$ -	$ 529,300	$ 409,143	$ 40,373	$ 178,807	$ 151,310	$ -	$ 1,308,933
Disposals and scrapped	-	(960)	(5,337)	(9,457)	(2,624)	(596)	-	(18,974)
Depreciation expense	-	23,006	32,083	6,161	12,534	24,914	-	98,698
Effect of foreign currency exchange differences	-	-	634	96	405	773	-	1,908
Balance at June 30, 2019	$ -	$ 551,346	$ 436,523	$ 37,173	$ 189,122	$ 176,401	$ -	$ 1,390,565
Carrying amounts								
Balance at June 30, 2019	$ 781,970	$ 1,344,999	$ 357,063	$ 40,630	$ 94,605	$ 211,797	$ 51,366	$ 2,882,430

(Concluded)

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

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

18. LEASE ARRANGEMENTS

a. Right-of-use assets

	June 30, 2020	December 31, 2019	June 30, 2019
Carrying amounts			
Buildings	$ 448,190	$ 477,885	$ 459,379
Transportation equipment	7,582	7,541	3,954
Office equipment	3,353	-	-
	$ 459,125	$ 485,426	$ 463,333

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Additions to right-of-use assets	$ 32,878	$ 1,812	$ 50,295	$ 1,812
Depreciation charge for right-of-use assets				
Buildings	$ 35,985	$ 40,469	$ 72,923	$ 81,045
Transportation equipment	1,829	1,612	3,704	2,870
Office equipment	506	-	506	-
	$ 38,320	$ 42,081	$ 77,133	$ 83,915

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

b. Lease liabilities

	June 30, 2020	December 31, 2019	June 30, 2019
Carrying amounts	$ 475,749	$ 498,832	$ 472,763

Range of discount rates for lease liabilities was as follows:

	June 30, 2020	December 31, 2019	June 30, 2019
Buildings	0.44%-5.70%	1.62%-5.70%	1.30%-5.70%
Transportation equipment	2.28%-6.00%	1.98%-6.00%	2.28%-6.00%
Office equipment	1.71%-2.76%	-	-

c. Material lease-in activities

Due to the rental of buildings, the Group had entered into various leasehold contracts with others, respectively. These contracts are gradually expiring before the end of October 2028. As of June 30, 2020, December 31, 2019 and June 30, 2019, refundable deposits paid under operating lease amounted to $29,824 thousand and $31,523 thousand and $34,108 thousand.

d. Other lease information

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Expenses relating to short-term leases	$ 1,227	$ 3,431	$ 6,524	$ 7,136
Expenses relating to low-value asset leases	$ 806	$ 1,275	$ 1,420	$ 1,776
Total cash outflow for leases			$ (95,253)	$ (95,875)

19. INTANGIBLE ASSETS

	June 30, 2020	December 31, 2019	June 30, 2019
Carrying amounts of each class of			
Computer software	$ 1,134,159	$ 1,176,120	$ 1,223,680
Goodwill	1,125,911	1,142,865	1,179,342
Others	12	562	1,724
	$ 2,260,082	$ 2,319,547	$ 2,404,746

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

	Computer Software	Goodwill	Others	Total
Cost				
Balance at January 1, 2020	$ 2,157,522	$ 1,142,865	$ 7,351	$ 3,307,738
Additions	50,307	-	-	50,307
Reclassification	40,979	-	-	40,979
Effect of foreign currency exchange differences	(1,086)	(16,954)	(110)	(18,150)
Balance at June 30, 2020	$ 2,247,722	$ 1,125,911	$ 7,241	$ 3,380,874
Accumulated amortization and impairment				
Balance at January 1, 2020	$ 981,402	$ -	$ 6,789	$ 988,191
Amortization	133,030	-	549	133,579
Effect of foreign currency exchange differences	(869)	-	(109)	(978)
Balance at June 30, 2020	$ 1,113,563	$ -	$ 7,229	$ 1,120,792
Carrying amounts				
Balance at June 30, 2020	$ 1,134,159	$ 1,125,911	$ 12	$ 2,260,082
Cost				
Balance at January 1, 2019	$ 2,120,054	$ 1,166,769	$ 7,506	$ 3,294,329
Additions	48,420	-	-	48,420
Scrapped	(360)	-	-	(360)
Reclassification	(90,259)	-	-	(90,259)
Effect of foreign currency exchange differences	795	12,573	82	13,450
Balance at June 30, 2019	$ 2,078,650	$ 1,179,342	$ 7,588	$ 3,265,580

(Continued)

	Computer Software	Goodwill	Others	Total
Accumulated amortization and impairment				
Balance at January 1, 2019	$ 832,353	$ -	$ 4,676	$ 837,029
Amortization	122,870	-	1,134	124,004
Scrapped	(360)	-	-	(360)
Reclassification	(100,510)	-	-	(100,510)
Effect of foreign currency exchange differences	617	-	54	671
Balance at June 30, 2019	$ 854,970	$ -	$ 5,864	$ 860,834
Carrying amounts				
Balance at June 30, 2019	$ 1,223,680	$ 1,179,342	$ 1,724	$ 2,404,746

(Concluded)

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

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

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

20. OTHER ASSETS

	June 30, 2020	December 31, 2019	June 30, 2019
Refundable deposits	$ 232,759	$ 270,472	$ 215,395
Life insurance cash surrender value	337,957	340,513	349,615
Prepayment	120,785	106,004	126,750
Others	186,086	199,785	213,188
	$ 877,587	$ 916,774	$ 904,948

21. DUE TO THE CENTRAL BANK AND OTHER BANKS

	June 30, 2020	December 31, 2019	June 30, 2019
Due to other banks	$ 42,083,733	$ 34,030,540	$ 35,577,997
Deposits from Chunghwa Post Co., Ltd.	7,000,000	7,000,000	-
Call loans from the Central Bank	2,966,020	2,408,858	3,108,004
	$ 52,049,753	$ 43,439,398	$ 38,686,001

22. BILLS AND BONDS SOLD UNDER REPURCHASE AGREEMENTS

	June 30, 2020	December 31, 2019	June 30, 2019
Bills	$ 55,818,402	$ 61,873,869	$ 61,617,186
Government bonds	27,529,044	27,297,780	28,593,601
Corporate bonds	55,611,611	51,926,418	48,628,813
Bank debentures	19,330,030	18,455,318	18,531,294
	$ 158,289,087	$ 159,553,385	$ 157,370,894
Date of agreement to repurchase	Before June 2021	Before December 2020	Before March 2020
Amount of agreement to repurchase	$ 158,384,172	$ 159,673,835	$ 157,472,773

23. PAYABLES

	June 30, 2020	December 31, 2019	June 30, 2019
Investment settlements payable	$ 859,401	$ 418,947	$ 179,771
Settlement accounts payable - trusteeship	86,899	129,703	98,579
Dividends payable	1,785,464	150	771,614
Acceptances	154,920	220,594	178,750
Accrued interest	671,792	891,220	1,010,226
Accrued expenses	638,394	979,218	664,567
Collections payable	97,967	117,230	117,305
Factored payables	119,936	252,912	1,782,634
Checks clearing payables	35,248	535,095	137,432
Others	298,137	142,552	149,519
	$ 4,748,158	$ 3,687,621	$ 5,090,397

24. DEPOSITS AND REMITTANCES

	June 30, 2020	December 31, 2019	June 30, 2019
Deposits			
Checking	$ 4,149,161	$ 4,553,278	$ 4,520,054
Demand	42,860,145	41,890,065	46,645,249
Time	209,495,620	202,575,243	207,936,564
Export remittances	20,813	63,717	12,448
Savings deposits	15,752,474	16,649,521	9,845,990
	$ 272,278,213	$ 265,731,824	$ 268,960,305

25. BANK DEBENTURES PAYABLE

	June 30, 2020	December 31, 2019	June 30, 2019
Subordinate bonds first issued in 2012; fixed 1.85% interest rate; maturity: August 17, 2019; interest paid annually and repayment of the principal at maturity	$ -	$ -	$ 1,650,000
Subordinate bonds first issued in 2013; fixed 1.95% interest rate; maturity: May 30, 2020; interest paid annually and repayment of the principal at maturity	-	2,300,000	2,300,000
Subordinate bonds first issued in 2014; fixed 1.95% interest rate; maturity: March 27, 2021; interest paid annually and repayment of the principal at maturity	1,300,000	1,300,000	1,300,000
Subordinate bonds second issued in 2014; fixed 1.85% interest rate; maturity: June 26, 2021; interest paid annually and repayment of the principal at maturity	1,000,000	1,000,000	1,000,000
Subordinate bonds third issued in 2014; fixed 1.95% interest rate; maturity: September 26, 2021; interest paid annually and repayment of the principal at maturity	600,000	600,000	600,000
Subordinate bonds forth issued in 2014; fixed 2.2% interest rate; maturity: May 5, 2022; interest paid annually and repayment of the principal at maturity	1,500,000	1,500,000	1,500,000
Subordinate bonds first issued in 2015; fixed 1.85% interest rate; maturity: December 29, 2022; interest paid annually and repayment of the principal at maturity	1,000,000	1,000,000	1,000,000
Subordinate bonds A first issued in 2016; fixed 1.70% interest rate; maturity: June 29, 2023; interest paid annually and repayment of the principal at maturity	1,500,000	1,500,000	1,500,000

(Continued)

	June 30, 2020	December 31, 2019	June 30, 2019
Subordinate bonds B first issued in 2016; fixed 1.80% interest rate; maturity: June 29, 2024; interest paid annually and repayment of the principal at maturity	$ 1,500,000	$ 1,500,000	$ 1,500,000
Subordinate bonds first issued in 2017; fixed 1.97% interest rate; maturity: September 5, 2027; interest paid annually and repayment of the principal at maturity	2,000,000	2,000,000	2,000,000
Subordinate bonds type A second issued in 2017; fixed 4% interest rate; no maturity, interest paid annually	750,000	750,000	750,000
Subordinate bonds type B second issued in 2017; fixed 1.82% interest rate; maturity: December 27, 2027; interest paid annually and repayment of the principal at maturity	1,000,000	1,000,000	1,000,000
Subordinate bonds type A first issued in 2018; fixed 4% interest rate; no maturity, interest paid annually	700,000	700,000	700,000
Subordinate bonds type B first issued in 2018; fixed 1.75% interest rate; maturity: June 29, 2028; interest paid annually and repayment of the principal at maturity	1,050,000	1,050,000	1,050,000
Subordinate bonds first issued in 2019; fixed 1.5% interest rate; maturity: June 6, 2026; interest paid annually and repayment of the principal at maturity	2,500,000	2,500,000	2,500,000
	$ 16,400,000	$ 18,700,000	$ 20,350,000

(Concluded)

26. OTHER FINANCIAL LIABILITIES

	June 30, 2020	December 31, 2019	June 30, 2019
Bank borrowings	$ 8,998,434	$ 8,940,610	$ 10,037,538
Commercial papers payable	1,959,758	500,000	2,999,243
Structured products	187,741	517,749	700,797
Funds obtained from the government - intended for specific types of loans	2,634,525	2,950,900	3,815,935
	$ 13,780,458	$ 12,909,259	$ 17,553,513

a. Bank borrowings

	June 30, 2020	December 31, 2019	June 30, 2019
Short-term borrowings	$ 6,102,934	$ 4,513,495	$ 5,766,580
Long-term borrowings	2,895,500	4,427,115	4,270,958
	$ 8,998,434	$ 8,940,610	$ 10,037,538
Interest rate interval			
New Taiwan dollars	1.00%-1.25%	1.00%-1.55%	1.21%-1.60%
U.S. dollars	0.95%-2.62%	3.14%-3.40%	2.52%-4.15%
Renminbi	4.69%-5.70%	4.69%-5.94%	4.79%-6.18%

b. Commercial papers payable

	June 30, 2020	December 31, 2019	June 30, 2019
Commercial papers payable	$ 1,960,000	$ 500,000	$ 3,000,000
Less: Unamortized discount	(242)	-	(757)
	$ 1,959,758	$ 500,000	$ 2,999,243
Interest rate interval	0.44%-1.15%	1.19%-1.3%	0.56%-1.26%

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

	June 30, 2020	December 31, 2019	June 30, 2019
Funds obtained from the government - intended for specific types of loans	$ 2,634,525	$ 2,950,900	$ 3,815,935

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

27. PROVISIONS

	June 30, 2020	December 31, 2019	June 30, 2019
Provisions for employee benefits	$ 295,404	$ 304,271	$ 304,876
Provisions for losses on guarantees contracts	1,614,894	1,543,817	1,534,175
Provision for losses on financing commitment	81,226	66,966	79,723
	$ 1,991,524	$ 1,915,054	$ 1,918,774

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

28. RETIREMENT BENEFIT PLANS

Defined Contribution Plan

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

The amount to be paid in accordance with the percentage specified in the proposed plan for the three months ended June 30, 2020 and 2019 and the six months ended June 30, 2020 and 2019 was recognized in the consolidated statements of comprehensive income in the total amounts of $17,975 thousand, $17,672 thousand, $37,026 thousand, and $32,908 thousand, respectively.

