O-Bank and Subsidiaries

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

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

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

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

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
O-Bank

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

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

Allowance for Credit Losses of Loans

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

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

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

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

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

- We examined that the classifications of loans were in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans". We also recalculated the amount of the allowance for credit losses on loans and checked whether the Bank meets the requirement of regulation or not.

Assessment of Reserve for Losses on Guarantee Contracts

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

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

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

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

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

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

Other Matter

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 24, 2020

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

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

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

O-BANK AND SUBSIDIARIES

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

	2019		2018	
ASSETS	**Amount**	**%**	**Amount**	**%**
CASH AND CASH EQUIVALENTS (Notes 6 and 41)	$ 6,570,002	1	$ 9,227,068	2
DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS (Note 7)	19,311,763	4	22,607,002	4
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 8 and 41)	172,913,193	31	151,512,614	27
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 9, 41 and 45)	142,112,770	25	149,952,752	27
INVESTMENTS IN DEBT INSTRUMENTS AT AMORTISED COST (Notes 41 and 45)	-	-	499,939	-
BILLS AND BONDS PURCHASED UNDER RESELL AGREEMENTS (Note 10)	100,013	-	991,363	-
RECEIVABLES, NET (Notes 11 and 13)	16,483,174	3	20,829,951	4
CURRENT TAX ASSETS	422,886	-	381,082	-
DISCOUNTS AND LOANS, NET (Notes 12, 13, 40 and 41)	194,246,229	35	197,338,050	35
OTHER FINANCIAL ASSETS (Notes 16 and 41)	1,229,503	-	1,329,918	-
PROPERTY AND EQUIPMENT, NET (Note 17)	2,854,194	1	2,951,660	1
RIGHT-OF-USE ASSETS, NET (Note 18)	485,426	-	-	-
INTANGIBLE ASSETS, NET (Note 19)	2,319,547	-	2,457,300	-
DEFERRED TAX ASSETS (Note 38)	734,542	-	672,656	-
OTHER ASSETS (Note 20)	916,774	-	1,090,219	-
TOTAL	$ 560,700,016	100	$ 561,841,574	100

	2019		2018	
LIABILITIES AND EQUITY	**Amount**	**%**	**Amount**	**%**
LIABILITIES				
Due to the Central Bank and banks (Note 21)	$ 43,439,398	8	$ 55,529,376	10
Financial liabilities at fair value through profit or loss (Note 8)	533,582	-	793,272	-
Bills and bonds sold under repurchase agreement (Note 22)	159,553,385	29	151,446,900	27
Payables (Note 23)	3,744,206	1	5,636,437	1
Current tax liabilities	46,361	-	17,857	-
Deposits and remittances (Notes 24 and 40)	265,731,824	47	261,803,321	47
Bank debentures payable (Note 25)	18,700,000	3	17,850,000	3
Other financial liabilities (Note 26)	12,909,259	2	15,034,414	3
Provisions (Notes 13, 27 and 28)	1,915,054	-	1,869,428	-
Lease liabilities (Note 18)	498,832	-	-	-
Deferred income tax liabilities (Note 38)	451,572	-	341,015	-
Other liabilities (Note 29)	2,360,266	1	2,400,842	-
Total liabilities	509,883,739	91	512,722,862	91
EQUITY ATTRIBUTABLE TO OWNERS OF THE BANK				
Capital				
Common stock	24,130,063	4	24,130,063	4
Preferred stock	3,000,000	1	3,000,000	1
Total capital	27,130,063	5	27,130,063	5
Capital surplus	9,750	-	8,503	-
Retained earnings				
Legal reserve	3,367,681	1	3,184,667	1
Special reserve	1,631,335	-	1,215,831	-
Unappropriated earnings	1,187,851	-	610,045	-
Total retained earnings	6,186,867	1	5,010,543	1
Other equity	(67,477)	-	(159,981)	-
Total equity attributable to owners of the Bank	33,259,203	6	31,989,128	6
NON-CONTROLLING INTERESTS	17,557,074	3	17,129,584	3
Total equity (Note 30)	50,816,277	9	49,118,712	9
TOTAL	$ 560,700,016	100	$ 561,841,574	100

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

O-BANK AND SUBSIDIARIES

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

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

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O-BANK AND SUBSIDIARIES

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

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

(Continued)

O-BANK AND SUBSIDIARIES

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

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

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O-BANK AND SUBSIDIARIES

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

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

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

O-BANK AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Bank (Note 30)													
									Other Equity					
	Capital Stock				Retained Earnings									
	Common Stock	Preferred Stocks	Total	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on the Translation of Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Unrealized Valuation Gains (Losses) on Financial Assets Measures at Fair Value Through Other Comprehensive	Owner of the Bank	Non-controlling Interests (Note 30)	Total Equity
BALANCE AT JANUARY 1, 2018	$ 24,130,063	$ -	$ 24,130,063	$ 7,730	$ 2,880,297	$ 1,229,536	$ 1,014,567	$ 5,124,400	$ (216,266)	$ 236,666	$ -	$ 29,282,593	$ 16,892,050	$ 46,174,643
Effect of retrospective application	-	-	-	-	-	-	(208,457)	(208,457)	-	(236,666)	144,112	(301,011)	90,927	(210,084)
BALANCE AT JANUARY 1, 2018 AS RESTATED	24,130,063	-	24,130,063	7,730	2,880,297	1,229,536	806,110	4,915,943	(216,266)	-	144,112	28,981,582	16,982,977	45,964,559
Appropriation of 2017 earnings														
Legal reserve	-	-	-	-	304,370	-	(304,370)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	(13,705)	13,705	-	-	-	-	-	-	-
Cash dividends distributed by the Bank	-	-	-	-	-	-	(723,902)	(723,902)	-	-	-	(723,902)	-	(723,902)
Unclaimed dividends	-	-	-	308	-	-	-	-	-	-	-	308	1,174	1,482
Changes in capital surplus from investments in subsidiaries accounted for using the equity method	-	-	-	465	-	-	-	-	-	-	-	465	-	465
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(683,005)	(683,005)
Net profit for the year ended December 31, 2018	-	-	-	-	-	-	954,659	954,659	-	-	-	954,659	987,694	1,942,353
Other comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	-	2,405	2,405	123,460	-	(349,849)	(223,984)	(157,803)	(381,787)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	-	957,064	957,064	123,460	-	(349,849)	730,675	829,891	1,560,566
Issue of shares	-	3,000,000	3,000,000	-	-	-	-	-	-	-	-	3,000,000	-	3,000,000
Capital reduction of subsidiaries for cash received by non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	(1,453)	(1,453)
Disposals of investment in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	-	(138,562)	(138,562)	-	-	138,562	-	-	-
BALANCE AT DECEMBER 31, 2018	24,130,063	3,000,000	27,130,063	8,503	3,184,667	1,215,831	610,045	5,010,543	(92,806)	-	(67,175)	31,989,128	17,129,584	49,118,712
Appropriation of 2018 earnings														
Legal reserve	-	-	-	-	183,014	-	(183,014)	-	-	-	-	-	-	-
Special reserve of preferred stock	-	-	-	-	-	415,504	(415,504)	-	-	-	-	-	-	-
Cash dividends distributed by the Bank	-	-	-	-	-	-	(11,527)	(11,527)	-	-	-	(11,527)	-	(11,527)
Changes in capital surplus from investments in subsidiaries accounted for using the equity method	-	-	-	906	-	-	-	-	-	-	-	906	-	906
Unclaimed dividends	-	-	-	341	-	-	-	-	-	-	-	341	2,288	2,629
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(759,963)	(759,963)
Net profit for the year ended December 31, 2019	-	-	-	-	-	-	1,100,433	1,100,433	-	-	-	1,100,433	926,168	2,026,601
Other comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	-	(305)	(305)	(214,667)	-	394,894	179,922	258,997	438,919
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	-	1,100,128	1,100,128	(214,667)	-	394,894	1,280,355	1,185,165	2,465,520
Disposals of investment in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	-	87,723	87,723	-	-	(87,723)	-	-	-
BALANCE AT DECEMBER 31, 2019	$ 24,130,063	$ 3,000,000	$ 27,130,063	$ 9,750	$ 3,367,681	$ 1,631,335	$ 1,187,851	$ 6,186,867	$ (307,473)	$ -	$ 239,996	$ 33,259,203	$ 17,557,074	$ 50,816,277

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

O-BANK AND SUBSIDIARIES

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

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

(Continued)

O-BANK AND SUBSIDIARIES

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

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

(Continued)

O-BANK AND SUBSIDIARIES

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

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

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

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

1. GENERAL INFORMATION

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

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

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

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

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

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

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

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

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

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

   - IFRS 16 "Leases"

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

     <u>Definition of a lease</u>

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

     <u>The Group as lessee</u>

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

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

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

The Group also applies the following practical expedients:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

Statement of Compliance

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

Basis of Preparation

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

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

Basis of Consolidation

Principles for preparing consolidated financial statements

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

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

Foreign Currencies

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

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

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

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

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

Investment in Associates

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

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

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

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

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

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

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

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

Financial Instruments

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

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

Financial assets

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

a. Measurement category

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

   1) Financial assets at FVTPL

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

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

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

   2) Financial assets at amortized cost

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

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

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

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

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

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

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

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

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

b) Breach of contract, such as a default;

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

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

3) Investments in debt instruments at FVTOCI

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

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

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

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

4) Investments in equity instruments at FVTOCI

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

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

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

b. Impairment of financial assets and contract assets

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

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

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

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

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

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

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

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

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

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

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

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

c. Derecognition of financial assets

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

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

Equity instruments

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

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

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

Financial liabilities

a. Subsequent measurement

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

   1) Financial liabilities at FVTPL

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

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

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

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

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

      Financial liabilities at FVTPL, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the other gains and losses line item. For a financial liability designated as at FVTPL, the amount of changes in fair value attributable to changes in the credit risk of the liability is presented in other comprehensive income and will not be subsequently reclassified to profit or loss. The gain or loss accumulated in other comprehensive income will be transferred to retained earnings when the financial liability is derecognized. If this accounting treatment related to credit risk would create or enlarge an accounting mismatch, all changes in the fair value of the liability are presented in profit or loss. The fair value is determined in the manner described in Note 45.