Defined Benefit Plan

The retirement expense recognized under defined benefit plans for the three months ended June 30, 2020 and 2019 and the six months ended June 30, 2020 and 2019 were calculated using the respective 2019 and 2018 annually determined discount rates as of December 31, 2019 and 2018 and amounted to $1,876 thousand, $2,149 thousand, $3,767 thousand, and $4,277 thousand, respectively.

29. OTHER LIABILITIES

	June 30, 2020	December 31, 2019	June 30, 2019
Guarantee deposits received	$ 1,675,523	$ 1,838,707	$ 1,968,538
Advance revenue	26,477	28,691	114,173
Payable for custody	32,407	56,585	27,081
Others	528,921	492,868	361,784
	$ 2,263,328	$ 2,416,851	$ 2,471,576

30. EQUITY

a. Capital stock

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

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

On July 7, 2020, the Bank's board of directors resolved to issue new shares in cash, and have sent the application to the authority. The Bank expects to issue 320,000 thousand common shares with a par value of $10 and plans to be issued at $6.5 per share.

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

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

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

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

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

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

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

b. Capital surplus

	June 30, 2020	December 31, 2019	June 30, 2019
May be used to offset a deficit, distributed as dividends, or transferred to capital stock (Note)			
Treasury share transactions	$ 3,193	$ 3,193	$ 3,193
Stock-based payments	4,537	4,537	4,537
Must be used to offset a deficit			
Unclaimed dividends	985	649	649
May not be used for any purpose			
Share of changes in capital surplus of associates or joint ventures	1,859	1,371	1,378
	$ 10,574	$ 9,750	$ 9,757

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

c. Retained earnings and dividend policy

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

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

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

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

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

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

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

For the policies on distribution of employees' compensation and remuneration of directors, please refer to Note 35.

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

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

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

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

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

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

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

d. Other equity items

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

	For the Six Months Ended June 30	
	2020	2019
Balance at January 1	$ (307,473)	$ (92,806)
Exchange differences arising on translating the financial statements of foreign operations	(186,039)	100,994
Income tax related to gains arising on translating the financial statements of foreign operations	16,026	(10,978)
Balance at June 30	$ (477,486)	$ (2,790)

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

	For the Six Months Ended June 30	
	2020	2019
Balance at January 1	$ 239,996	$ (67,175)
Recognized during the period		
Unrealized gain (loss) - debt instruments	110,291	241,065
Unrealized gain (loss) - equity instruments	41,899	173,890
Loss allowance of debt instruments	2,203	1,479
Other comprehensive income recognized in the period	154,393	416,434
Cumulative unrealized gain (loss) of equity instruments transferred to retained earnings due to disposal	32,789	(116,783)
Balance at June 30	$ 427,178	$ 232,476

e. Non-controlling interests

	For the Six Months Ended June 30	
	2020	2019
Balance at January 1	$ 17,557,074	$ 17,129,584
Attribute to non-controlling interests		
Share of profit for the year	537,070	471,412
Capital surplus	1,232	2,307
Exchange differences arising on translation of foreign entities	(7,111)	4,835
Unrealized gains and losses on FVTOCI	319,005	211,518
Actuarial profit and loss of defined benefit plans	64	(23)
Cash dividends distributed by subsidiary	(692,624)	(759,963)
Balance at June 30	$ 17,714,710	$ 17,059,670

f. Treasury shares

Unit: In Thousand of Shares

	For the Six Months Ended June 30, 2020
Number of shares at January 1, 2020	-
Increase during the period	5,737
Number of shares at June 30, 2020	5,737

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

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

31. NET INTEREST

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Interest revenue				
Discounts and loans	$ 1,227,803	$ 1,570,369	$ 2,629,587	$ 3,109,456
Investments in securities	466,165	515,263	973,598	1,030,085
Installment sales and leases	206,149	248,241	442,101	513,274
Due from the Central Bank and call loans to other banks	33,733	77,166	85,132	164,325
Others	20,288	26,592	42,977	63,301
	1,954,138	2,437,631	4,173,395	4,880,441
Interest expense				
Deposits	593,158	855,356	1,348,741	1,691,568
Due to the Central Bank and other banks	63,775	150,439	166,160	331,112
Bank debentures	89,560	94,503	183,016	185,464
Bills and bonds sold under repurchase agreements	197,822	247,281	450,992	493,690
Others	71,294	98,176	160,458	200,849
	1,015,609	1,445,755	2,309,367	2,902,683
	$ 938,529	$ 991,876	$ 1,864,028	$ 1,977,758

32. SERVICE FEE REVENUE, NET

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Service fee				
Guarantee business	$ 240,395	$ 220,581	$ 472,171	$ 421,005
Loan business	21,077	66,450	44,143	137,882
Underwrite business	118,706	74,834	223,183	151,108
Trust business	8,105	7,235	14,600	13,839
Lease business	60,083	61,681	91,136	106,944
Credit examining business	31,723	68,487	91,059	182,194
Import and export business	2,338	6,251	5,778	12,988
Factoring business	5,728	13,001	10,600	25,179
Insurance agent business	30,202	31,171	52,370	71,853
Others	13,438	15,467	27,760	28,263
	531,795	565,158	1,032,800	1,151,255
Service charge				
Others	26,950	34,229	56,148	73,900
	$ 504,845	$ 530,929	$ 976,652	$ 1,077,355

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Realized gains or losses				
Bills	$ 27,011	$ 12,668	$ 42,519	$ 27,012
Stocks	70,371	24,982	33,522	97,596
Bonds	10,962	10,268	2,907	22,787
Derivatives	(224,845)	582,824	(363,873)	890,706
	(116,501)	630,742	(284,925)	1,038,101
Gains (losses) on valuation				
Bills	(23,624)	(14,471)	47,186	15,738
Stocks	20,740	(10,728)	(2,987)	23,131
Bonds	19,601	(2,681)	3,915	14,196
Derivatives	(38,228)	65,361	244,136	(7,746)
	(21,511)	37,481	292,250	45,319
Interest revenue	235,604	277,321	522,939	540,584
	$ 97,592	$ 945,544	$ 530,264	$ 1,624,004

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Realized income - debt instruments	$ 24,631	$ 60,826	$ 154,634	$ 98,704
Dividend revenue	17,447	19,957	22,069	22,145
	$ 42,078	$ 80,783	$ 176,703	$ 120,849

35. EMPLOYEE BENEFITS EXPENSES

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Short-term employee benefits				
Salaries and wages	$ 570,203	$ 556,805	$ 1,115,547	$ 1,133,977
Labor insurance and national health insurance	32,605	40,892	68,133	79,203
Others	22,763	51,496	78,036	126,158
Post-employment benefits				
Pension expenses	19,851	19,821	40,793	37,185
Pension benefits	7	-	584	-
	$ 645,429	$ 669,014	$ 1,303,093	$ 1,376,523

The Bank accrued employees' compensation and remuneration of directors at the rates between 1% to 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 six months ended June 30, 2020 and 2019 were as follows:

Accrual rate

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

Amount

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Employees' compensation	$ 4,825	$ 3,750	$ 6,250	$ 11,062
Remuneration of directors	$ 9,650	$ 7,501	$ 12,500	$ 22,125

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

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

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

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

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

36. DEPRECIATION AND AMORTIZATION EXPENSES

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	**2019**	**2020**	**2019**
Property and equipment	$ 50,309	$ 49,329	$ 100,662	$ 98,390
Right-of-use assets	38,320	42,081	77,133	83,915
Intangible assets	67,297	62,878	133,579	124,004
	$ 155,926	$ 154,288	$ 311,374	$ 306,309

37. OTHER GENERAL AND ADMINISTRATIVE EXPENSE

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	**2019**	**2020**	**2019**
Taxation	$ 59,129	$ 64,559	$ 118,437	$ 134,644
Rental	1,060	10,843	5,993	13,965
Management fees	13,344	11,331	24,551	23,155
Computer operating and consulting fees	70,687	70,202	145,106	134,035
Entertainment	9,681	12,757	21,329	26,521
Professional services	20,380	20,618	43,364	42,733
Advertisement	6,941	30,704	17,854	50,049
Others	71,870	88,248	152,759	203,847
	$ 253,092	$ 309,262	$ 529,393	$ 628,949

38. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Current tax				
In respect of the current period	$ 98,364	$ 190,195	$ 259,668	$ 439,425
Income tax on unappropriated earnings	-	5,226	-	12,537
Adjustment of prior period	(18,827)	(8,432)	(18,827)	(8,432)
	79,537	186,989	240,841	443,530
Deferred tax				
In respect of the current period	72,002	(2,885)	61,332	(27,944)
Income tax expense recognized in profit or loss	$ 151,539	$ 184,104	$ 302,173	$ 415,586

b. Income tax recognized in other comprehensive income

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Deferred tax				
Translation of foreign operations	$ (36,155)	$ 4,773	$ (30,448)	$ 14,959
Gains (losses) on remeasurements of defined benefit plans	-	-	22	(8)
Unrealized gain on financial assets at FVTOCI	159,829	33,874	53,793	69,115
Income tax expense recognized in other comprehensive income	$ 123,674	$ 38,647	$ 23,367	$ 84,066

c. Assessment of the income tax returns

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

39. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	**2019**	**2020**	**2019**
Basic earnings per share				
From continuing operations	$ 0.09	$ 0.10	$ 0.14	$ 0.30
From discontinued operations	-	-	-	-
Total basic earnings per share	$ 0.09	$ 0.10	$ 0.14	$ 0.30
Diluted earnings per share				
From continuing operations	$ 0.08	$ 0.10	$ 0.12	$ 0.30
From discontinued operations	-	-	-	-
Total diluted earnings per share	$ 0.08	$ 0.10	$ 0.12	$ 0.30

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

Net Profit for the Period

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	**2019**	**2020**	**2019**
Profit for the period attributable to owners of the Bank	$ 338,758	$ 266,018	$ 454,198	$ 738,310
Less: Declared preferred stock dividend	127,500	11,527	127,500	11,527
Earnings used in the computation of basic earnings per share	211,258	254,491	326,698	726,783
Less: Profit (loss) for the period from discontinued operations used in the computation of basic earnings per share from discontinued operations	(1,300)	1,774	(10,365)	(2,161)
Earnings used in the computation of basic and diluted earnings per share from continuing operations	$ 212,558	$ 252,717	$ 337,063	$ 728,944

Stock (In Thousand Shares)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	**2019**	**2020**	**2019**
Weighted average number of common stocks in computation of basic earnings per share	2,403,896	2,413,006	2,410,441	2,413,006
Effect of potentially dilutive common stocks:				
Employees' compensation issued to employees	669	455	2,011	1,658
Convertible preferred stock	300,000	-	300,000	-
Weighted average number of common stocks in the computation of diluted earnings per share	2,704,565	2,413,461	2,712,452	2,414,664

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

40. RELATED PARTY TRANSACTIONS

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

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

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

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

1) Deposits (part of deposits and remittances)

	Ending Balance	Interest Expense	Rate (%)
For the six months ended June 30, 2020			
Associates	$ 2,145	$ 1	0.05
Others	4,254,641	27,050	0.00-6.56
	$ 4,256,786	$ 27,051	
For the six months ended June 30, 2019			
Associates	$ 18,454	$ 13	0.00-0.45
Others	3,638,129	34,023	0.00-6.56
	$ 3,656,583	$ 34,036	

2) Loan

	Maximum Balance	Ending Balance	Interest Income	Rate (%)
For the six months ended June 30, 2020				
Others	$ 430,000	$ 430,000	$ 2,781	1.18
For the six months ended June 30, 2019				
Others	$ 430,000	$ 430,000	$ 3,077	1.44

June 30, 2020

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, 2019

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

June 30, 2019							
Category	**Name**	**Maximum Balance (Note)**	**Ending Balance**	**Normal Loans**	**Non-performing Loans**	**Collateral**	**Difference of Terms of the Trans-actions with Unrelated Parties**
Others	TCC	$ 430,000	$ 430,000	$ 430,000	$ -	Real estate	None

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

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	**2019**	**2020**	**2019**
Others	$ 18	$ 14	$ 24	$ 17

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

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	**2019**	**2020**	**2019**
Others	$ -	$ -	$ 5,720	$ 4,800

Other expenses are donations.

c. Compensation of key management personnel

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	**2019**	**2020**	**2019**
Short-term employee benefits	$ 57,180	$ 63,566	$ 120,306	$ 127,723
Post-employment benefits	2,181	2,443	4,510	4,974
Stock-based payments	-	5	-	335
	$ 59,361	$ 66,014	$ 124,816	$ 133,032

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

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

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

41. PLEDGED ASSETS

	June 30, 2020	December 31, 2019	June 30, 2019
Financial assets at FVTPL	$ 13,907,013	$ 19,061,425	$ 15,560,296
Financial assets at FVTOCI	10,959,705	2,394,458	2,345,426
Discounts and loans	5,248,522	5,760,047	7,121,202
Pledged time deposits	734,616	741,091	753,553
Compensation account for payment	20,251	116,258	39,117
	$ 30,870,107	$ 28,073,279	$ 25,819,594

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

42. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

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

	June 30, 2020	December 31, 2019	June 30, 2019
Office decorating and contracts of computer software			
Amount of contracts	$ 69,054	$ 126,642	$ 117,315
Payments for construction in progress and prepayments for equipment	54,807	91,330	51,366

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

43. TRUST BUSINESS UNDER THE TRUST LAW

Balance Sheet of Trust Accounts

	June 30, 2020	December 31, 2019	June 30, 2019
Trust assets			
Petty cash	$ 100	$ 100	$ 100
Bank deposits	1,672,049	1,665,135	1,541,254
Financial assets	2,886,964	2,875,818	2,544,919
Receivables	27	35	41
Prepayments	394	1,578	1,215
Real estate	7,729,005	8,238,959	7,761,780
Other assets	23,906	26,705	29,490
Total trust assets	$ 12,312,445	$ 12,808,330	$ 11,878,799
Trust capital and liabilities			
Payables	$ 1,202	$ 2,204	$ 1,588
Unearned receipts	1,709	1,266	1,267
Taxes payable	2,948	4,297	2,940
Guarantee deposits received	57,870	64,658	70,411
Other liabilities	976	1,024	979
Trust capital	12,085,697	12,572,930	11,640,800
Provisions and accumulated profit and loss	162,043	161,951	160,814
Total trust capital and liabilities	$ 12,312,445	$ 12,808,330	$ 11,878,799

Income Statements of Trust Accounts

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Trust revenue				
Interest revenue	$ 1,161	$ 2,068	$ 2,627	$ 12,054
Rent revenue	29,030	29,437	58,106	58,901
Other revenue	362	7	725	8
	30,553	31,512	61,458	70,963
Trust expenses				
Management fees	(518)	(307)	(1,381)	(512)
Service charge	(1,212)	(26)	(2,517)	(50)
Other expenses	(3,386)	(3,274)	(6,669)	(6,520)
Tax	(3,495)	(3,541)	(7,094)	(7,147)
Income tax expense	(93)	(183)	(210)	(1,157)
	(8,704)	(7,331)	(17,871)	(15,386)
	$ 21,849	$ 24,181	$ 43,587	$ 55,577

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

Trust Property List

	June 30, 2020	December 31, 2019	June 30, 2019
Petty cash	$ 100	$ 100	$ 100
Bank deposits	1,672,049	1,665,135	1,541,254
Bonds	88,963	-	-
Stocks	228,378	228,378	228,378
Funds	2,569,623	2,647,440	2,316,541
Land	6,888,414	7,398,368	6,917,446
Buildings	840,591	840,591	844,334
Receivables	27	35	41
Prepayments	394	1,578	1,215
Other	23,906	26,705	29,490
	$ 12,312,445	$ 12,808,330	$ 11,878,799

44. FINANCIAL INSTRUMENTS

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

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

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

	June 30, 2020		December 31, 2019		June 30, 2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets						
Investments in debt instruments at amortised cost	$ -	$ -	$ -	$ -	$ 500,000	$ 500,141
Financial liabilities						
Bank debentures payable	16,400,000	16,690,438	18,700,000	18,808,992	20,350,000	20,406,381

2) The fair value hierarchy

Financial Instrument Items at Fair Value	June 30, 2020 Total	Level 1	Level 2	Level 3
Financial liabilities				
Bank debentures payable	$ 16,690,438	$ 16,690,438	$ -	$ -

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	June 30, 2019 Total	Level 1	Level 2	Level 3
Financial assets				
Investments in debt instruments at amortised cost	$ 500,141	$ -	$ 500,141	$ -
Financial liabilities				
Bank debentures payable	20,406,381	20,406,381	-	-

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

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

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

Item	June 30, 2020 Total	Level 1	Level 2	Level 3
Non-derivative financial instruments				
Assets				
Financial assets at FVTPL				
Stocks and beneficial certificates	$ 951,648	$ 326,119	$ 500,000	$ 125,529
Bonds	99,253	-	99,253	-
Bills	100,518,026	-	100,518,026	-
Convertible bonds and structured bonds	12,051,624	144,366	1,515,630	10,391,628
Negotiable certificates of deposit	44,779,759	-	44,779,759	-
Financial assets at FVTOCI				
Equity instruments	4,857,373	4,073,204	128,129	656,040
Debt instruments	130,296,153	-	130,296,153	-
Negotiable certificates of deposit	27,643,162	-	27,643,162	-
Liabilities				
Financial liabilities at FVTPL	9,259	-	9,259	-
Derivative financial instruments				
Assets				
Financial assets at FVTPL	258,347	-	258,347	-
Liabilities				
Financial liabilities at FVTPL	385,043	-	385,043	-

Item	December 31, 2019			
	Total	Level 1	Level 2	Level 3
Non-derivative financial instruments				
Assets				
Financial assets at FVTPL				
Stocks and beneficial certificates	$ 1,257,942	$ 554,399	$ 500,000	$ 203,543
Bonds	99,992	-	99,992	-
Bills	91,656,052	-	91,656,052	-
Convertible bonds and structured bonds	10,078,449	120,203	1,334,797	8,623,449
Negotiable certificates of deposit	69,631,538	-	69,631,538	-
Financial assets at FVTOCI				
Equity instruments	3,003,645	2,018,913	130,028	854,704
Debt instruments	139,109,125	-	139,109,125	-
Liabilities				
Financial liabilities at FVTPL	4,462	-	4,462	-
Derivative financial instruments				
Assets				
Financial assets at FVTPL	189,220	$ -	189,220	-
Liabilities				
Financial liabilities at FVTPL	529,120	-	529,120	-

Item	June 30, 2019			
	Total	Level 1	Level 2	Level 3
Non-derivative financial instruments				
Assets				
Financial assets at FVTPL				
Stocks and beneficial certificates	$ 351,013	$ 272,806	$ -	$ 78,207
Bills	87,373,384	-	87,373,384	-
Convertible bonds and structured bonds	9,560,026	186,738	1,305,702	8,067,586
Negotiable certificates of deposit	65,266,663	-	65,266,663	-
Financial assets at FVTOCI				
Equity instruments	2,008,734	1,084,394	136,182	788,158
Debt instruments	140,967,897	-	140,967,897	-
Liabilities				
Financial liabilities at FVTPL	1,941	-	1,941	-
Derivative financial instruments				
Assets				
Financial assets at FVTPL	355,719	-	355,719	-
Liabilities				
Financial liabilities at FVTPL	327,231	-	327,231	-

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

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

a) Marking-to-market

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

i. Ensure the consistency and completeness of market data.

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

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

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

b) Marking-to-model

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

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

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

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

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

3) Reconciliation of the financial instruments classified in Level 3

For the six months ended June 30, 2020

Financial Assets	Financial Assets at Fair Value Through Profit or Loss		Financial Assets at Fair Value Through Other Compre-hensive Income Equity Instruments	Total
	Hybrid Financial Assets	Equity Instruments		
Beginning balance	$ 8,623,449	$ 203,543	$ 854,704	$ 9,681,696
Recognition in profit or loss - financial assets at fair value through profit or loss	21,879	(38,366)	-	(16,487)
Recognition in other comprehensive income - financial assets at fair value through other comprehensive income	-	-	33,864	33,864
Purchases	5,656,300	89,352	-	5,745,652
Disposals	(3,910,000)	(1,132)	(232,528)	(4,143,660)
Other	-	(127,868)	-	(127,868)
Ending balance	$ 10,391,628	$ 125,529	$ 656,040	$ 11,173,197

For the six months ended June 30, 2019

Financial Assets	Financial Assets at Fair Value Through Profit or Loss		Financial Assets at Fair Value Through Other Compre-hensive Income Equity Instruments	Total
	Hybrid Financial Assets	Equity Instruments		
Beginning balance	$ 6,498,395	$ 71,499	$ 856,518	$ 7,426,412
Recognition in profit or loss - financial assets at fair value through profit or loss	10,991	6,708	-	17,699
Recognition in other comprehensive income - financial assets at fair value through other comprehensive income	-	-	(62,127)	(62,127)
Purchases	5,587,400	-	-	5,587,400
Disposals	(4,029,200)	-	(92,514)	(4,121,714)
Other	-	-	86,281	86,281
Ending balance	$ 8,067,586	$ 78,207	$ 788,158	$ 8,933,951

The assets held at the balance sheet date, which were included in the profit and loss and the unrealized gains and losses on June 30, 2020 and 2019, were consisted of $41,589 thousand in profit and $10,991 thousand in profit, respectively.

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

4) Transfers between Level 1 and Level 2

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

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

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

For the six months ended June 30, 2020

Item	Movement: Upward/ Downward	Effect on Profit and Loss		Effect on Other Comprehensive Income	
		Favorable	Unfavorable	Favorable	Unfavorable
Convertible bond	1BP	$ 1,476	$ (1,476)	$ -	$ -
Equity instruments	10%	12,553	(12,553)	74,343	(74,343)

For the six months ended June 30, 2019

Item	Movement: Upward/ Downward	Effect on Profit and Loss		Effect on Other Comprehensive Income	
		Favorable	Unfavorable	Favorable	Unfavorable
Convertible bond	1BP	$ 1,199	$ (1,199)	$ -	$ -
Equity instruments	10%	7,821	(7,821)	85,854	(85,854)