2) Financial guarantee contracts

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

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

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

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

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

b. Derecognition of financial liabilities

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

Derivative financial instruments

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

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

Non-performing Loans

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

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

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

Repurchase and Resale Transactions

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

Property and Equipment

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

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

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

Intangible Assets

a. Intangible assets acquired separately

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

b. Derecognition of intangible assets

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

Goodwill

Goodwill arising from the acquisition of a business is measured at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Group’s cash-generating units or groups of cash-generating units (referred to as “cash-generating units”) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then pro rata to the other assets of the unit based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. Any impairment loss recognized for goodwill is not reversed in subsequent periods.

If goodwill has been allocated to a cash-generating unit and the entity disposes of an operation within that unit, the goodwill associated with the operation which is disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal and is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment of Tangible and Intangible Assets Other Than Goodwill

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

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

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

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Provisions

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

Onerous contracts

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

Leases

2019

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

The Group as lessee

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

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

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

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

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

2018

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

The Group as lessee

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

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

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

Employee Benefits

a. Short-term employee benefits

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

b. Retirement benefits

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

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

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

c. Staff preferential deposit

The Bank provides preferential deposits for employees, which are used to pay fixed preferential deposits for current employees. The difference between the interest rate of these preferential deposits and the market interest rate belongs to the category of employee benefits.

Share-based payment arrangements

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

Taxation

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

a. Current tax

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

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

b. Deferred tax

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

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

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

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

c. Current and deferred tax for the period

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

Revenue Recognition

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

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

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

Cash and Cash Equivalents

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Estimated Impairment of Loans and Financial Guarantee Contracts

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

6. CASH AND CASH EQUIVALENTS

	December 31	
	2019	**2018**
Cash on hand and petty cash	$ 89,949	$ 153,719
Checking for clearing	535,095	1,159,621
Due from banks	5,944,958	7,913,728
	$ 6,570,002	$ 9,227,068

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

	December 31	
	2019	**2018**
Reserves for deposits - Type A	$ 2,573,579	$ 1,560,003
Reserves for deposits - Type B	5,124,527	4,808,616
Reserves for deposits - Financial	900,268	1,500,954
Call loans to banks	10,679,363	14,734,354
Others	34,026	3,075
	$ 19,311,763	$ 22,607,002

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

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2019	**2018**
Financial assets mandatorily classified as at FVTPL		
Hybrid financial assets		
Convertible bonds - domestic (include assets swap contracts)	$ 9,470,333	$ 6,894,527
Convertible bonds - overseas (include assets swap contracts)	-	308,774
Structured debt	608,116	610,614
	10,078,449	7,813,915
Derivative financial assets		
Currency swap contracts	171,375	740,592
Forward contracts	7,189	28,342
Interest rate swap contracts	7,610	39,083
Cross-currency swap contracts	-	29,827
Currency option contracts - call	2,882	-
Promised purchase contracts	164	-
	189,220	837,844
Non-derivative financial assets		
Bills	91,656,052	75,261,511
Negotiable certificates of deposit	69,631,538	67,139,658
Stocks and beneficiary certificates	1,257,942	359,716
Government bonds	99,992	99,970
	162,645,524	142,860,855
	$ 172,913,193	$ 151,512,614
Held-for-trading financial liabilities		
Financial liabilities held-for-trading		
Derivative financial instruments		
Currency swap contracts	$ 437,940	$ 619,881
Forward contracts	15,830	39,163
Interest rate swap contracts	72,003	128,343
Others	3,347	961
	529,120	788,348
Non-derivative financial liabilities		
Commercial paper contracts	4,462	4,924
	$ 533,582	$ 793,272

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

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

	December 31	
	2019	2018
Interest rate swap contracts	$ 19,594,243	$ 23,279,433
Currency swap contracts	54,299,506	84,155,536
Cross-currency swap contracts	-	1,079,651
Forward contracts	3,796,613	6,239,093
Currency option contracts		
Call	851,940	-
Put	586,190	-
Promised purchase contracts	750,000	700,000

As of December 31, 2019 and 2018, financial instruments at fair value through profit and loss in the amount of $62,715,800 thousand and $62,414,535 thousand were under agreement to repurchase.

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

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2019	2018
Investments in equity instruments at FVTOCI	$ 3,003,645	$ 2,954,899
Investments in debt instruments at FVTOCI		
Government bonds	33,722,794	49,458,259
Bank debentures	34,814,733	33,449,576
Corporate bonds	64,389,574	60,676,073
Overseas government bonds	3,297,940	1,400,934
American mortgage-backed securities	2,884,084	2,013,011
	$ 142,112,770	$ 149,952,752

a. Investments in equity instruments at FVTOCI

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

The Group disposed stock classified as at FVTOCI for management on investment positions for the year end December 31, 2019 and 2018. The fair value of stocks classified as at FVTOCI that were disposed of was $2,240,868 thousand and $4,878,622 thousand and the accumulated gain or loss related to the sold assets of $87,723 thousand gain and $138,562 thousand loss, respectively, was transferred from other equity-unrealized valuation gain or loss on financial assets at FVTOCI to retained earnings.

Dividends income from FVTOCI of $72,939 thousand and $101,079 thousand were recognized in profit or loss for the year end December 31, 2019 and 2018. The dividends related to investments held at the end of the reporting period were $54,740 thousand and $61,723 thousand.

b. Investments in debt instruments at FVTOCI

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

2) Refer to Note 46 for information relating to the credit risk management and impairment assessment of investments in debt instruments at FVTOCI.

3) The Group has sold investments in debt instruments at FVTOCI on the condition of buying them back were in the amount of $92,927,159 thousand and $84,563,136 thousand, on December 31, 2019 and 2018, respectively.

10. BILLS AND BONDS PURCHASED UNDER RESELL AGREEMENTS

The Group purchased under resale agreements and bond investments are all government bonds. As of December 31, 2019 and 2018, bonds purchased were under agreements to resell in the amount of $100,030 thousand and $991,720 thousand, respectively. As of December 31, 2019 and 2018, bonds purchased under agreements to resell were sold in the amount of $100,000 thousand and $990,000 thousand, respectively.

11. RECEIVABLES, NET

	December 31	
	2019	**2018**
Lease payments receivable	$ 12,236,876	$ 12,399,120
Investment settlements receivable	29,993	459,188
Interest receivable	1,719,054	1,890,250
Factored receivables	1,585,725	4,714,725
Acceptances receivable	220,594	225,582
Settlements receivable - trusteeship	118,092	84,729
Accounts receivable	1,064,051	1,213,552
Others	677,925	1,188,591
	17,652,310	22,175,737
Less: Allowance for possible losses	480,284	611,254
Unrealized interest revenue	688,852	734,532
Receivables, net	$ 16,483,174	$ 20,829,951

The changes in gross carrying amount on receivables (less unrealized interest revenue) for the year ended December 31, 2019 and 2018 were as follows:

	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Total
Balance at January 1, 2019	$ 20,765,683	$ 304,253	$ 371,269	$ 21,441,205
Transfers				
To 12-month ECLs	2,578	(2,578)	-	-
To lifetime ECLs	(207,035)	207,035	-	-
To credit-impaired financial assets	(151,202)	(283,138)	434,340	-
New financial assets purchased	15,516,047	98,251	1,739	15,616,037
Derecognition of financial assets	(19,222,046)	(128,383)	(196,719)	(19,547,148)
Write-offs	-	-	(191,134)	(191,134)
Exchange rate or other changes	(355,683)	(5,430)	5,611	(355,502)
Balance at December 31, 2019	$ 16,348,342	$ 190,010	$ 425,106	$ 16,963,458
Balance at January 1, 2018	$ 20,914,187	$ 453,669	$ 479,595	$ 21,847,451
Transfers				
To 12-month ECLs	13,162	(13,162)	-	-
To lifetime ECLs	(327,460)	328,313	(853)	-
To credit-impaired financial assets	(124,641)	(127,899)	252,540	-
New financial assets purchased	20,055,764	57,452	254,860	20,368,076
Derecognition of financial assets	(19,592,825)	(316,631)	(121,746)	(20,031,202)
Write-offs	-	-	(482,140)	(482,140)
Exchange rate or other changes	(172,504)	(77,489)	(10,987)	(260,980)
Balance at December 31, 2018	$ 20,765,683	$ 304,253	$ 371,269	$ 21,441,205

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

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

Refer to Note 46 for the impairment loss analysis of receivables.

12. DISCOUNTS AND LOANS, NET

	December 31	
	2019	2018
Short-term	$ 52,637,640	$ 67,402,492
Medium-term	117,968,744	119,135,400
Long-term	25,364,024	13,151,025
Export bill negotiated	-	50,167
Accounts receivables financing	284,150	508,098
Guaranteed overdraft	69	15,660
Overdue loans	703,831	27,337
	196,958,458	200,290,179
Less: Allowance for credit losses	2,712,229	2,952,129
	$ 194,246,229	$ 197,338,050

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

	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Total
Balance at January 1, 2019	$ 183,751,973	$ 15,147,609	$ 1,390,597	$ 200,290,179
Transfers				
To 12-month ECLs	1,979,229	(1,979,229)	-	-
To lifetime ECLs	(4,022,646)	4,022,646	-	-
To credit-impaired financial assets	(1,217,443)	(116,053)	1,333,496	-
New financial assets purchased	99,104,764	10,804,177	2,184,060	112,093,001
Derecognition of financial assets	(100,934,024)	(10,966,554)	(337,636)	(112,238,214)
Write-offs	-	-	(1,145,679)	(1,145,679)
Exchange rate or other changes	(1,184,134)	(514,585)	(342,110)	(2,040,829)
Balance at December 31, 2019	$ 177,477,719	$ 16,398,011	$ 3,082,728	$ 196,958,458
Balance at January 1, 2018	$ 168,857,771	$ 12,242,648	$ 1,667,619	$ 182,768,038
Transfers				
To 12-month ECLs	279,020	(279,020)	-	-
To lifetime ECLs	(963,153)	963,153	-	-
To credit-impaired financial assets	(358,872)	-	358,872	-
New financial assets purchased	116,110,887	11,099,131	232,537	127,442,555
Derecognition of financial assets	(101,001,620)	(8,822,090)	(524,949)	(110,348,659)
Write-offs	(1,308)	(220)	(353,701)	(355,229)
Exchange rate or other changes	829,248	(55,993)	10,219	783,474
Balance at December 31, 2018	$ 183,751,973	$ 15,147,609	$ 1,390,597	$ 200,290,179

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

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

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

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

13. ALLOWANCE FOR CREDIT LOSSES AND PROVISIONS

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

Allowance for Receivables	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Accumulated Amount under IFRS 9	Difference Between IFRS 9 and Local Requirements	Total
Balance at January 1, 2019	$ 218,853	$ 111,931	$ 227,909	$ 558,693	$ 52,561	$ 611,254
Transfers						
To 12-month ECLs	6,229	(6,229)	-	-	-	-
To lifetime ECLs	(11,214)	11,214	-	-	-	-
To credit-impaired financial assets	(53)	(125,175)	125,228	-	-	-
New financial assets purchased	2,028	38,717	52,364	93,109	-	93,109
Derecognition of financial assets	(15,250)	(73)	(99)	(15,422)	-	(15,422)
Change in model or risk parameters	(23)	(3)	286	260	-	260
Difference between IFRS 9 and local requirements	682	5,495	859	7,036	(31,113)	(24,077)
Write-offs	-	-	(191,134)	(191,134)	-	(191,134)
Withdrawal after write-offs	-	-	19,103	19,103	-	19,103
Exchange rate or other changes	(5,079)	51	(7,647)	(12,675)	(134)	(12,809)
Balance at December 31, 2019	$ 196,173	$ 35,928	$ 226,869	$ 458,970	$ 21,314	$ 480,284

Allowance for Discounts and Loans	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Accumulated Amount under IFRS 9	Difference Between IFRS 9 and Local Requirements	Total
Balance at January 1, 2019	$ 203,195	$ 49,620	$ 334,761	$ 587,576	$ 2,364,553	$ 2,952,129
Transfers						
To 12-month ECLs	14,408	(14,408)	-	-	-	-
To lifetime ECLs	(7,376)	7,376	-	-	-	-
To credit-impaired financial assets	(1,562)	(276)	1,838	-	-	-
New financial assets purchased	140,676	36,736	1,289,746	1,467,158	-	1,467,158
Derecognition of financial assets	(117,080)	(15,423)	(93,436)	(225,939)	-	(225,939)
Change in model or risk parameters	35,149	14,051	17,011	66,211	-	66,211
Difference between IFRS 9 and local requirements	-	-	-	-	(383,732)	(383,732)
Write-offs	-	-	(1,145,679)	(1,145,679)	-	(1,145,679)
Withdrawal after write-offs	-	-	3,741	3,741	-	3,741
Exchange rate or other changes	(1,433)	(372)	(4,460)	(6,265)	(15,395)	(21,660)
Balance at December 31, 2019	$ 265,977	$ 77,304	$ 403,522	$ 746,803	$ 1,965,426	$ 2,712,229

Reserve for Losses on Guarantee Contracts and Financing Commitments	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Accumulated Amount under IFRS 9	Difference Between IFRS 9 and Local Requirements	Total
Balance at January 1, 2019	$ 98,213	$ 11,098	$ -	$ 109,311	$ 1,466,472	$ 1,575,783
Transfers						
To 12-month ECLs	5,965	(5,965)	-	-	-	-
To lifetime ECLs	(693)	693	-	-	-	-
New financial assets purchased	42,721	1,997	-	44,718	-	44,718
Derecognition of financial assets	(35,181)	(4,154)	-	(39,335)	-	(39,335)
Change in model or risk parameters	(35,470)	716	-	(34,754)	-	(34,754)
Difference between IFRS 9 and local requirements	-	-	-	-	54,294	54,294
Withdrawal after write-offs	-	-	-	-	10,524	10,524
Exchange rate or other changes	(271)	(5)	-	(276)	(171)	(447)
Balance at December 31, 2019	$ 75,284	$ 4,380	$ -	$ 79,664	$ 1,531,119	$ 1,610,783

Allowance for Receivables	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Accumulated Amount under IFRS 9	Difference Between IFRS 9 and Local Requirements	Total
Balance at January 1, 2018 per IAS 39	$ 257,337	$ 51,027	$ 293,133	$ 601,497	$ 43,861	$ 645,358
Adjustment on initial application of IFRS 9	615	199,964	25,506	226,085	-	226,085
Balance at January 1, 2018 per IFRS 9	257,952	250,991	318,639	827,582	43,861	871,443
Transfers						
To 12-month ECLs	7,092	(6,665)	(427)	-	-	-
To lifetime ECLs	(11,550)	11,550	-	-	-	-
To credit-impaired financial assets	(52)	(63,839)	63,891	-	-	-
New financial assets purchased	5,047	90,162	314,881	410,090	-	410,090
Derecognition of financial assets	(35,654)	(166,181)	(2,124)	(203,959)	-	(203,959)
Change in model or risk parameters	(3)	(3)	9	3	-	3
Difference between IFRS 9 and local requirements	-	-	-	-	8,558	8,558
Write-offs	-	-	(482,140)	(482,140)	-	(482,140)
Withdrawal after write-offs	-	-	17,711	17,711	-	17,711
Exchange rate or other changes	(3,979)	(4,084)	(2,531)	(10,594)	142	(10,452)
Balance at December 31, 2018	$ 218,853	$ 111,931	$ 227,909	$ 558,693	$ 52,561	$ 611,254

Allowance for Discounts and Loans	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Accumulated Amount under IFRS 9	Difference Between IFRS 9 and Local Requirements	Total
Balance at January 1, 2018 per IAS 39	$ 511,729	$ 98,492	$ 539,987	$ 1,150,208	$ 1,531,644	$ 2,681,852
Adjustment on initial application of IFRS 9	71,417	10,864	75,616	157,897	-	157,897
Balance at January 1, 2018 per IFRS 9	583,146	109,356	615,603	1,308,105	1,531,644	2,839,749
Transfers						
To 12-month ECLs	4,980	(4,980)	-	-	-	-
To lifetime ECLs	(3,071)	3,071	-	-	-	-
To credit-impaired financial assets	(541)	-	541	-	-	-
New financial assets purchased	108,555	21,996	154,255	284,806	-	284,806
Derecognition of financial assets	(294,128)	(35,732)	(93,617)	(423,477)	-	(423,477)
Change in model or risk parameters	(197,732)	(44,991)	(12,875)	(255,598)	-	(255,598)
Difference between IFRS 9 and local requirements	-	-	-	-	815,432	815,432
Write-offs	(1,308)	(220)	(353,701)	(355,229)	-	(355,229)
Withdrawal after write-offs	-	-	17,756	17,756	-	17,756
Exchange rate or other changes	3,294	1,120	6,799	11,213	17,477	28,690
Balance at December 31, 2018	$ 203,195	$ 49,620	$ 344,761	$ 587,576	$ 2,364,553	$ 2,952,129