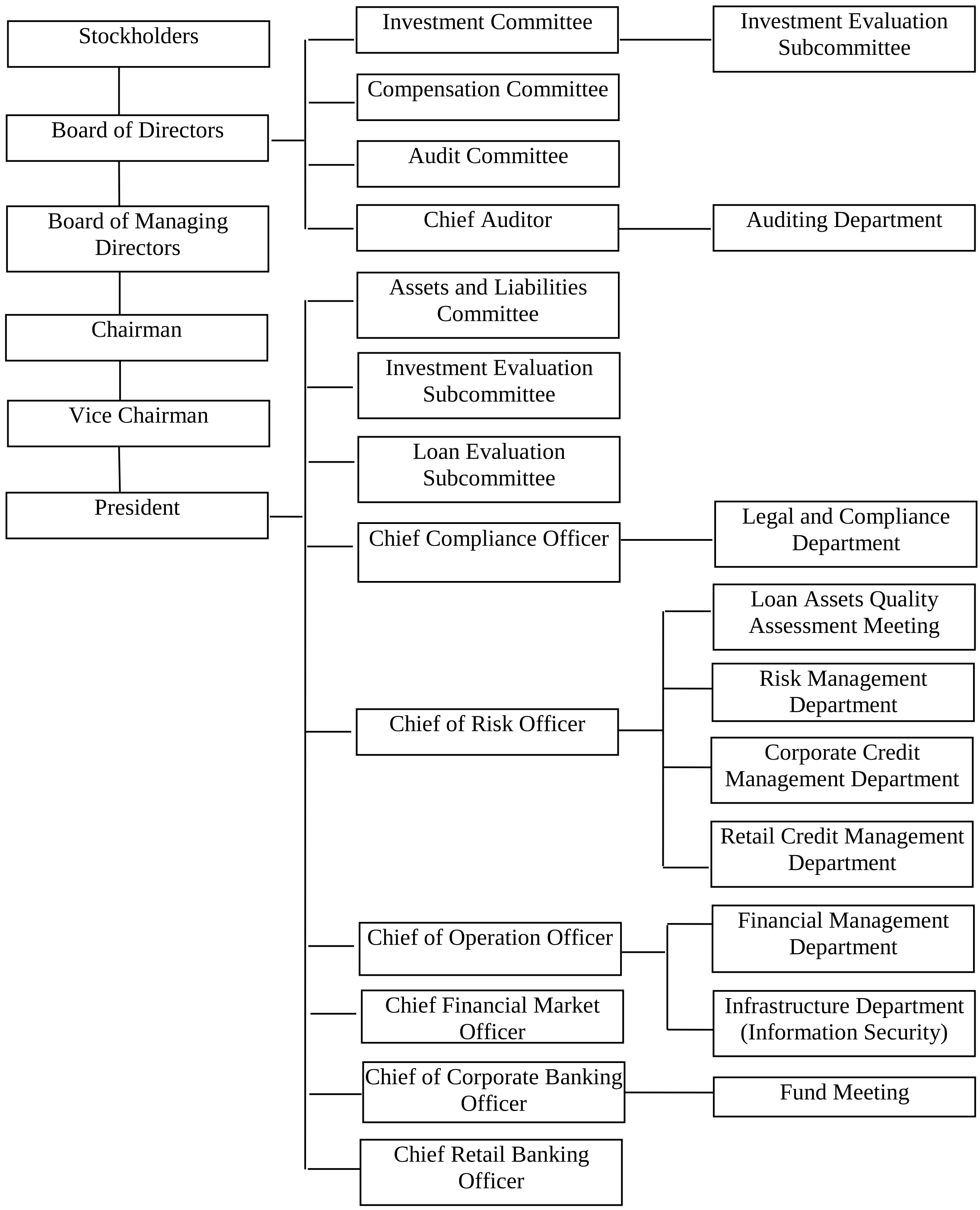
45. FINANCIAL RISK MANAGEMENT

a. Overview

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

b. Risk management framework

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



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

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

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

4) Loan and investment assets held for various businesses:

   a) Loan assets quality assessment meeting

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

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

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

   b) Investment assets quality assessment meeting

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

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

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

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

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

c. Credit risk

1) Sources and definition of credit risk

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

2) Strategy/objectives/policies and procedures

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

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

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

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

d) Credit risk management process:

i. Risk identification

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

ii. Risk measurement

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

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

ii) Portfolio management:

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

iii. Risk communication

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

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

iv. Risk monitoring

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

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

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

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

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

3) Credit risk management and framework

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

6) Maximum exposure to credit risk

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

Off-balance Sheet Item	Maximum Exposure Amount		
	June 30, 2020	December 31, 2019	June 30, 2019
Financial guarantees and irrevocable documentary letter of credit			
Contract amounts	$ 136,885,745	$ 129,913,751	$ 129,404,780
Maximum exposure amounts	136,885,745	129,913,751	129,404,780
Loan commitments	38,005,926	52,430,535	56,218,596

7) Concentration of credit risk exposure

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

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

a) By industry

Credit Risk Profile by Industry Sector	June 30, 2020		December 31, 2019		June 30, 2019	
	Amount	%	Amount	%	Amount	%
Financial and insurance	$ 79,487,350	26	$ 80,703,164	26	$ 87,580,301	28
Manufacturing	65,925,793	22	66,421,881	22	33,150,294	11
Real estate	59,062,702	19	59,667,556	20	60,589,742	19

b) By counterparty

Credit Risk Profile by Industry Sector	June 30, 2020		December 31, 2019		June 30, 2019	
	Amount	%	Amount	%	Amount	%
Private sector	$ 163,706,026	83	$ 168,455,809	86	$ 185,666,493	90
Natural person	33,247,592	17	28,502,648	14	21,197,795	10

c) By geographical area

Credit Risk Profile by Industry Sector	June 30, 2020		December 31, 2019		June 30, 2019	
	Amount	%	Amount	%	Amount	%
Domestic	$ 125,974,167	64	$ 123,721,500	63	$ 127,121,185	61
Other Asia area	28,077,760	14	27,253,098	14	32,357,474	16
America	34,801,908	18	37,043,347	19	38,194,700	18

8) Credit quality and impairment assessment of financial assets

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

The related financial asset impairment valuation is as follows:

a) Credit business (including loan commitments and guarantees)

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

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

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

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

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

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

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

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

b) Credit risk management for investments in debt instruments

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

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

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

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

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

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

Category	**June 30, 2020**	**December 31, 2019**	**June 30, 2019**
Performing	$ 155,703,998	$ 136,955,987	$ 138,806,240
Doubtful	1,000,032	1,400,040	1,400,048
In default	-	-	-

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

	Credit Rating		
	Performing (12-month ECLs)	**Doubtful (Lifetime ECLs - Not Credit-impaired)**	**Total**
Balance at January 1, 2020	$ 38,272	$ 8,136	$ 46,408
Provision (reversal of provision)	792	3,923	4,715
New financial assets purchased	3,059	-	3,059
Derecognition of financial assets	(2,155)	-	(2,155)
Change in model or risk parameters	18	-	18
Exchange rates or others	(57)	-	(57)
Balance at June 30, 2020	$ 39,929	$ 12,059	$ 51,988

	Credit Rating		
	Performing (12-month ECLs)	**Doubtful (Lifetime ECLs - Not Credit-impaired)**	**Total**
Balance at January 1, 2019	$ 35,671	$ -	$ 35,671
Transfers			
Performing to Doubtful	(923)	923	-
Provision (reversal of provision)	(1,485)	9,090	7,605
New financial assets purchased	1,628	-	1,628
Derecognition of financial assets	(1,734)	-	(1,734)
Change in model or risk parameters	(638)	-	(638)
Exchange rates or others	80	-	80
Balance at June 30, 2019	$ 32,599	$ 10,013	$ 42,612

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

a) Credit analysis for receivables and discounts and loans

June 30, 2020

	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Difference of Impairment Loss Under Regulations	Total
Receivables	$ 15,070,717	$ 78,549	$ 353,252	$ -	$ 15,502,518
Allowance for credit losses	(186,118)	(32,098)	(206,179)	-	(424,395)
Difference of impairment loss under regulations	-	-	-	(15,080)	(15,080)
Net total	$ 14,884,599	$ 46,451	$ 147,073	$ (15,080)	$ 15,063,043

	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Difference of Impairment Loss Under Regulations	Total
Discounts and loans	$ 178,615,469	$ 15,737,785	$ 2,600,364	$ -	$ 196,953,618
Allowance for credit losses	(702,784)	(214,847)	(381,714)	-	(1,299,345)
Difference of impairment loss under regulations	-	-	-	(1,422,404)	(1,422,404)
Net total	$ 177,912,685	$ 15,522,938	$ 2,218,650	$ (1,422,404)	$ 194,231,869

December 31, 2019

	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Difference of Impairment Loss Under Regulations	Total
Receivables	$ 16,348,342	$ 190,010	$ 425,106	$ -	$ 16,963,458
Allowance for credit losses	(196,173)	(35,928)	(226,869)	-	(458,970)
Difference of impairment loss under regulations	-	-	-	(21,314)	(21,314)
Net total	$ 16,152,169	$ 154,082	$ 198,237	$ (21,314)	$ 16,483,174

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

June 30, 2019

	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Difference of Impairment Loss Under Regulations	Total
Receivables	$ 16,638,689	$ 237,433	$ 468,757	$ -	$ 17,344,879
Allowance for credit losses	(185,635)	(88,276)	(248,584)	-	(522,495)
Impairment provide in accordance with law Non-accrual Loans	-	-	-	(30,861)	(30,861)
Net total	$ 16,453,054	$ 149,157	$ 220,173	$ (30,861)	$ 16,791,523

	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Difference of Impairment Loss Under Regulations	Total
Discounts and loans	$ 187,865,864	$ 16,194,487	$ 2,803,937	$ -	$ 206,864,288
Allowance for credit losses	(247,248)	(31,148)	(975,042)	-	(1,253,438)
Impairment provide in accordance with law Non-accrual Loans	-	-	-	(2,113,985)	(2,113,985)
Net total	$ 187,618,616	$ 16,163,339	$ 1,828,895	$ (2,113,985)	$ 203,496,865

b) Credit analysis for marketable securities

June 30, 2020

	At FVTOCI	At Amortized Cost
Gross carrying amount	$ 156,704,030	$ -
Allowance for impairment loss	(51,988)	-
Amortized cost	156,652,042	$ -
Fair value adjustment	1,287,273	
	$ 157,939,315	

December 31, 2019

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

June 30, 2019

	At FVTOCI	At Amortized Cost
Gross carrying amount	$ 140,206,288	$ 500,000
Allowance for impairment loss	(42,612)	-
Amortized cost	140,163,676	$ 500,000
Fair value adjustment	804,221	
	$ 140,967,897	

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 June 30, 2020, December 31, 2019 and June 30, 2019, the Group had no financial assets which were overdue but not impaired.

d. Liquidity risk

1) Source and definition of liquidity risk

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

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

2) Management strategy and principles of liquidity risk

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

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

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

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

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

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

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

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

As of June 30, 2020, December 31, 2019 and June 30, 2019, the liquidity reserve ratio was 47.05%, 45.89% and 47.64%, 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:

June 30, 2020	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	More Than 1 Year	Total
Due to the Central Bank and other banks	$ 42,504,763	$ 2,544,990	$ -	$ -	$ 7,000,000	$ 52,049,753
Financial liabilities at fair value through profit or loss	-	-	-	-	9,259	9,259
Bills and bonds sold under repurchase agreements	130,846,988	24,382,353	2,734,994	419,837	-	158,384,172
Payables	2,617,592	1,025,367	401,609	566,342	137,248	4,748,158
Deposits and remittances	55,417,988	74,956,757	60,219,756	43,925,162	37,758,550	272,278,213
Bank debentures payable	-	-	-	2,300,000	14,100,000	16,400,000
Other financial liabilities	4,034,563	1,542,106	1,299,189	1,673,173	5,231,427	13,780,458
Lease liabilities	15,401	27,119	41,937	79,122	366,068	529,647
	$ 235,437,295	$ 104,478,692	$ 64,697,485	$ 48,963,636	$ 64,602,552	$ 518,179,660

December 31, 2019	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	More Than 1 Year	Total
Due to the Central Bank and other banks	$ 33,236,111	$ 3,203,287	$ -	$ -	$ 7,000,000	$ 43,439,398
Financial liabilities at fair value through profit or loss	4,462	-	-	-	-	4,462
Bills and bonds sold under repurchase agreements	120,253,258	38,101,977	1,019,705	298,895	-	159,673,835
Payables	1,924,005	223,488	655,705	801,963	82,460	3,687,621
Deposits and remittances	59,938,891	87,304,453	35,541,433	51,156,436	31,790,611	265,731,824
Bank debentures payable	-	-	2,300,000	-	16,400,000	18,700,000
Other financial liabilities	2,254,831	2,475,778	824,186	2,906,201	4,448,263	12,909,259
Lease liabilities	13,625	26,616	38,988	75,071	398,865	553,165
	$ 217,625,183	$ 131,335,599	$ 40,380,017	$ 55,238,566	$ 60,120,199	$ 504,699,564

June 30, 2019	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	More Than 1 Year	Total
Due to the Central Bank and other banks	$ 36,240,696	$ 2,445,305	$ -	$ -	$ -	$ 38,686,001
Financial liabilities at fair value through profit or loss	1,941	-	-	-	-	1,941
Bills and bonds sold under repurchase agreements	134,745,993	20,952,534	1,579,239	195,007	-	157,472,773
Payables	1,073,115	154,485	2,026,989	683,400	1,179,489	5,117,478
Deposits and remittances	61,692,181	80,772,495	56,129,108	41,770,806	28,595,715	268,960,305
Bank debentures payable	-	1,650,000	-	2,300,000	16,400,000	20,350,000
Other financial liabilities	7,050,577	1,692,859	991,973	810,788	7,007,316	17,553,513
	$ 240,804,503	$ 107,667,678	$ 60,727,309	$ 45,760,001	$ 53,182,520	$ 508,142,011

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

June 30, 2020	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	More Than 1 Year	Total
Deliverable						
Forward contracts	$ 10,020	$ 3,490	$ 1,776	$ 639	$ -	$ 15,925
Currency swap contracts	78,923	152,229	59,630	19,683	-	310,465
Others	4,173	10,399	4,898	220	5,367	25,057
	93,116	166,118	66,304	20,542	5,367	351,447
Non-deliverable						
Interest rate swap contracts	-	5,810	1,118	6,107	20,561	33,596
	$ 93,116	$ 171,928	$ 67,422	$ 26,649	$ 25,928	$ 385,043