Reserve for Losses on Guarantee Contracts and Financing Commitments	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Accumulated Amount under IFRS 9	Difference Between IFRS 9 and Local Requirements	Total
Balance at January 1, 2018 per IAS 39	$ 72,391	$ 3,134	$ -	$ 75,525	$ 1,494,026	$ 1,569,551
Adjustment on initial application of IFRS 9	61,822	19,144	-	80,966	-	80,966
Balance at January 1, 2018 per IFRS 9	134,213	22,278	-	156,491	1,494,026	1,650,517
Transfers						
To 12-month ECLs	278	(278)	-	-	-	-
New financial assets purchased	53,023	6,950	-	59,973	-	59,973
Derecognition of financial assets	(60,762)	(16,752)	-	(77,514)	-	(77,514)
Change in model or risk parameters	(28,667)	(1,119)	-	(29,786)	-	(29,786)
Difference between IFRS 9 and local requirements	-	-	-	-	(41,314)	(41,314)
Withdrawal after write-offs	-	-	-	-	12,203	12,203
Exchange rate or other changes	128	19	-	147	1,557	1,704
Balance at December 31, 2018	$ 98,213	$ 11,098	$ -	$ 109,311	$ 1,466,472	$ 1,575,783

14. DISCONTINUED OPERATIONS

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

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

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

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

	2019	2018
Interest revenue	$ 4,507	$ 10,105
Interest expense	-	-
Net interest	4,507	10,105
Net revenues other than interest		
Net service fee revenue	45	84
Gain (loss) on financial assets at fair value through other comprehensive income	3,180	-
Gain (loss) on financial assets or liabilities measured at fair value through profit or loss	7,655	5,806
Foreign exchange gain (loss), net	(23)	5,305
Other net revenue other than interest income	2,713	8,735
Net revenue other than interest revenue	13,570	19,930
Net revenue	18,077	30,035
Operating expenses		
Employee benefits expenses	8,027	7,600
Depreciation and amortization expense	834	450
Others general and administrative expenses	11,043	11,658
Total operating expenses	19,904	19,708
Income tax expense	-	54
Income (loss) from discontinued operations before write-off	(1,827)	10,273
Write-offs from transactions with related parties	(2,206)	(7,450)
Income (loss) from discontinued operations	$ (4,033)	$ 2,823
Income (loss) from discontinued operations attributable to:		
Owners of the Bank	$ (4,023)	$ 2,816
Non-controlling interests	(10)	7
	$ (4,033)	$ 2,823
Cash inflow from:		
Net cash flows generated from operating activities	$ 13,177	$ 158,004
Net cash flows generated from (used in) investing activities	55	(1,362)
Net cash flows generated from (used in) financing activities	-	(574,358)
Effects of exchange rate changes on cash and cash equivalents	1,962	(10,529)
Net cash inflow (outflow)	$ 15,194	$ (428,245)

15. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

Investor	Investee	Main Business	% of Ownership December 31 2019	2018	Remark	Audit Review by CPA
The Bank	China Bills Finance Co. (CBF)	Bonds underwriting, dealing and brokerage of securities	28.37	28.37	Founded in 1978	Yes
	IBTH	Holding company	100.00	100.00	Founded in 2006 in California	Yes
	IBT Leasing	Leasing	100.00	100.00	Founded in 2011	Yes
	IBTM	Investment consulting	100.00	100.00	Founded in 2000	Yes
	Chun Teng New Century Co., Ltd. (former IBTS)	Investment (former Security Firm)	99.75	99.75	Founded in 1961 (dissolved on November 11, 2016 and still recognized using the equity method)	Yes
IBT Leasing	IBT International Leasing Corp.	Leasing	100.00	100.00	Founded in 2011 in mainland China (commonly held with IBT VII)	Yes
	IBT Tianjin International Leasing Corp.	Leasing	-	100.00	Founded in 2013 in mainland China (commonly held with IBT VII)	Note
	IBT VII Venture Capital Co., Ltd.	Venture capital	100.00	100.00	Founded in 2014	Yes
Chun Teng New Century Co., Ltd (formerly IBTS)	IBTSH	Holding company	100.00	100.00	Founded in 2003 in the British Virgin Islands	Yes
IBTSH	IBTS HK	Investment	100.00	100.00	Founded in 2003 in Hong Kong	Yes
	IBTS Asia	Securities and investment	100.00	100.00	Founded in 2004 in Hong Kong	Yes
IBTH	EverTrust Bank	Banking	91.78	91.78	Founded in 1994 in California	Yes

Note: To improve the development of China leasing business, the board of directors approved, the merger between IBT International Leasing Corp. merges and IBT Tianjin International Leasing Corp., and the date of merger was on will be January 1, 2019. The board of directors meeting date was September 26, 2018.

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

Name of Subsidiary	Principal Place of Business	Proportion of Ownership and Voting Rights Held by Non-controlling Interests December 31 2019	2018
CBF	Taipei	71.63%	71.63%

The summarized financial information below represents amounts before intragroup eliminations:

	December 31 2019	2018
CBF		
Equity attributable to:		
Owners of the Bank	$ 6,767,508	$ 6,609,502
Non-controlling interests of CBF	17,087,954	16,688,991
	$ 23,855,462	$ 23,298,493

	For the Year Ended December 31	
	2019	2018
Net revenue	$ 2,014,768	$ 1,977,208
Net profit from continuing operations	$ 1,244,653	$ 1,335,419
Other comprehensive income (loss) for the period	370,059	(236,507)
Total comprehensive income for the period	$ 1,614,712	$ 1,098,912
Profit attributable to:		
Owners of the Bank	$ 353,093	$ 378,842
Non-controlling interests of CBF	891,560	956,577
	$ 1,244,653	$ 1,335,419
Total comprehensive income attributable to:		
Owners of the Bank	$ 458,074	$ 311,748
Non-controlling interests of CBF	1,156,638	787,164
	$ 1,614,712	$ 1,098,912
Net cash inflow (outflow) from:		
Operating activities	$ 13,618,146	$ (4,995,237)
Investing activities	(14,369)	(3,714)
Financing activities	(13,620,878)	4,953,282
Net cash outflow	$ (17,101)	$ (45,669)
Dividends paid to non-controlling interests of CBF	$ 759,963	$ 683,005

16. OTHER FINANCIAL ASSETS

	December 31	
	2019	2018
Time deposits with original maturities more than 3 months	$ 46,371	$ 113,913
Pledged deposits	741,091	527,500
Reserve Account	116,258	49,598
Call loans to securities firms	301,107	614,919
Others	24,676	23,988
	$ 1,229,503	$ 1,329,918

17. PROPERTY AND EQUIPMENT

	December 31 2019	December 31 2018
Carrying amounts of each class of		
Land	$ 781,970	$ 781,970
Buildings	1,324,482	1,369,375
Machinery and computer equipment	349,605	338,826
Transportation equipment	35,942	36,715
Office and other equipment	83,386	103,446
Lease improvement	187,479	233,827
Construction in progress and prepayments for equipment	91,330	87,501
	$ 2,854,194	$ 2,951,660

The movements of property and equipment for the years ended December 31, 2019 and 2018 are summarized as follows:

	Freehold Land	Buildings	Machinery and Computer Equipment	Transportation Equipment	Office and Other Equipment	Lease Improvement	Construction in Progress and Prepayments for Equipment	Total
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	-	1,025	37,682	12,628	2,557	4,391	67,112	125,395
Disposals and scrapped	-	(2,429)	(14,800)	(10,556)	(6,020)	(17,249)	-	(51,054)
Reclassification	-	1,578	39,998	-	2,637	4,828	(63,291)	(14,250)
Net exchange differences	-	-	(1,729)	(421)	(1,144)	(3,324)	8	(6,610)
Balance at December 31, 2019	$ 781,970	$ 1,898,849	$ 809,120	$ 78,739	$ 280,283	$ 373,783	$ 91,330	$ 4,314,074
Accumulated depreciation								
Balance at January 1, 2019	$ -	$ 529,300	$ 409,143	$ 40,373	$ 178,807	$ 151,310	$ -	$ 1,308,933
Disposals and scrapped	-	(960)	(14,555)	(9,381)	(5,956)	(12,832)	-	(43,684)
Depreciation expense	-	46,027	66,224	12,011	24,810	48,953	-	198,025
Reclassification	-	-	-	-	-	427	-	427
Net exchange differences	-	-	(1,297)	(206)	(764)	(1,554)	-	(3,821)
Balance at December 31, 2019	$ -	$ 574,367	$ 459,515	$ 42,797	$ 196,897	$ 186,304	$ -	$ 1,459,880
Carrying amounts								
Balance at December 31, 2019	$ 781,970	$ 1,324,482	$ 349,605	$ 35,942	$ 83,386	$ 187,479	$ 91,330	$ 2,854,194
Cost								
Balance at January 1, 2018	$ 848,222	$ 1,944,911	$ 732,062	$ 82,406	$ 241,495	$ 358,067	$ 140,912	$ 4,348,075
Additions	-	-	23,917	21,783	14,688	48,564	191,139	300,091
Disposals and scrapped	(66,252)	(46,236)	(4,921)	(20,720)	(5,191)	(34,837)	(16,638)	(194,795)
Reclassification	-	-	(2,811)	-	30,062	10,487	(227,988)	(190,250)
Net exchange differences	-	-	(278)	(6,381)	1,199	2,856	76	(2,528)
Balance at December 31, 2018	$ 781,970	$ 1,898,675	$ 747,969	$ 77,088	$ 282,253	$ 385,137	$ 87,501	$ 4,260,593
Accumulated depreciation								
Balance at January 1, 2018	$ 48,038	$ 506,380	$ 356,323	$ 47,080	$ 163,702	$ 141,600	$ -	$ 1,263,123
Disposals and scrapped	(48,038)	(23,492)	(4,341)	(18,987)	(4,869)	(37,775)	-	(137,502)
Depreciation expense	-	46,412	65,908	12,167	21,369	46,115	-	191,971
Reclassification	-	-	(8,492)	-	(2,319)	(5)	-	(10,816)
Net exchange differences	-	-	(255)	113	924	1,375	-	2,157
Balance at December 31, 2018	$ -	$ 529,300	$ 409,143	$ 40,373	$ 178,807	$ 151,310	$ -	$ 1,308,933
Carrying amounts								
Balance at December 31, 2018	$ 781,970	$ 1,369,375	$ 338,826	$ 36,715	$ 103,446	$ 233,827	$ 87,501	$ 2,951,660

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

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

18. LEASE ARRANGEMENTS

a. Right-of-use assets - 2019

	December 31, 2019
Carrying amounts	
Buildings	$ 477,885
Transportation equipment	7,541
	$ 485,426

	For the Year Ended December 31, 2019
Additions to right-of-use assets	$ 166,337
Depreciation charge for right-of-use assets	
Buildings	$ 159,530
Transportation equipment	6,618
	$ 166,148

b. Lease liabilities - 2019

	December 31, 2019
Carrying amounts	$ 498,832

Range of discount rate for lease liabilities was as follows:

	December 31, 2019
Buildings	1.62%-5.70%
Transportation equipment	1.98%-6.00%

c. Material lease-in activities

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

As of December 31, 2019 and 2018, refundable deposits paid under operating lease amounted to $31,523 thousand and $33,183 thousand.

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

	December 31, 2018
Up to 1 years	$ 162,811
Over 1 year to 5 years	325,856
Over 5 years	82,714
	$ 571,381

d. Other lease information

	For the Year Ended December 31, 2019
Expenses relating to short-term leases	$ 24,165
Expenses relating to low-value asset leases	$ 3,256
Total cash outflow for leases	$ (200,304)

19. INTANGIBLE ASSETS

	December 31	
	2019	2018
Carrying amounts of each class of		
Computer software	$ 1,176,120	$ 1,287,701
Goodwill	1,142,865	1,166,769
Others	562	2,830
	$ 2,319,547	$ 2,457,300

The movements of intangible assets for the year ended December 31, 2019 and 2018 are summarized as follows:

	Computer Software	Goodwill	Others	Total
Cost				
Balance at January 1, 2019	$ 2,120,054	$ 1,166,769	$ 7,506	$ 3,294,329
Additions	122,345	-	-	122,345
Disposals	(408)	-	-	(408)
Reclassification	(83,111)	-	-	(83,111)
Effect of foreign currency exchange differences	(1,358)	(23,904)	(155)	(25,417)
Balance at December 31, 2019	$ 2,157,522	$ 1,142,865	$ 7,351	$ 3,307,738

(Continued)

	Computer Software	Goodwill	Others	Total
Accumulated amortization and impairment loss				
Balance at January 1, 2019	$ 832,353	$ -	$ 4,676	$ 837,029
Amortization	251,824	-	2,270	254,094
Disposals	(408)	-	-	(408)
Reclassification	(101,317)	-	-	(101,317)
Effect of foreign currency exchange differences	(1,050)	-	(157)	(1,207)
Balance at December 31, 2019	$ 981,402	$ -	$ 6,789	$ 988,191
Carrying amounts				
Balance at December 31, 2019	$ 1,176,120	$ 1,142,865	$ 562	$ 2,319,547
Cost				
Balance at January 1, 2018	$ 1,885,101	$ 1,133,222	$ 7,289	$ 3,025,612
Additions	183,566	-	-	183,566
Reclassification	50,430	-	-	50,430
Effect of foreign currency exchange differences	957	33,547	217	34,721
Balance at December 31, 2018	$ 2,120,054	$ 1,166,769	$ 7,506	$ 3,294,329
Accumulated amortization and impairment loss				
Balance at January 1, 2018	$ 619,896	$ -	$ 2,349	$ 622,245
Amortization	231,278	-	2,215	233,493
Reclassification	(19,645)	-	-	(19,645)
Effect of foreign currency exchange differences	824	-	112	936
Balance at December 31, 2018	$ 832,353	$ -	$ 4,676	$ 837,029
Carrying amounts				
Balance at December 31, 2018	$ 1,287,701	$ 1,166,769	$ 2,830	$ 2,457,300

(Concluded)

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

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

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

20. OTHER ASSETS

	December 31 2019	December 31 2018
Refundable deposits	$ 270,472	$ 433,155
Life insurance cash surrender value	340,513	344,395
Prepayments	106,004	74,585
Others	199,785	238,084
	$ 916,774	$ 1,090,219

21. DUE TO THE CENTRAL BANK AND BANKS

	December 31 2019	December 31 2018
Due to other banks	$ 34,030,540	$ 53,377,161
Deposits from Chunghwa Post Co., Ltd.	7,000,000	-
Call loans from Central Bank	2,408,858	2,152,215
	$ 43,439,398	$ 55,529,376

22. BILLS AND BONDS SOLD UNDER REPURCHASE AGREEMENT

	December 31 2019	December 31 2018
Bills	$ 61,873,869	$ 62,123,793
Government bonds	27,297,780	31,013,011
Corporate bonds	51,926,418	43,415,222
Bank debenture	18,455,318	14,894,874
	$ 159,553,385	$ 151,446,900
Date of agreements to repurchase	Before December 2020	Before June 2019
Amount of agreements to repurchase	$ 159,673,835	$ 151,544,513

23. PAYABLES

	December 31 2019	December 31 2018
Factored payables	$ 252,912	$ 1,821,591
Checks clearing payables	535,095	1,159,621
Accrued expenses	979,218	941,904
Accrued interest	891,220	894,253
Acceptances	220,594	225,582
Investment settlements payable	418,947	107,965
Settlement accounts payable - execution of customer orders	129,703	84,724
Collections for others	117,230	146,221
Others	199,287	254,576
	$ 3,744,206	$ 5,636,437

24. DEPOSITS AND REMITTANCES

	December 31 2019	December 31 2018
Deposits		
Checking	$ 4,553,278	$ 5,114,611
Demand	41,890,065	35,746,655
Time	202,575,243	211,109,170
Outward remittances	63,717	6
Savings deposits	16,649,521	9,832,879
	$ 265,731,824	$ 261,803,321

25. BANK DEBENTURES PAYABLE

	December 31 2019	December 31 2018
Subordinate debenture bonds first issued in 2012; fixed 1.85% interest rate; maturity: August 17, 2019; interest paid annually and repay the principal at maturity	$ -	$ 1,650,000
Subordinate debenture bonds first issued in 2013; fixed 1.95% interest rate; maturity: May 30, 2020; interest paid annually and repay the principal at maturity	2,300,000	2,300,000
Subordinate debenture bonds first issued in 2014; fixed 1.95% interest rate; maturity: March 27, 2021; interest paid annually and repay the principal at maturity	1,300,000	1,300,000
Subordinate debenture bonds second issued in 2014; fixed 1.85% interest rate; maturity: June 26, 2021; interest paid annually and repay the principal at maturity	1,000,000	1,000,000
Subordinate debenture bonds third issued in 2014; fixed 1.95% interest rate; maturity: September 26, 2021; interest paid annually and repay the principal at maturity	600,000	600,000

(Continued)

	December 31	
	2019	2018
Subordinate debenture bonds forth issued in 2014; fixed 2.2% interest rate; maturity: May 5, 2022; interest paid annually and repay the principal at maturity	$ 1,500,000	$ 1,500,000
Subordinate debenture bonds first issued in 2015; fixed 1.85% interest rate; maturity: December 29, 2022; interest paid annually and repay the principal at maturity	1,000,000	1,000,000
Subordinate debenture bonds A first issued in 2016; fixed 1.70% interest rate; maturity: June 29, 2023; interest paid annually and repay the principal at maturity	1,500,000	1,500,000
Subordinate debenture bonds B first issued in 2016; fixed 1.80% interest rate; maturity: June 29, 2024; interest paid annually and repay the principal at maturity	1,500,000	1,500,000
Subordinate debenture bonds first issued in 2017; fixed 1.97% interest rate; maturity: September 5, 2027; interest paid annually and repay the principal at maturity	2,000,000	2,000,000
Subordinate debenture bonds A second issued in 2017; fixed 4% interest rate; no maturity, interest paid annually	750,000	750,000
Subordinate debenture bonds B second issued in 2017; fixed 1.82% interest rate; maturity: December 27, 2027; interest paid annually and repay the principal at maturity	1,000,000	1,000,000
Subordinate debenture bonds A first issued in 2018; fixed 4% interest rate; no maturity, interest paid annually	700,000	700,000
Subordinate debenture bonds B second issued in 2018; fixed 1.75% interest rate; maturity: June 29, 2028; interest paid annually and repay the principal at maturity	1,050,000	1,050,000
Subordinate debenture bonds first issued in 2019; fixed 1.5% interest rate; maturity: June 6, 2026; interest paid annually and repay the principal at maturity	2,500,000	-
	$ 18,700,000	$ 17,850,000

(Concluded)

26. OTHER FINANCIAL LIABILITIES

	December 31	
	2019	2018
Bank borrowings	$ 8,940,610	$ 9,713,242
Commercial papers payable	500,000	999,881
Structured products	517,749	-
Funds obtained from the government - intended for specific types of loans	2,950,900	4,321,291
	$ 12,909,259	$ 15,034,414

a. Bank borrowings

	December 31	
	2019	2018
Short-term borrowings	$ 4,513,495	$ 5,068,874
Long-term borrowings	4,427,115	4,644,368
	$ 8,940,610	$ 9,713,242
Interest rate interval		
New Taiwan dollars	1.00%-1.55%	1.15%-1.50%
U.S. dollars	3.14%-3.40%	3.71%-5.00%
Renminbi	4.69%-5.94%	4.99%-6.18%

b. Commercial papers payable

	December 31	
	2019	2018
Commercial papers payable	$ 500,000	$ 1,000,000
Less: Unamortized discount	-	(119)
	$ 500,000	$ 999,881
Interest rate interval	1.19%-1.3%	0.65%-1.23%

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

	December 31	
	2019	2018
Funds obtained from the government - intended for specific types of loans	$ 2,950,900	$ 4,321,291

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

27. PROVISIONS

	December 31	
	2019	2018
Provisions for employee benefits	$ 304,271	$ 293,645
Reserve for losses on guarantee contracts	1,543,817	1,497,762
Reserve for financing commitments	66,966	78,021
	$ 1,915,054	$ 1,869,428

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

28. RETIREMENT BENEFITS PLANS

Defined Contribution Plan

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

The amount to be paid in accordance with the percentage specified in the proposed plan for the year ended December 31, 2019 and 2018 was recognized in the consolidated statements of comprehensive income in the total amounts of $47,168 thousand, and $49,505 thousand, respectively.

Defined Benefit Plan

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

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

	December 31	
	2019	**2018**
Present value of defined benefit obligation	$ 601,193	$ 565,026
Fair value of plan assets	(296,922)	(271,381)
Net defined benefit liability	$ 304,271	$ 293,645

Movements in net defined benefit liability were as follows:

	Present Value of the Defined Benefit Obligation	**Fair Value of the Plan Assets**	**Net Defined Benefit Liability**
Balance at January 1, 2018	$ 574,324	$ (278,599)	$ 295,725
Service cost			
Current service cost	30,894	-	30,894
Net interest expense (income)	5,263	(3,019)	2,244
Recognized in profit or loss	36,157	(3,019)	33,138
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(7,720)	(7,720)
Actuarial loss - changes in demographic assumptions	2,802	-	2,802

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Actuarial loss - changes in financial assumptions	$ 5,324	$ -	$ 5,324
Actuarial gain - experience adjustments	(3,784)	-	(3,784)
Recognized in other comprehensive income	4,342	(7,720)	(3,378)
Employer contributions	-	(12,657)	(12,657)
Benefits paid	(30,614)	30,614	-
Actual payment	(19,183)	-	(19,183)
Balance at December 31, 2018	$ 565,026	$ (271,381)	$ 293,645
Balance at January 1, 2019	$ 565,026	$ (271,381)	$ 293,645
Service cost			
Current service cost	27,631	-	27,631
Net interest expense (income)	4,452	(2,779)	1,673
Recognized in profit or loss	32,083	(2,779)	29,304
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(9,385)	(9,385)
Actuarial loss - changes in demographic assumptions	6,057	-	6,057
Actuarial loss - changes in financial assumptions	4,614	-	4,614
Actuarial gain - experience adjustments	(1,344)	-	(1,344)
Recognized in other comprehensive income	9,327	(9,385)	(58)
Employer contributions	-	(15,690)	(15,690)
Benefits paid	(5,243)	5,243	-
Others	-	(2,930)	(2,930)
Balance at December 31, 2019	$ 601,193	$ (296,922)	$ 304,271

(Concluded)

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

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

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

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

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

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

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

	December 31	
	2019	**2018**
Discount rate(s)		
0.25% increase	$ (10,271)	$ (10,611)
0.25% decrease	$ 10,632	$ 10,988
Expected rate(s) of salary increase		
0.25% increase	$ 10,272	$ 10,654
0.25% decrease	$ (9,978)	$ (10,634)

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

	December 31	
	2019	**2018**
Expected contributions to the plans for the next year	$ 7,243	$ 14,368
Average duration of the defined benefit obligation	9-9.4 years	9.6-10 years

29. OTHER LIABILITIES

	December 31	
	2019	**2018**
Guarantee deposits received	$ 1,838,707	$ 1,981,734
Advance revenue	28,691	119,378
Others	492,868	299,730
	$ 2,360,266	$ 2,400,842

30. EQUITY

a. Capital stock

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

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

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

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

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

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

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

5) The preferred stock issued by the Bank shall not be converted within one year from the date of issuance. Starting from the day after the expiration of one year, stockholders of convertible preferred stock may apply for the conversion of part or all of the preferred stock held, from preferred stock to common stock during the conversion period (conversion ratio 1:1). After the convertible preferred stock are converted into common stock, their rights and obligations are the

same as the common stock. The issuance of annual dividends for the convertible preferred stock is based on the ratio of the actual number of issued days in the current year to the number of days within the whole year. However, stockholders who converted their preferred stock into common stock before the date of distribution of dividends (interests) in each year shall not participate in the special year of distribution but may participate in the distribution of common stock surplus and additional paid in capital.

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

b. Capital surplus

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

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

c. Retained earnings and dividend policy

Under the dividends policy as set forth in the amended Articles, where the Bank made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 30% of the remaining profit, except the accumulated legal reserve equals the Bank's paid-in capital, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Board as the basis for proposing a distribution plan, which should be resolved in the stockholders' meeting for distribution of dividends and bonus to stockholders. Legal reserve shall be appropriated until it has reached the Bank's capital surplus. When the legal reserve has exceeded 15% of the Bank's capital surplus, the excess may be distributed in cash. For the policies on distribution of employees' compensation and remuneration of directors, refer to Note 35.

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

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

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

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

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

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

The appropriation of earnings for 2018 had been proposed by the board on March 19, 2020. The appropriation were as follows:

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

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

d. Other equity items

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

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

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

	For the Year Ended December 31	
	2019	**2018**
Balance at January 1 per IAS 39		$ -
Effect of IFRS 9 retrospective application		144,122
Balance at January 1 per IFRS 9	$ (67,175)	144,122
Recognized during the period		
Debt instruments	223,138	(190,443)
Equity instruments	169,681	(159,627)
Loss allowance of debt instruments	2,075	211
Other comprehensive income recognized in the period	394,894	(349,849)
Cumulative unrealized gain of equity instruments transferred to retained earnings due to disposal	(87,723)	138,562
Balance at December 31	$ 239,996	$ (67,175)

e. Non-controlling interests

	For the Year Ended December 31	
	2019	**2018**
Balance at January 1		$ 16,892,050
Effect of IFRS 9 retrospective application		90,927
Balance at January 1 per IFRS 9	$ 17,129,584	16,982,977
Attribute to non-controlling interests		
Share of profit for the year	926,168	987,694
Unclaimed dividends	2,288	1,174
Exchange differences arising on translation of foreign entities	(10,018)	12,435
Unrealized valuation gain or loss on financial assets at FVTOCI	268,746	(173,591)
Actuarial gains on defined benefit plans	269	3,353
Subsidiary refund capital	-	(1,453)
Subsidiary dividends paid	(759,963)	(683,005)
Balance at December 31	$ 17,557,074	$ 17,129,584

31. NET INTEREST

	For the Year Ended December 31	
	2019	**2018**
Interest revenue		
Discounts and loans	$ 5,993,123	$ 5,752,124
Investments in marketable securities	2,099,291	1,995,635
Installment sales and lease	1,018,484	1,155,164
Due from the Central Bank and call loans to banks	335,540	161,238
Others	112,771	119,692
	9,559,209	9,183,853

(Continued)