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

June 30, 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	$ 12,721	$ 2,780	$ 30,082	$ 1,804	$ -	$ 47,387
Currency swap contracts	45,570	80,297	28,973	11,932	-	166,772
Others	15,886	718	-	-	-	16,604
	74,177	83,795	59,055	13,736	-	230,763
Non-deliverable						
Interest rate swap contracts	-	168	-	-	96,300	96,468
	$ 74,177	$ 83,963	$ 59,055	$ 13,736	$ 96,300	$ 327,231

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

June 30, 2020	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	More Than 1 Year	Total
Unused letters of credit	$ 440,524	$ 309,768	$ 74,434	$ -	$ -	$ 824,726
Other guarantees	49,650,783	75,056,054	7,932,388	3,384,807	36,987	136,061,019
Loan commitments	955,555	1,911,110	2,866,665	5,733,330	26,539,266	38,005,926
	$ 51,046,862	$ 77,276,932	$ 10,873,487	$ 9,118,137	$ 26,576,253	$ 174,891,671

December 31, 2019	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	More Than 1 Year	Total
Unused letters of credit	$ 403,001	$ 826,879	$ 132,285	$ -	$ -	$ 1,362,165
Other guarantees	43,119,200	72,169,983	8,528,891	4,684,122	49,390	128,551,586
Loan commitments	1,379,509	2,759,017	4,138,525	8,277,050	35,876,434	52,430,535
	$ 44,901,710	$ 75,755,879	$ 12,799,701	$ 12,961,172	$ 35,925,824	$ 182,344,286

June 30, 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	$ 542,069	$ 1,176,616	$ 194,254	$ 507	$ 7,423	$ 1,920,869
Other guarantees	47,473,320	68,133,205	7,831,804	3,865,803	179,779	127,483,911
Loan commitments	1,632,652	3,265,304	4,897,955	9,795,911	36,626,774	56,218,596
	$ 49,648,041	$ 72,575,125	$ 12,924,013	$ 13,662,221	$ 36,813,976	$ 185,623,376

e. Market risk

1) Source and definition of market risk

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

2) Market risk management strategy and process

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

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

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

3) Market risk management organization and framework

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

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

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

4) Market risk report and evaluation system

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

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

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

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

5) Value at risk

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

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

O-Bank

	June 30, 2020			December 31, 2019			June 30, 2019		
	Average	High	Low	Average	High	Low	Average	High	Low
Currency exchange rate risk	$ 2,246	$ 4,434	$ 352	$ 1,507	$ 4,271	$ 20	$ 1,372	$ 3,108	$ 20
Fair value risk resulting from interest rate	3,694	6,925	1,243	1,421	5,410	121	1,682	5,410	121
Fair value resulting from stock price	8,244	13,154	1,526	5,999	14,831	812	6,272	14,831	812

6) Foreign currency rate risk information

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

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

	June 30, 2020		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
Financial assets			
Monetary item			
USD	$ 3,085,693	29.6602	$ 91,522,273
JPY	1,696,242	0.2754	467,193
HKD	7,535,216	3.8270	28,837,496
EUR	15,871	33.2878	528,308
AUD	62,272	20.3284	1,265,882
RMB	1,901,822	4.1936	7,975,520
Financial liabilities			
Monetary item			
USD	3,710,967	29.6602	110,068,022
JPY	582,332	0.2754	160,391
HKD	4,984,593	3.8270	19,076,186
EUR	12,138	33.2878	404,042
AUD	9,929	20.3284	201,845
RMB	1,548,549	4.1936	6,493,362

	December 31, 2019		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
<u>Financial assets</u>			
Monetary item			
USD	$ 2,739,381	30.1107	$ 82,484,755
JPY	2,524,040	0.2770	699,261
HKD	7,807,860	3.8680	30,200,802
EUR	25,308	33.7536	854,220
AUD	1,652	21.0967	34,842
RMB	2,516,282	4.3218	10,874,917
<u>Financial liabilities</u>			
Monetary item			
USD	3,567,802	30.1107	107,429,113
JPY	1,483,011	0.2770	410,853
HKD	4,926,752	3.8680	19,056,676
EUR	14,796	33.7536	499,413
AUD	7,009	21.0967	147,871
RMB	1,811,762	4.3218	7,830,108

	June 30, 2019		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
<u>Financial assets</u>			
Monetary item			
USD	$ 3,644,887	31.0800	$ 113,283,218
JPY	2,277,785	0.2884	656,799
HKD	8,370,284	3.9813	33,324,779
EUR	18,461	35.3707	652,978
AUD	686	21.7887	14,947
RMB	2,495,890	4.5211	11,284,103
<u>Financial liabilities</u>			
Monetary item			
USD	3,554,770	31.0800	110,482,383
JPY	4,002,587	0.2884	1,154,146
HKD	5,909,267	3.9813	23,526,683
EUR	11,887	35.3707	420,452
AUD	10,835	21.7887	236,080
RMB	1,893,688	4.5211	8,561,501

f. Bank book interest rate risk

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

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

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

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

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

3) Bank book interest rate risk management organization and framework

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

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

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

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

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

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

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

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

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

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

<u>O-Bank</u>

	For the Six Months Ended June 30			
	2020		2019	
	Average Balance	**Average Rate (%)**	**Average Balance**	**Average Rate (%)**
<u>Interest-earning assets</u>				
Due from banks(part of cash and cash equivalents and other financial assets)	$ 960,136	1.54	$ 1,111,031	2.89
Call loans to other banks	9,970,030	1.19	16,596,445	1.71
Due from the Central Bank	5,211,425	0.50	5,014,437	0.66
Financial assets at FVTPL	74,367,699	0.60	63,398,976	0.64
Bills and bonds purchased under resell agreements	-	-	65,989	0.15
Discounts and loans	176,956,567	2.36	180,043,982	2.66
Financial assets at FVTOCI	41,952,042	1.29	41,490,092	1.87
Investments in debt instruments at amortized costs	-	-	499,964	1.14
Receivables	1,451,025	1.69	3,419,291	1.17
<u>Interest-bearing liabilities</u>				
Due to the Central Bank and other banks	34,640,255	0.92	24,870,505	2.15
Demand deposits	45,940,672	0.43	45,243,054	0.47
Time deposits	197,019,056	1.10	202,126,200	1.40
Bills and bonds sold under repurchase agreements	2,503,468	0.36	3,472,943	0.47
Bank debentures payable	18,320,879	2.00	18,195,304	2.04

China Bills Finance Corporation (CBF)

	For the Six Months Ended June 30					
	2020			2019		
	Average Balance		Average Rate (%)	Average Balance		Average Rate (%)
Interest-earning assets						
Cash and cash equivalents (including certificate of deposit)	$	777,842	0.07	$	823,121	0.12
Call loans to banks		78,511	0.25		9,282	0.21
Financial assets at fair value through profit or loss - bonds and bills		85,376,749	0.55		91,271,320	0.61
FVTOCI- debt instruments		98,606,664	1.37		97,019,361	1.34
Financial assets at fair value through profit or loss - hybrid financial assets		9,581,060	1.48		7,069,230	1.54
Securities purchased under resell agreements		2,245,399	0.19		856,056	0.35
Interest-bearing liabilities						
Due to other banks		15,405,795	0.52		16,846,355	0.76
Bank overdrafts		1,874	1.63		1,819	1.82
Securities sold under repurchase agreement		156,761,562	0.57		155,719,441	0.63
Commercial paper payable		412,088	0.53		1,477,901	0.63

46. CAPITAL MANAGEMENT

a. Strategies to maintain capital adequacy

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

b. Capital assessment program

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

c. Capital adequacy ratio

O-Bank

(In Thousands of New Taiwan Dollars or in %)

Items \ Year			June 30, 2020 Own Capital Adequacy Ratio	June 30, 2020 Consolidated Capital Adequacy Ratio
Eligible capital	Common stocks equity		$ 24,277,981	$ 24,277,981
	Other Tier 1 capital		662,312	662,312
	Tier 2 capital		3,813,979	3,813,979
	Eligible capital		28,754,272	28,754,272
Risk-weighted assets	Credit risk	Standardized approach	201,251,451	201,251,451
		Internal rating based approach	-	-
		Asset securitization	-	-
	Operational risk	Basic indicator approach	8,785,450	8,785,450
		Standardized/alternative standardized approach	-	-
		Advanced measurement approach	-	-
	Market risk	Standardized approach	23,350,825	23,350,825
		Internal model approach	-	-
	Total risk-weighted assets		233,387,726	233,387,726
Capital adequacy ratio			12.32%	12.32%
Ratio of common stockholders' equity to risk-weighted assets			10.40%	10.40%
Ratio of Tier 1 capital to risk-weighted assets			10.69%	10.69%
Leverage ratio			6.72%	6.72%

(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 stocks 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	-	-
		Asset 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 stockholders' 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%

(In Thousands of New Taiwan Dollars or in %)

Items		**Year**	**June 30, 2019**	
			Own Capital Adequacy Ratio	**Consolidated Capital Adequacy Ratio**
Eligible capital	Common stocks equity		$ 24,902,949	$ 43,042,556
	Other Tier 1 capital		627,022	2,177,983
	Tier 2 capital		5,214,499	8,422,288
	Eligible capital		30,744,470	53,642,827
Risk-weighted assets	Credit risk	Standardized approach	202,474,107	316,927,132
		Internal rating based approach	-	-
		Asset securitization	-	-
	Operational risk	Basic indicator approach	8,071,238	9,260,225
		Standardized/alternative standardized approach	-	-
		Advanced measurement approach	-	-
	Market risk	Standardized approach	12,108,213	77,861,388
		Internal model approach	-	-
	Total risk-weighted assets		222,653,558	404,048,745
Capital adequacy ratio			13.81%	13.28%
Ratio of common stockholders' equity to risk-weighted assets			11.18%	10.65%
Ratio of Tier 1 capital to risk-weighted assets			11.47%	11.19%
Leverage ratio			7.19%	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 stocks equity Tier 1 + 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 stockholders' equity to risk-weighted assets = Common stocks equity Tier 1 ÷ Risk-weighted assets.

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

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

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

China Bills Finance Corporation

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

Items \ Year		June 30, 2020	June 30, 2019
Eligible capital	Tier 1 capital	$ 22,981,312	$ 22,602,086
	Tier 2 capital	131,830	105,866
	Tier 3 capital	506,873	249,067
	Eligible capital	23,620,015	22,957,019
Risk-weighted assets	Credit risk	124,377,005	116,363,830
	Operational risk	3,807,116	3,991,085
	Market risk	61,408,454	57,586,430
	Total risk-weighted assets	189,592,575	177,941,345
Capital adequacy ratio (Note 1)		12.46%	12.90
Ratio of Tier 1 capital to risk-weighted assets (Note 1)		12.12%	12.70
Ratio of Tier 2 capital to risk-weighted assets (Note 1)		0.07%	0.06
Ratio of Tier 3 capital to risk-weighted assets (Note 1)		0.27%	0.14
Ratio of common stockholders’ equity to total assets (Note 1)		6.72%	6.82

Note:

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

2) The amount of total assets mentioned above is calculated by summarizing all assets on the balance sheet.

3) The capital adequacy ratio (CAR) should be computed at the end of June and December. In quarterly report, the capital adequacy ratio disclosed is the data of related period (the end of June or December).

4) The calculation method of eligible capital and risk-weighted assets should follow the “bills finance company’s capital adequacy management approach” and “calculation and description of bills finance capital and risk assets”.

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

O-Bank

a. Credit risk

1) Asset quality of loans: See Table 4.

2) Concentration of credit extensions

June 30, 2020

(In Thousands of New Taiwan Dollars or in %)

Rank	Industry of Group Enterprise	Credit Extensions Balance	% of Net Asset Value
1	A Group (real estate development)	$ 6,718,987	20.63
2	B Group (unclassified other financial service)	5,000,000	15.35
3	C Group (unclassified other financial service)	3,565,053	10.95
4	D Group (ocean transportation)	3,269,466	10.04
5	E Group (short-term accommodation activities)	3,006,600	9.23
6	F Group (real estate development)	2,972,369	9.13
7	G Group (retail sale of other food, beverages and tobacco in specialized stores)	2,906,324	8.92
8	H Group (non-hazardous waste treatment industry)	2,646,286	8.13
9	I Group (real estate development)	2,453,400	7.53
10	J Group (unclassified other financial service)	2,200,000	6.76

June 30, 2019

(In Thousands of New Taiwan Dollars or in %)

Rank	Industry of Group Enterprise	Credit Extensions Balance	% of Net Asset Value
1	A Group (real estate development)	$ 5,478,994	16.49
2	B Group (unclassified other financial service)	5,000,000	15.05
3	D Group (ocean transportation)	3,003,285	9.04
4	C Group (unclassified other financial service)	2,838,705	8.54
5	E Group (short-term accommodation activities)	2,749,226	8.27
6	F Group (real estate development)	2,662,640	8.01
7	G Group (retail sale of other food, beverages and tobacco in specialized stores)	2,483,148	7.47
8	K Group (real estate development)	2,411,257	7.26
9	L Group (chemistry manufacturing)	2,205,000	6.64
10	M Group (trusts, funds and other financial vehicles)	2,091,311	6.29

b. Market risk

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

(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	$ 180,231,940	$ 30,062,845	$ 22,623,687	$ 10,479,700	$ 243,398,172
Interest rate-sensitive liabilities	92,673,518	70,156,223	39,994,151	34,147,435	236,971,327
Interest rate-sensitive gap	87,558,422	(40,093,378)	(17,370,464)	(23,667,735)	6,426,845
Net worth					28,909,223
Ratio of interest rate-sensitive assets to liabilities					102.71%
Ratio of interest rate sensitivity gap to net worth					22.23%

June 30, 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	$ 158,358,769	$ 11,679,152	$ 21,877,235	$ 38,070,706	$ 229,985,862
Interest rate-sensitive liabilities	79,156,072	61,466,243	36,652,499	42,005,602	219,280,416
Interest rate-sensitive gap	79,202,697	(49,787,091)	(14,775,264)	(3,934,896)	10,705,446
Net worth					30,109,093
Ratio of interest rate-sensitive assets to liabilities					104.88%
Ratio of interest rate sensitivity gap to net worth					35.56%

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

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

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

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

Interest Rate Sensitivity Balance Sheet (In U.S. Dollars)
June 30, 2020

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

Items	0 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest rate-sensitive assets	$ 1,452,377	$ 12,002	$ 10,815	$ 941,881	$ 2,417,075
Interest rate-sensitive liabilities	1,326,970	791,338	205,693	-	2,324,001
Interest rate-sensitive gap	125,407	(779,336)	(194,878)	941,881	93,074
Net worth					116,892
Ratio of interest rate-sensitive assets to liabilities					104.00%
Ratio of interest rate sensitivity gap to net worth					79.62%

June 30, 2019

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

Items	0 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest rate-sensitive assets	$ 1,425,410	$ 68,915	$ 8,160	$ 905,046	$ 2,407,531
Interest rate-sensitive liabilities	1,530,862	564,423	209,749	23,183	2,328,217
Interest rate-sensitive gap	(105,452)	(495,508)	(201,589)	881,863	79,314
Net worth					85,379
Ratio of interest rate-sensitive assets to liabilities					103.41%
Ratio of interest rate sensitivity gap to net worth					92.90%

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 Six Months Ended June 30, 2020	For the Six Months Ended June 30, 2019
Return on total assets	Before income tax	0.14	0.25
	After income tax	0.13	0.22
Return on equity	Before income tax	1.46	2.61
	After income tax	1.38	2.26
Net income ratio		19.96	25.04

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 six months ended June 30, 2020 and 2019.

2) Maturity analysis of assets and liabilities

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

(In Thousands of New Taiwan Dollars)

	Total	Remaining Period to Maturity					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	$ 283,212,632	$ 86,628,118	$ 18,515,874	$ 26,550,439	$ 22,051,614	$ 28,377,971	$ 101,088,616
Main capital outflow on maturity	311,981,962	34,221,188	19,421,791	67,894,526	47,699,221	47,370,872	95,374,364
Gap	(28,769,330)	52,406,930	(905,917)	(41,344,087)	(25,647,607)	(18,992,901)	5,714,252

June 30, 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	$ 259,136,258	$ 75,498,459	$ 18,174,393	$ 22,659,672	$ 17,696,509	$ 20,723,218	$ 104,384,007
Main capital outflow on maturity	296,957,975	14,512,267	35,502,094	67,823,150	39,451,902	46,393,088	93,275,474
Gap	(37,821,717)	60,986,192	(17,327,701)	(45,163,478)	(21,755,393)	(25,669,870)	11,108,533

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

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

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	$ 3,507,706	$ 1,121,960	$ 728,858	$ 489,200	$ 156,295	$ 1,011,393
Main capital outflow on maturity	3,546,904	1,304,300	944,730	494,221	264,976	538,677
Gap	(39,198)	(182,340)	(215,872)	(5,021)	(108,681)	472,716

June 30, 2019

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	$ 3,785,785	$ 1,397,517	$ 899,534	$ 451,467	$ 179,611	$ 857,656
Main capital outflow on maturity	4,018,352	1,772,676	931,055	483,797	295,239	535,585
Gap	(232,567)	(375,159)	(31,521)	(32,330)	(115,628)	322,071

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

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

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

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	$ 1,217,283	$ 627,014	$ 182,404	$ 34,043	$ 23,222	$ 350,600
Main capital outflow on maturity	1,180,910	446,805	288,766	194,934	37,342	213,063
Gap	36,373	180,209	(106,362)	(160,891)	(14,120)	137,537

June 30, 2019

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	$ 1,573,778	$ 931,358	$ 227,796	$ 14,414	$ 28,429	$ 371,781
Main capital outflow on maturity	1,572,612	916,400	273,195	151,706	62,032	169,279
Gap	1,166	14,958	(45,399)	(137,292)	(33,603)	202,502

China Bills Finance Corporation

a. Asset quality

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

Item \ Period	June 30, 2020	June 30, 2019
Balance of guarantees and endorsement credits overdue within 3 months	$ -	$ -
Nonperforming debts (include overdue receivables)	-	-
Credits under observation	-	-
Overdue receivables	-	-
Ratio of non-performing debts	0.00%	0.00%
Ratio of non-performing debts and credits under observation	0.00%	0.00%
Required provision for credit losses and reserve for losses on guarantees	1,187,612	1,197,866
Actual provision for credit losses and reserve for losses on guarantees	1,325,077	1,310,077

b. The principal operation

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

Item \ Period	June 30, 2020	June 30, 2019
Balance of guarantees and endorsement securities	$ 107,802,300	$ 106,655,900
Multiple of guarantees and endorsement securities to net worth	4.78	4.86
Short-term bills and bonds sold under repurchase agreement	$ 155,732,508	$ 153,320,549
Multiple of short-term bills and bonds sold under repurchase agreement to net worth	6.91	6.99

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

d. Concentrations of credit extensions

(In Thousands of New Taiwan Dollars or in %)

Item \ Period	June 30, 2020		June 30, 2019	
Credit of the common interested party	$ -		$ -	
Ratio of credit extensions to common interest parties	-		-	
Ratio of credit extensions secured by pledged share	22.49		19.95	
Loan concentration by industry (ratio of top three industries to which credit line issued to credit extension balance)	**Type of Industry**	**%**	**Type of Industry**	**%**
	Finance and insurance industry	33.25	Finance and insurance industry	35.06
	Manufacturing industry	22.85	Manufacturing industry	22.76
	Real estate industry	24.24	Real estate industry	23.17

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

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

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

e. Interest rate sensitivity information of the balance sheet

June 30, 2020

(In Millions of New Taiwan Dollars or in %)

Items	1 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest rate-sensitive assets	$ 82,564	$ 7,788	$ 10,289	$ 94,992	$ 195,633
Interest rate-sensitive liabilities	168,392	2,728	418	-	171,538
Interest rate-sensitive gap	(85,828)	5,060	9,871	94,992	24,095
Net worth					24,069
Ratio of interest rate-sensitive assets to liabilities (%)					114.05
Ratio of interest rate sensitivity gap to net worth (%)					100.11

June 30, 2019

(In Millions of New Taiwan Dollars or in %)

Items	1 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest rate-sensitive assets	$ 82,614	$ 8,314	$ 12,481	$ 90,471	$ 193,880
Interest rate-sensitive liabilities	168,547	1,578	195	-	170,320
Interest rate-sensitive gap	(85,933)	6,736	12,286	90,471	23,560
Net worth					23,162
Ratio of interest rate-sensitive assets to liabilities (%)					113.83
Ratio of interest rate sensitivity gap to net worth (%)					101.72

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

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

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

f. The use of funding sources table

June 30, 2020

(In Millions of New Taiwan Dollars)

Items	Period	1 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year
Cash used in	Bills	$ 42,883	$ 33,795	$ 3,272	$ 876	$ -
	Bonds	770	857	4,516	9,413	94,992
	Due from banks	248	-	-	-	-
	Call loans	-	-	-	-	-
	Securities purchased under resell agreements	4,011	-	-	-	-
	Total	47,912	34,652	7,788	10,289	94,992
Cash provided by	Borrowing	15,900	-	-	-	-
	Securities sold under resell agreements	128,141	24,351	2,728	418	-
	Eligible capital	-	-	-	-	24,069
	Total	144,041	24,351	2,728	418	24,069
Net cash flows		(96,129)	10,301	5,060	9,871	70,923
Accumulated cash flows		(96,129)	(85,828)	(80,768)	(70,897)	26

June 30, 2019

(In Millions of New Taiwan Dollars)

Items	Period	1 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year
Cash used in	Bills	$ 42,996	$ 35,932	$ 6,295	$ 1,419	$ -
	Bonds	1,137	1,474	2,019	11,062	90,471
	Due from banks	215	-	-	-	-
	Call loans	-	-	-	-	-
	Securities purchased under resell agreements	860	-	-	-	-
	Total	45,208	37,406	8,314	12,481	90,471
Cash provided by	Borrowing	17,099	-	-	-	-
	Securities sold under resell agreements	130,658	20,790	1,578	195	-
	Eligible capital	-	-	-	-	23,162
	Total	147,757	20,790	1,578	195	23,162
Net cash flows		(102,549)	16,616	6,736	12,286	67,309
Accumulated cash flows		(102,549)	(85,933)	(79,197)	(66,911)	(398)

g. Matters requiring special notation

(In Thousands of New Taiwan Dollars)

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

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

48. CASH FLOWS INFORMATION

a. None cash flow activities

The cash dividends allotted by the Bank as determined by the stockholders' meeting were not issued on June 30, 2020 and 2019, refer to Notes 23 and 30 c.

b. Changes in liabilities from financing activities

For the six months ended June 30, 2020

	January 1, 2020	Cash Inflow (Outflow)	Non-cash Changes New Leases	Non-cash Changes Other	June 30, 2020
Bank debentures payable	$ 18,700,000	$ (2,300,000)	$ -	$ -	$ 16,400,000
Lease liabilities	498,832	(87,309)	50,295	13,931	475,749
Other financial liabilities	12,909,259	871,441	-	(242)	13,780,458
Other liabilities	2,416,851	(153,434)	-	(89)	2,263,328
	$ 34,524,942	$ (1,669,302)	$ 50,295	$ 13,600	$ 32,919,535

For the six months ended June 30, 2019

	January 1, 2019	Cash Inflow (Outflow)	Non-cash Changes New Leases	Non-cash Changes Other	June 30, 2019
Bank debentures payable	$ 17,850,000	$ 2,500,000	$ -	$ -	$ 20,350,000
Lease liabilities	542,298	(86,963)	-	17,428	472,763
Other financial liabilities	15,034,414	2,519,099	-	-	17,553,513
Other liabilities	2,400,842	70,702	-	32	2,471,576
	$ 35,827,554	$ 5,002,838	$ -	$ 17,460	$ 40,847,852

49. OTHERS

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

50. ADDITIONAL DISCLOSURES

a. Related information of significant transactions and investees and

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

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

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

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

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

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

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

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

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

9) Sale of non-performing loans: None

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

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

12) Related information and total stockholding circumstances of "Name, locations and other information of investees on which the Group exercises significant influence." Table 5 (attached)

13) Derivative instrument transactions: Note 8

c. Investment in mainland China: Table 6 (attached)

d. Business relationships and significant transactions among the Group: Table 7 (attached)

e. Information of major shareholders：List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder: Table 8 (attached)

51. OPERATING SEGMENT FINANCIAL INFORMATION

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

a. Bank: Business ruled by Banking Law Article 71.

b. Overseas: Overseas banking business.

c. Leasing: Leasing business.

d. Bills: Bills-related business approved by the competent authority.

e. Others: Other non-core businesses.

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

	Bank	Overseas	Leasing	Bills	Others	Eliminations	Consolidated
For the six months ended June 30, 2020							
Net interest							
From unaffiliated segment	$ 923,565	$ 438,076	$ 308,353	$ 193,841	$ (14)	$ 222	$ 1,864,043
From other segment	(938)	-	1	-	4	918	(15)
	$ 922,627	$ 438,076	$ 308,354	$ 193,841	$ (10)	$ 1,140	$ 1,864,028
Net revenue other than interest							
From unaffiliated segment	$ 1,333,431	$ 35,879	$ 100,263	$ 1,000,386	$ 2,055	$ -	$ 2,472,014
From other segment	19,595	-	(2,685)	(19,594)	3,038	(460,338)	(459,984)
	$ 1,353,026	$ 35,879	$ 97,578	$ 980,792	$ 5,093	$ (460,338)	$ 2,012,030
Income from continuing operation	$ 454,198	$ 103,879	$ 140,477	$ 737,859	$ (2,259)	$ (432,494)	$ 1,001,660
Identifiable assets	$ 333,672,239	$ 27,422,137	$ 12,676,777	$ 199,786,187	$ 227,692	$ (110,844)	$ 573,674,188
Depreciation and amortization	$ 260,262	$ 27,019	$ 21,135	$ 6,532	$ 505	$ (4,079)	$ 311,374
Capital expenditures	$ 25,213	$ 289	$ 6,025	$ 5,443	$ 4	$ -	$ 36,974
For the six months ended June 30, 2019							
Net interest							
From unaffiliated segment	$ 988,799	$ 544,950	$ 356,776	$ 87,242	$ (9)	$ 94	$ 1,977,852
From other segment	(1,756)	-	2	-	97	1,563	(94)
	$ 987,043	$ 544,950	$ 356,778	$ 87,242	$ 88	$ 1,657	$ 1,977,758
Net revenue other than interest							
From unaffiliated segment	$ 1,939,985	$ 26,705	$ 171,816	$ 949,366	$ 3,904	$ -	$ 3,091,776
From other segment	21,775	-	(2,665)	(21,229)	2,575	(622,083)	(621,627)
	$ 1,961,760	$ 26,705	$ 169,151	$ 928,137	$ 6,479	$ (622,083)	$ 2,470,149
Income from continuing operation	$ 738,310	$ 230,420	$ 208,878	$ 631,643	$ (1,675)	$ (595,687)	$ 1,211,889
Identifiable assets	$ 324,534,249	$ 29,212,206	$ 13,407,861	$ 196,870,215	$ 223,789	$ (141,275)	$ 564,107,045
Depreciation and amortization	$ 252,500	$ 28,254	$ 19,638	$ 12,334	$ 571	$ (6,988)	$ 306,309
Capital expenditures	$ 29,424	$ 1,233	$ 7,620	$ 3,494	$ -	$ -	$ 41,771

TABLE 1

O-BANK AND SUBSIDIARIES

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

No. (Note 1)	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate	Nature of Financing (Note 2)	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Notes 3 and 5)	Aggregate Financing Limits (Notes 4 and 5)	Note
													Item	Value			
1	IBT Leasing	Lei Xin Construction	Account receivable - short-term accommodations	No	$ 54,380	$ 32,536	$ 32,536	2-8	2	$ -	Working capital turnover	$ 651	Real estate	$ 124,389	$ 243,790	$ 975,158	
		Kuang Ming shipping Corp.	Account receivable - short-term accommodations	No	120,000	-	-	2-8	2	-	Working capital turnover	-	-	-	243,790	975,158	
		Inhon Communication Co., Ltd.	Account receivable - short-term accommodations	No	64,912	44,993	44,993	2-8	2	-	Working capital turnover	1,295	Margin	12,982	243,790	975,158	
		Huimin Environmental Tech. Corp.	Account receivable - short-term accommodations	No	2,882	-	-	2-8	2	-	Working capital turnover	-	-	-	243,790	975,158	
		Power Home Construction	Account receivable - short-term accommodations	No	58,644	-	-	2-8	2	-	Working capital turnover	-	-	-	243,790	975,158	
		Neo solar power	Account receivable - short-term accommodations	No	15,089	-	-	2-8	1	77,159	-	-	-	-	243,790	2,437,896	
		An Chieh Bao Corp.	Account receivable - short-term accommodations	No	29,691	13,745	13,745	2-8	2	-	Working capital turnover	101	Margin	6,000	243,790	975,158	
		Advanced Wireless and Antenna Inc.	Account receivable - short-term accommodations	No	7,403	-	-	2-8	2	-	Working capital turnover	-	-	-	243,790	975,158	
		Yuan Mao Construction Co., Ltd.	Account receivable - short-term accommodations	No	130,000	122,200	122,200	2-8	2	-	Working capital turnover	1,588	Stock	61,600	243,790	975,158	
		Taroko Recreation Management Co., Ltd.	Account receivable - short-term accommodations	No	64,205	57,142	57,142	2-8	2	-	Working capital turnover	743	Stock	-	243,790	975,158	
		Dingyang Industrial Co., Ltd.	Account receivable - short-term accommodations	No	30,000	16,534	16,534	2-8	2	-	Working capital turnover	297	-	-	243,790	975,158	
		Priority International Finance	Account receivable - short-term accommodations	No	24,000	24,000	563	2-8	2	-	Working capital turnover	10	Certificate of deposit	1,200	243,790	975,158	
		Taroko	Account receivable - short-term accommodations	No	70,000	70,000	-	2-8	2	-	Working capital turnover	-	Stock	-	243,790	975,158	
2	IBT International Leasing Corp.	Zhangjiajie Zhongjun Real Estate Co., Ltd.	Entrusted loans	No	32,291	24,751	24,751	6-16	2	-	Working capital turnover	1,238	Real estate	37,689	238,491	953,963	
		Suzhou Dong Sheng Machine Co., Ltd.	Entrusted loans	No	18,697	7,718	7,718	6-16	2	-	Working capital turnover	23	Real estate	33,237	238,491	953,963	
		Suzhou Leading Car Service Co., Ltd.	Entrusted loans	No	38,543	26,675	26,675	6-16	2	-	Working capital turnover	82	Margin	6,290	238,491	953,963	
		Nanjing Forland automobile leasing Co., Ltd.	Entrusted loans	No	38,543	26,675	26,675	6-16	2	-	Working capital turnover	82	Margin	6,290	238,491	953,963	

Note 1: Explanation:

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

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

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

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

O-BANK AND SUBSIDIARIES

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

No. (Note 1)	Endorser/ Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note 2)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries (Note 3)	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship (Note 1)										
1	IBT Leasing	IBT International Leasing Corp.	b	$ 19,503,167	$ 12,084,350	$ 6,945,069	$ 2,262,250	$ -	284.88	$ 29,254,751	No	No	Yes
		IBT VII Venture Capital Co., Ltd.	b	19,503,167	80,000	80,000	80,000	-	3.28	29,254,751	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 AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
FOR THE SIX MONTHS ENDED JUNE 30, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	June 30, 2020				Note
				Stocks/Units (Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value	
IBT Holdings	Stocks							
	EverTrust Bank	Subsidiaries	Investments accounted for using the equity method	10,714	US$ 178,813	91.78	US$ 178,813	
IBT Management Corp.	Closed type beneficiary certificate							
	O-Bank Real Estate Investment Trust "Successful One"	-	Financial asset at FVTOCI	3,059	28,693	1.02	28,693	
	Stocks							
	Thunder Tiger Biotechnology Co., Ltd.	-	Financial asset at FVTPL	1,773	49,242	7.45	49,242	Note 2
	TaiRx Co., Ltd.	-	Financial asset at FVTPL	511	10,100	0.84	10,100	Note 2
	Mimoto (Samoa) Co., Ltd.	-	Financial asset at FVTPL	25,974	19,618	2.41	19,618	Note 2
	Houdou Pinshan (Cayman) Co., Ltd.	-	Financial asset at FVTPL	500	13,582	2.17	13,582	Note 2
	Shihlian China Holdings Corp.	-	Financial asset at FVTPL	19,682	92,433	0.46	92,433	Notes 1 and 2
IBT Leasing Co., Ltd.	Closed type beneficiary certificate							
	O-Bank Real Estate Investment Trust "Successful One"	-	Financial asset at FVTOCI	12,260	114,999	4.09	114,999	
	Stocks							
	IBT International Leasing Corp.	Subsidiaries	Investments accounted for using the equity method	-	2,265,662	95.00	2,265,662	
	IBT VII Venture Capital Co., Ltd.	Subsidiaries	Investments accounted for using the equity method	65,000	449,604	100.00	449,604	
	Shihlian China Holdings Corp.	-	Financial asset at FVTOCI	32,500	152,631	0.75	152,631	Note 1
IBT VII Venture Capital Co., Ltd.	Closed type beneficiary certificate							
	O-Bank Real Estate Investment Trust "Successful One"	-	Financial asset at FVTOCI	14,000	131,320	4.67	131,320	
	Stocks							
	IBT International Leasing Corp.	Subsidiaries	Investments accounted for using the equity method	-	119,245	5.00	119,245	
	TAIRX Corp.	-	Financial asset at FVTPL	3,818	75,486	6.25	75,486	Note 2
	Meridigen Corp.	-	Financial asset at FVTPL	500	12,283	0.55	12,283	
	Femcosteel Tech Co., Ltd.	-	Financial asset at FVTPL	1,298	29,335	3.10	29,335	
	Shihlian China Holdings Corp.	-	Financial asset at FVTPL	9,135	42,903	0.21	42,903	Notes 1 and 2
	New Applied Materials Co., Ltd.	-	Financial asset at FVTPL	539	14,052	0.83	14,052	Note 2

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	June 30, 2020				Note
				Stocks/Units (Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value	
	Polaris Co., Ltd.	-	Financial asset at FVTPL	140	$ 2,211	0.02	$ 2,211	
	BioResource International, Inc.	-	Financial asset at FVTPL	1,105	81,029	5.91	81,029	Note 2
	Chipwell tech corporation	-	Financial asset at FVTPL	391	2,409	2.61	2,409	Note 2
	Biocontrol Gene Vaccine Co., Ltd.	-	Financial asset at FVTPL	1,008	1,756	0.98	1,756	Note 2
	Reber Genetics Co., Ltd.	-	Financial asset at FVTPL	2,322	10,128	2.20	10,128	Note 2
	Kaohsiung Rapid Transit Corporation All Rights Reserved.	-	Financial asset at FVTPL	3,845	40,139	1.38	40,139	

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

NON-PERFORMING LOANS
JUNE 30, 2020 AND 2019
(In Thousands of New Taiwan Dollars or in %)

Period			June 30, 2020					June 30, 2019				
Items			Nonperforming Loans (Note 1)	Outstanding Loan Balance	Ratio of Nonperforming Loans (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)	Nonperforming Loans (Note 1)	Outstanding Loan Balance	Ratio of Nonperforming Loans (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)
Corporate banking	Secured		$ 898,069	$ 79,128,036	1.13%	$ 1,009,580	112.42%	$ 275,743	$ 89,262,715	0.31%	$ 1,210,119	438.86%
	Unsecured		371,201	71,063,682	0.52%	1,065,089	286.93%	88,885	81,957,241	0.11%	1,663,512	1,871.53%
Consumer banking	Housing mortgage (Note 4)		-	15,393,330	-	231,042	-	-	8,014,000	-	120,210	-
	Cash card		-	-	-	-	-	-	-	-	-	-
	Small-scale credit loans		2,190	1,424,533	0.15%	13,917	635.33%	1,169	722,401	0.16%	8,123	694.81%
	Other	Secured	-	5,933,048	-	59,539	-	-	2,664,227	-	38,643	-
		Unsecured	10,368	4,229,095	0.25%	64,711	624.16%	7,101	3,354,779	0.21%	42,434	597.51%
Total			1,281,828	177,171,724	0.72%	2,443,878	190.66%	372,898	185,975,363	0.20%	3,083,041	826.78%
			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)			-	1,502,485	-	15,723	-	-	2,646,283	-	27,590	-

	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)	47,966	-	314	-
Total	47,966	-	314	-

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

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

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

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

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

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

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

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

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

O-BANK AND SUBSIDIARIES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEES OVER WHICH THE BANK EXERCISES SIGNIFICANT INFLUENCE
FOR THE SIX MONTHS ENDED JUNE 30, 2020
(In Thousands of New Taiwan Dollars)

Investee Company	Location	Main Business	Percentage of Ownership (%)	Carrying Amount	Investment Gain (Loss)	Consolidated Investment				Note
						Stocks (Thousands)	Pro-forma Share of Ownership	Total		
								Stocks (Thousands)	Percentage of Ownership (%)	
Financial institution										
Investments accounted for using the equity method										
China Bills Finance Corp.	Taipei City, Taiwan	Bonds underwriting, dealing and brokerage of securities	28.37	$ 6,761,211	$ 209,322	382,532	-	382,532	28.48	
IBT Holdings Corp.	California, America	Holding company	100.00	5,341,619	95,321	10,869	-	10,869	100.00	
IBT Leasing Co., Ltd.	Taipei City, Taiwan	Leasing company	100.00	2,438,153	133,201	264,300	-	264,300	100.00	
IBT Management Corp.	Taipei City, Taiwan	Investment consulting	100.00	223,290	3,234	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	329,817	(9,792)	318,281	-	318,281	99.75	
Financial assets at FVTOCI										
Taiwan Mobile Payment Co., Ltd.	Taipei City, Taiwan	Information software services industry	0.50	1,654	-	300	-	300	0.50	
Dio Investment Ltd.	Cayman Island	Coffee retail	8.82	44,813	-	6,997	-	6,997	8.82	
Shengzhuang Holdings Limited	Cayman Island	Chemical material manufacturing	2.18	11,846	-	244	-	244	2.18	

O-BANK AND SUBSIDIARIES

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

O-Bank

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2020	Investment Flows		Accumulated Outflow of Investment from Taiwan as of June 30, 2020	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of June 30, 2020	Accumulated Inward Remittance of Earnings as of June 30, 2020
					Outflow	Inflow					
Shinlien Chemical Industrial Jiangsu Co.	Production of glass materials	$ 23,728,160 (US$ 800,000)	Note 1 c.	$ 204,596 (US$ 6,898)	$ -	$ 204,596 (US$ 6,898)	$ -	-	$ -	$ -	$ -
Huai'an Shiyuan Cailu Co., Ltd.	Production of glass materials	949,126 (US$ 32,000)	Note 1 c.	9,877 (US$ 333)	-	9,877 (US$ 333)	-	-	-	-	-
Suzhou Dio F&B Management Co., Ltd.	Coffee retailing	456,737 (US$ 15,399)	Note 1 c.	59,320 (US$ 2,000)	-	-	59,320 (US$ 2,000)	2.60	-	59,320 (US$ 2,000)	-
Ou Suomiluo Food Co., Ltd.	Coffee retailing	41,923 (RMB 10,000)	Note 1 c.	14,830 (US$ 500)	-	-	14,830 (US$ 500)	2.09	-	14,830 (US$ 500)	-
Beijing Shengzhuang Co., Ltd.	Cosmetic OEM	227,643 (RMB 54,300)	Note 1 c.	59,320 (US$ 2,000)	-	-	59,320 (US$ 2,000)	2.175	-	59,320 (US$ 2,000)	-
Beijing Sunshine Consumer Finance Co., Ltd.	Financing business	4,192,320 (RMB 1,000,000)	Note 1 d.	-	838,464 (RMB 200,000)	-	838,464 (RMB 200,000)	20.00	-	838,464 (RMB 200,000)	-

Accumulated Investment in Mainland China as of June 30, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
$133,470 (US$4,500) $838,464 (RMB200,000)	$133,470 (US$4,500) $838,464 (RMB200,000)	Note 3

IBT Leasing Co., Ltd.

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2020	Investment Flows		Accumulated Outflow of Investment from Taiwan as of June 30, 2020	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of June 30, 2020	Accumulated Inward Remittance of Earnings as of June 30, 2020
					Outflow	Inflow					
IBT International Leasing Corp.	Leasing	$ 1,927,913 (US$ 65,000)	Note 1 d.	$ 1,566,059 (US$ 52,800)	$ -	$ -	$ 1,566,059 (US$ 52,800)	100.00 (Note 5)	$ 122,267 (Notes 2 and 6)	$ 2,265,662 (Note 6)	$ -
Shinlien Chemical Industrial Jiangsu Co.	Production of glass materials	23,728,160 (US$ 800,000)	Note 1 c.	-	132,196 (US$ 4,457)	-	133,196 (US$ 4,457)	0.75	-	132,196 (US$ 4,457)	-
Shinlien Brine Huaian Co.	Production of glass materials	949,126 (US$ 32,000)	Note 1 c.	-	11,241 (US$ 379)	-	11,241 (US$ 379)	0.75	-	11,241 (US$ 379)	-

(Continued)

Accumulated Investment in Mainland China as of June 30, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
$1,709,496 (US$57,636)	$1,709,496 (US$57,636)	Note 4

IBT Management Corp.

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2020	Investment Flows		Accumulated Outflow of Investment from Taiwan as of June 30, 2020	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of June 30, 2020	Accumulated Inward Remittance of Earnings as of June 30, 2020
					Outflow	Inflow					
Shanghai Douniushi F&B Management Co., Ltd.	Restaurant retailing	$ 128,429 (US$ 4,330)	Note 1 c.	$ 2,136 (US$ 72)	$ -	$ -	$ 2,136 (US$ 72)	2.17	$ -	$ 2,136 (US$ 72)	$ -
Topping Cuisine International Holding, Ltd.	Food retailing	154,233 (US$ 5,200)	Note 1 c.	12,576 (US$ 424)	-	-	12,576 (US$ 424)	2.17	-	12,576 (US$ 424)	-
Shanghai Dou Mao Food Management Co., Ltd.	Trading	5,932 (US$ 200)	Note 1 c.	208 (US$ 7)	-	-	208 (US$ 7)	2.17	-	208 (US$ 7)	-
Beauty Essential International, Ltd.	Cosmetic retailing	88,981 (US$ 3,000)	Note 1 c.	20,406 (US$ 688)	-	-	20,406 (US$ 688)	2.41	-	20,406 (US$ 688)	-
Meike information technology	Cosmetic retailing information technology	50,422 (US$ 1,700)	Note 1 c.	860 (US$ 29)	-	-	860 (US$ 29)	2.41	-	860 (US$ 29)	-
Shinlien Chemical Industrial Jiangsu Co.	Production of glass materials	23,728,160 (US$ 800,000)	Note 1 c.	-	80,053 (US$ 2,699)	-	80,053 (US$ 2,699)	0.46	-	80,053 (US$ 2,699)	-
Shinlien Brine Huaian Co.	Production of glass materials	949,126 (US$ 32,000)	Note 1 c.	-	6,792 (US$ 229)	-	6,792 (US$ 229)	0.46	-	6,792 (US$ 229)	-

Accumulated Investment in Mainland China as of March 31, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
$123,031 (US$4,148)	$123,031 (US$4,148)	Note 7

IBT VII Venture Capital Co., Ltd.

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2020	Investment Flows		Accumulated Outflow of Investment from Taiwan as of June 30, 2020	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of June 30, 2020	Accumulated Inward Remittance of Earnings as of June 30, 2020
					Outflow	Inflow					
IBT International Leasing Corp.	Leasing	$ 1,927,913 (US$ 65,000)	Note 1 d.	$ 361,854 (US$ 12,200)	$ -	$ -	$ 361,854 (US$ 12,200)	5.00	$ 6,435 (Notes 2 and 6)	$ 119,245 (Note 6)	$ -

Accumulated Investment in Mainland China as of June 30, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
$361,854 (US$12,200)	$361,854 (US$12,200)	$269,762 (Note 7)

(Continued)

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

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

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

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

d. Direct investment in mainland China.

e. Others.

Note 2: From financial statements audited by other CPA.

Note 3: The Bank got the recognition from the Industrial Development Bureau, Industry of Economic Affairs in April 2020, so the Bank is not under "the regulation of investing or technology-cooperation in China".

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

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

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

Note 7: The original investment is within the limit.

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

(Concluded)

TABLE 7

O-BANK AND SUBSIDIARIES

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

No.	Transaction Corporation	Counterparty	Nature of Relationship (Note 1)	Description of Transactions			
				Financial Statement Account	Amounts	Trading Terms	Percentage of Total Revenue or Total Assets
0	The Bank	CBF, Chun Teng New Century, IBTM, IBTS Financial (HK) Limited, IBTS Asia (HK) Limited, IBT Leasing and IBTVC7	a	Deposits	$ 165,710	Note 3	0.03
0	The Bank	CBF, Chun Teng New Century, IBTM, IBTS Financial (HK) Limited, IBTS Asia (HK) Limited, IBT Leasing and IBTVC7	a	Interest expense	923	Note 3	0.02
0	The Bank	CBF, Chun Teng New Century, IBTM, IBTS Financial (HK) Limited, and IBTS Asia (HK) Limited	a	Payables	248	Note 3	-
0	The Bank	CBF	a	Dividend receivable	274,307	Note 3	0.05
0	The Bank	CBF, IBTM and IBT Leasing	a	Other net revenue other than interest	23,765	Note 3	0.61
1	Chun Teng New Century	The Bank	b	Cash and cash equivalents	44,353	Note 3	0.01
1	Chun Teng New Century	The Bank	b	Accounts receivable	32	Note 3	-
1	Chun Teng New Century	The Bank	b	Discontinued operations - interest revenue	93	Note 3	-
1	Chun Teng New Century	IBT Leasing	c	Discontinued operations - operation expenses	343	Note 3	-
2	IBTM	The Bank	b	Cash and cash equivalents	3,552	Note 3	-
2	IBTM	The Bank	b	Interest revenue	3	Note 3	-
2	IBTM	The Bank	b	Other operating and administrative expenses	388	Note 3	-
2	IBTM	The Bank	b	Interest expense	14	Note 3	-
2	IBTM	IBTVC7	c	Consultancy service income	3,028	Note 3	0.08
3	CBF	The Bank	b	Cash and cash equivalents	2,200	Note 3	-
3	CBF	The Bank	b	Other operating and administrative expenses	19,594	Note 3	0.51

(Continued)

No.	Transaction Corporation	Counterparty	Nature of Relationship (Note 1)	Description of Transactions			
				Financial Statement Account	Amounts	Trading Terms	Percentage of Total Revenue or Total Assets
3	CBF	The Bank	b	Dividend payable	$ 274,307	Note 3	0.05
4	IBTS Financial (HK) Limited	The Bank	b	Cash and cash equivalents	37,519	Note 3	0.01
4	IBTS Financial (HK) Limited	The Bank	b	Accounts receivable	168	Note 3	-
4	IBTS Financial (HK) Limited	The Bank	b	Discontinued operations - interest revenue	307	Note 3	0.01
5	IBTS Asia (HK) Limited	The Bank	b	Cash and cash equivalents	77,508	Note 3	0.01
5	IBTS Asia (HK) Limited	The Bank	b	Discontinued operations - interest revenue	518	Note 3	0.01
5	IBTS Asia (HK) Limited	The Bank	b	Accounts receivable	48	Note 3	-
6	IBTL	The Bank	b	Cash and cash equivalents	514	Note 3	-
6	IBTL	The Bank	b	Interest revenue	1	Note 3	-
6	IBTL	The Bank	b	Interest expense	207	Note 3	-
6	IBTL	The Bank	b	Other operating and administrative expenses	3,696	Note 3	0.10
6	IBTL	Chun Teng New Century	c	Other net revenue other than interest	343	Note 3	0.01
7	IBTVC7	The Bank	b	Cash and cash equivalents	64	Note 3	-
7	IBTVC7	IBTM	c	Other operating and administrative expenses	3,028	Note 3	0.08

Note 1: Information about the business transactions between the Bank and its subsidiaries were classified as follows:

a. 0 for the Bank.
b. Subsidiaries are numbered sequentially starting from the number 1.

Note 2: The types of transactions with related parties were classified as follows:

a. Parent company to subsidiaries.
b. Subsidiaries to parent company.
c. Subsidiaries to subsidiaries.

Note 3: The terms for the transactions between the Bank and related parties are similar to those with unrelated parties.

(Concluded)

O-BANK AND SUBSIDIARIES

INFORMATION OF MAJOR SHAREHOLDERS
June 30, 2020
(In Thousands)

Name of Major Shareholders	Shares	
	Number of Shares	Percentage of Ownership (%)
Ming Shan Investment Co., Ltd.	274,743	10.13
Yi Chang Investment Co., Ltd.	264,040	9.73
Taixuan Investment Co., Ltd.	262,330	9.67
Hengtong Machinery Co., Ltd.	148,374	5.47

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

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

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

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