	For the Year Ended December 31	
	2019	2018
Interest expense		
Deposits	$ 3,278,193	$ 2,484,211
Due to the central bank and banks	588,082	709,706
Bank debenture	378,508	423,673
Securities sold under repurchase agreements	1,042,612	868,193
Others	386,942	473,961
	5,674,337	4,959,744
	$ 3,884,872	$ 4,224,109

(Concluded)

32. NET SERVICE FEE INCOME

	For the Year Ended December 31	
	2019	2018
Service fee		
Guarantee business	$ 872,632	$ 731,130
Loan business	257,632	152,153
Underwrite business	287,245	245,511
Trust business	20,188	13,004
Lease business	253,271	278,226
Credit examine business	275,176	357,738
Import and export business	23,219	38,740
Factoring business	41,598	83,733
Insurance agent	119,129	9,026
Others	54,499	66,385
	2,204,589	1,975,646
Service charge		
Others	142,710	197,056
	$ 2,061,879	$ 1,778,590

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

	For the Year Ended December 31	
	2019	2018
Realized gain or loss		
Bills	$ 43,460	$ 71,338
Stocks	104,661	(6,148)
Bonds	30,523	4,146
Derivatives	777,391	880,664
	956,035	950,000

(Continued)

	For the Year Ended December 31	
	2019	2018
Gains (losses) on valuation		
Bills	$ 7,071	$ 19,186
Stocks	24,481	71
Bonds	7,512	3,448
Derivatives	(373,181)	273,174
	(334,117)	295,879
Interest revenue	1,095,986	893,470
	$ 1,717,904	$ 2,139,349

(Concluded)

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

	For the Year Ended December 31	
	2019	2018
Realized gain - debt instruments	$ 192,957	$ 45,392
Dividend income	69,759	101,079
	$ 262,716	$ 146,471

35. EMPLOYEE BENEFITS EXPENSE

	For the Year Ended December 31	
	2019	2018
Short-term employee benefits		
Salaries and wages	$ 2,286,834	$ 2,214,942
Labor insurance and national health insurance	154,324	153,180
Others	208,518	201,059
Post-employment benefits		
Pension expenses	76,472	82,643
Pension benefits	5	-
	$ 2,726,153	$ 2,651,824

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

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

Accrual rate

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

Amount

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

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

The employees' compensation and remuneration of directors for 2018 and 2017, which were approved by the Board on February 27, 2019 and February 22, 2018, respectively, were as follows:

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

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

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

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

Information for 2019 and 2018 on the employees' compensation and remuneration of directors proposed by the Board is available at the Market Observation Post System website of the Taiwan Stock Exchange.

36. DEPRECIATION AND AMORTIZATION EXPENSES

	For the Year Ended December 31	
	2019	2018
Property and equipment	$ 197,191	$ 191,521
Right-of-use assets	166,148	-
Intangible assets	254,094	233,493
	$ 617,433	$ 425,014

37. OTHER GENERAL AND ADMINISTRATIVE EXPENSE

	For the Year Ended December 31	
	2019	2018
Taxation	$ 253,958	$ 229,009
Rental	23,561	226,161
Management fees	41,266	46,645
Computer operating and consulting fees	283,840	233,571
Entertainment	56,368	66,256
Professional services	88,506	117,330
Advertisement	133,173	169,819
Others	372,967	438,592
	$ 1,253,639	$ 1,527,383

38. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	For the Year Ended December 31	
	2019	2018
Current tax		
In respect of the current period	$ 690,752	$ 607,227
Income tax on unappropriated earnings	12,537	-
In respect of prior periods	(12,123)	6,940
	691,166	614,167
Deferred tax		
In respect of the current period	(9,565)	119,408
Effect of tax rate change	-	(2,627)
	(9,565)	116,781
Income tax expense recognized in profit or loss	$ 681,601	$ 730,948

The reconciliation of the income based on income before income tax at the statutory rate and income tax expense was as follows:

	For the Year Ended December 31	
	2019	2018
Profit before tax from continuing operations	$ 2,712,235	$ 2,670,478
Income tax expense calculated at the statutory rate	$ 916,043	$ 819,548
Realized gain or loss on investment in equity instruments measured at fair value through other comprehensive income	17,545	(27,533)
Nondeductible expenses and tax-exempt income in determining taxable income	(297,481)	(143,433)
Unrecognized loss carryforwards	3,739	4,704
Unrecognized temporary difference	(35,830)	4,187
Deductible loss carryforwards in respect of the current period	(7,594)	(9,199)
Deductible tax amount of overseas income tax	(77,388)	(12,296)

(Continued)

	For the Year Ended December 31	
	2019	2018
Additional income tax under the Alternative Minimum Tax Act	$ 6,289	$ 682
Income tax on unappropriated earnings	12,537	-
Overseas tax	133,180	89,975
Effect of tax rate changes	-	(2,627)
Adjustments for prior years' tax	10,561	6,940
Income tax expense recognized in profit or loss	$ 681,601	$ 730,948

(Concluded)

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2019	2018
Deferred tax		
Recognized in other comprehensive income		
Translation of foreign operations	$ 39,466	$ (22,262)
Unrealized gain (loss) on financial assets at FVTOCI	(87,023)	19,999
Actuarial gains (loss) on defined benefit plans	(94)	(460)
Effect of tax rate changes	-	9,283
Income tax benefit (expense) recognized in other comprehensive income	$ (47,651)	$ 6,560

c. Deferred tax assets and liabilities

For the year ended December 31, 2019

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Other	Closing Balance
Temporary difference					
FVTPL financial assets	$ 42,091	$ 10,930	$ -	$ (69)	$ 52,952
Property and equipment	7,365	2,328	-	(201)	9,492
Exchange difference on foreign operations	28,433	-	28,726	-	57,159
FVTOCI financial assets	38,346	-	(48,468)	2,106	(8,016)
Defined benefit plans	49,249	3,026	(94)	(809)	51,372
Doubtful debts	403,218	75,036	-	(7,558)	470,696
Provisions	54,929	(4,714)	-	-	50,215
Asset impairment	6,046	(290)	-	(27)	5,729
Other	42,979	5,978	-	(4,014)	44,943
	$ 672,656	$ 92,294	$ (19,836)	$ 10,572	$ 734,542

Deferred Tax Liabilities	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Other	Closing Balance
Temporary difference					
FVTPL financial assets	$ 4,805	$ 5,530	$ -	$ -	$ 10,335
FVTOCI financial assets	2,124	-	38,555	13	40,692
Associates	323,346	77,199	-	-	400,545
Exchange difference on foreign operations	10,740	-	(10,740)	-	-
	$ 341,015	$ 82,729	$ 27,815	$ 13	$ 451,572

For the year ended December 31, 2018

Deferred Tax Assets	Opening Balance	Retroactive Adjustment	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Other	Closing Balance
Temporary difference						
FVTPL financial assets	$ 39,726	$ -	$ 2,221	$ -	$ 144	$ 42,091
Property and equipment	8,093	-	(995)	-	227	7,365
Exchange difference on foreign operations	35,205	-	-	(6,772)	-	28,433
AFS financial assets	15,826	-	-	(15,826)	-	-
FVTOCI financial assets	-	-	-	39,649	(1,303)	38,346
Defined benefit plans	41,574	-	4,557	2,381	737	49,249
Doubtful debts	326,042	80,305	(691)	-	(2,438)	403,218
Provisions	74,799	-	(19,870)	-	-	54,929
Asset impairment	12,447	-	(6,456)	-	55	6,046
Other	28,622	-	16,557	-	(2,200)	42,979
	$ 582,334	$ 80,305	$ (4,637)	$ 19,432	$ (4,778)	$ 672,656

Deferred Tax Liabilities	Opening Balance	Retroactive Adjustment	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Other	Closing Balance
Temporary difference						
FVTPL financial assets	$ -	$ -	$ 4,805	$ -	$ -	$ 4,805
FVTOCI financial assets	-	-	-	2,132	(8)	2,124
Associates	216,007	-	107,339	-	-	323,346
Exchange difference on foreign operations	-	-	-	10,740	-	10,740
	$ 216,007	$ -	$ 112,144	$ 12,872	$ (8)	$ 341,015

d. Assessment of the income tax returns

The income tax returns of the Bank through 2016 have been assessed by the tax authorities. The income tax returns of the Bank's subsidiary IBTM through 2018 have been assessed. The income tax returns of the Bank's subsidiary IBT Leasing Co., Ltd. through 2017 have been assessed. The income tax returns of other subsidiaries through 2016 have been assessed by the tax authorities, except the Bank's subsidiary CBF for 2015. The Bank disagreed with the tax authorities' assessment of its 2016 tax return and apply to re-examine.

39. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Year Ended December 31	
	2019	**2018**
Basic earnings per share		
From continuing operations	$ 0.45	$ 0.40
From discontinued operations	-	-
Total basic earnings per share	$ 0.45	$ 0.40
Diluted earnings per share		
From continuing operations	$ 0.45	$ 0.40
From discontinued operations	-	-
Total diluted earnings per share	$ 0.45	$ 0.40

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

Net Profit for the Year

	For the Year Ended December 31	
	2019	**2018**
Profit for the year attributable to owners of the Bank	$ 1,100,433	$ 954,659
Less: Declared preferred stock dividend	11,527	-
Earnings used in the computation of basic and diluted earnings per share	1,088,906	954,659
Less: Profit for the year from discontinued operations used in the computation of basic earnings per share from discontinued operations		
From discontinued operations	(4,023)	2,816
Earnings used in the computation of basic earnings per share from continuing operations	$ 1,092,929	$ 951,843

Stock (In Thousand Shares)

	For the Year Ended December 31	
	2019	**2018**
Weighted average number of common stocks in computation of basic earnings per share	2,413,006	2,413,006
Effect of potentially dilutive common stocks:		
Employees' compensation	2,302	2,107
Convertible preferred stock	27,123	-
	29,425	2,107
Weighted average number of common stocks used in the computation of diluted earnings per share	2,442,431	2,415,113

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

40. RELATED PARTY TRANSACTIONS

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

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

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

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

1) Deposits (part of deposits and remittances)

	Ending Balance	Interest Expense	Rate (%)
For the year ended December 31, 2019			
Associates	$ 2,298	$ 33	0.00-0.33
Others	3,670,509	63,622	0.00-6.56
	$ 3,672,807	$ 63,655	
For the year ended December 31, 2018			
Associates	$ 265	$ 4	0.40
Others	2,680,948	47,430	0.00-6.56
	$ 2,681,213	$ 47,434	

2) Loans

	Maximum Balance	Ending Balance	Interest Revenue	Rate (%)
December 31, 2019				
Others	$ 430,000	$ 430,000	$ 6,204	1.443
December 31, 2018				
Others	$ 430,000	$ 430,000	$ 2,699	1.443

For the Year Ended December 31, 2019

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

For the Year Ended December 31, 2018

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

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

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

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

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

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

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

Other expenses are donations.

5) Rental income and others

	For the Year Ended December 31	
	2019	2018
Others	$ 552	$ 552

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

c. Compensation of key management personnel

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

	For the Year Ended December 31	
	2019	2018
Short-term employee benefits	$ 408,070	$ 445,613
Post-employment benefits	9,919	10,251
Share-based payments	335	-
	$ 418,324	$ 455,864

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

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

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

41. PLEDGED ASSETS

	December 31	
	2019	2018
Financial assets at FVTPL	$ 19,061,425	$ 15,059,868
Financial assets at FVTOCI	2,394,458	2,140,376
loans	5,760,047	9,067,994
Investments in debt instruments measured at amortized cost	-	166,680
Pledged time deposits	741,091	751,000
Compensation account for payment	116,258	49,598
	$ 28,073,279	$ 27,235,516

Under the requirement for joining the Central Bank's Real-time Gross Settlement (RTGS) clearing system, the Bank provided time deposits (parts of other financial assets and due from banks) and negotiable certificates of deposits (part of financial assets at FVTPL and debt instrument investments measured at amortized cost) as collateral for day-term overdrafts. The pledged amount is adjustable based on the respective overdraft amount, and at the end of the day, the unused part can be used for liquidity reserve. The above financial assets were bond investments and were mainly provided as collateral for exchange clearing, interest rate swap contracts, trust compensation, and for EverTrust Bank to issue certificates of deposit in the United States. Besides, the above loans were provided as collateral for EverTrust Bank to apply for credit limit with Federal Home Loan Bank of San Francisco. Restricted assets were provided not merely as collateral for short-term loans, commercial paper issued, contract security deposit and administrative reliefs but were also pledged for Central Bank's bond bidding.

42. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

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

	December 31	
	2019	**2018**
Office decorating and contracts of computer software		
Amount of contracts	$ 126,642	$ 146,125
Payments for construction in progress and prepayments for equipment	91,330	87,501

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

43. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

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

44. TRUST BUSINESS UNDER THE TRUST LAW

Trust-related items are shown in the following balance sheet and trust property list:

Balance Sheet of Trust Accounts

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

Income Statements of Trust Accounts

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

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

Trust Property List

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

45. FINANCIAL INSTRUMENTS

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

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

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

	December 31			
	2019		2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Investments in debt instruments at amortized costs	$ -	$ -	$ 499,939	$ 501,732
Financial liabilities				
Bank debentures payable	18,700,000	18,808,992	17,850,000	17,906,381

2) The fair value hierarchy

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

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

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

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

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

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

Item	December 31, 2018 Total	Level 1	Level 2	Level 3
Non-derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss				
Stocks and beneficial certificates	$ 359,716	$ 288,217	$ -	$ 71,499
Bonds	99,970	-	99,970	-
Bills	75,261,511	-	75,261,511	-
Convertible bonds and structured bonds	7,813,915	293,692	1,021,828	6,498,395
Negotiable certificates of deposit	67,139,658	-	67,139,658	-
Financial assets at fair value through other comprehensive income				
Equity instruments	2,954,899	1,963,220	135,161	856,518
Debt instruments	146,997,853	-	146,997,853	-
Liabilities				
Financial liabilities at fair value through profit or loss	4,924	-	4,924	-

(Continued)

Item	December 31, 2018 Total		Level 1		Level 2		Level 3
Derivative financial instruments							
Assets							
Financial assets at fair value through profit or loss	$	837,844	$	-	$	837,844	$ -
Liabilities							
Financial liabilities at fair value through profit or loss		788,348		-		788,348	-

(Concluded)

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

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

a) Marking-to-market

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

i. Ensure the consistency and completeness of market data.

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

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

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

b) Marking-to-model

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

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

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

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

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

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

For the year ended December 31, 2019

Financial Assets	Financial Assets at Fair Value Through Profit or Loss		Financial Assets at Fair Value Through Other Compre-hensive Income Equity Instruments	Total
	Convertible Bonds	Equity Instruments		
Beginning balance	$ 6,498,395	$ 71,499	$ 856,518	$ 7,426,412
Recognition in profit or loss - financial assets (liabilities) at fair value through profit or loss	11,954	11,549	-	23,503
Recognition in other comprehensive income - financial assets at fair value through other comprehensive income	-	-	193,597	193,597
Purchases	10,184,500	193,797	1,068	10,379,365
Disposal	(8,071,400)	(73,302)	(282,760)	(8,427,462)
Transfer into Level 3	-	-	86,281	86,281
Ending balance	$ 8,623,449	$ 203,543	$ 854,704	$ 9,681,696

For the year ended December 31, 2018

Financial Assets	Financial Assets at Fair Value Through Profit or Loss		Financial Assets at Fair Value Through Other Compre-hensive Income Equity Instruments	Total
	Convertible Bonds	Equity Instruments		
Beginning balance	$ 6,891,357	$ 34,628	$ -	$ 6,925,985
Effect of retrospective application (IFRS 9)	-	38,787	1,072,809	1,111,596
Recognition in profit or loss - financial assets (liabilities) at fair value through profit or loss	7,538	(1,916)	-	5,622
Recognition in other comprehensive income - financial assets at fair value through other comprehensive income	-	-	(30,714)	(30,714)
Purchases	8,755,000	-	653,257	9,408,257
Disposal	(9,155,500)	-	(838,834)	(9,994,334)
Ending balance	$ 6,498,395	$ 71,499	$ 856,518	$ 7,426,412

The assets held at the balance sheet date, which were included in the profit and loss and the unrealized gains and losses on December 31, 2019 and 2018, were gain of $24,586 thousand and gain of $5,622 thousand, respectively.

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

4) Transfers between Level 1 and Level 2

The Group has no significant transfers between Level 1 and Level 2 for the year ended December 31, 2019 and 2018.

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

The fair value measurement of financial instruments is reasonable, although the use of different valuation models or parameters may lead to different results. For the fair value measurements of structured bonds which fall under Level 3 of the fair value hierarchy, they are evaluated according to counterparty quotes; for bonds and convertible corporate bonds for asset swaps which have no quoted market prices, they are evaluated using the future cash flows discounted model. In order to calculate the zero coupon yield curve, the Group uses LIBOR rate and U.S. dollar Swap Rate plus Credit Charge. Were there to be a 10% or 1BP change in either direction of the quotes from respective counterparties or in discount rates and all other conditions remained the same, the effects on the income and other comprehensive income in the respective 2019 and 2018 periods would be as follows:

For the year ended December 31, 2019

	Movement: Upward/ Downward	Effect on Profit and Loss		Effect on Other Comprehensive Income	
		Favorable	Unfavorable	Favorable	Unfavorable
Convertible bond	1BP	$ 1,244	$ (1,244)	$ -	$ -
Equity instruments	10%	20,354	(20,354)	93,844	(93,844)

For the year ended December 31, 2018

	Movement: Upward/ Downward	Effect on Profit and Loss		Effect on Other Comprehensive Income	
		Favorable	Unfavorable	Favorable	Unfavorable
Convertible bond	1BP	$ 918	$ (918)	$ -	$ -
Equity instruments	10%	7,150	(7,150)	92,563	(92,563)

46. FINANCIAL RISK MANAGEMENT

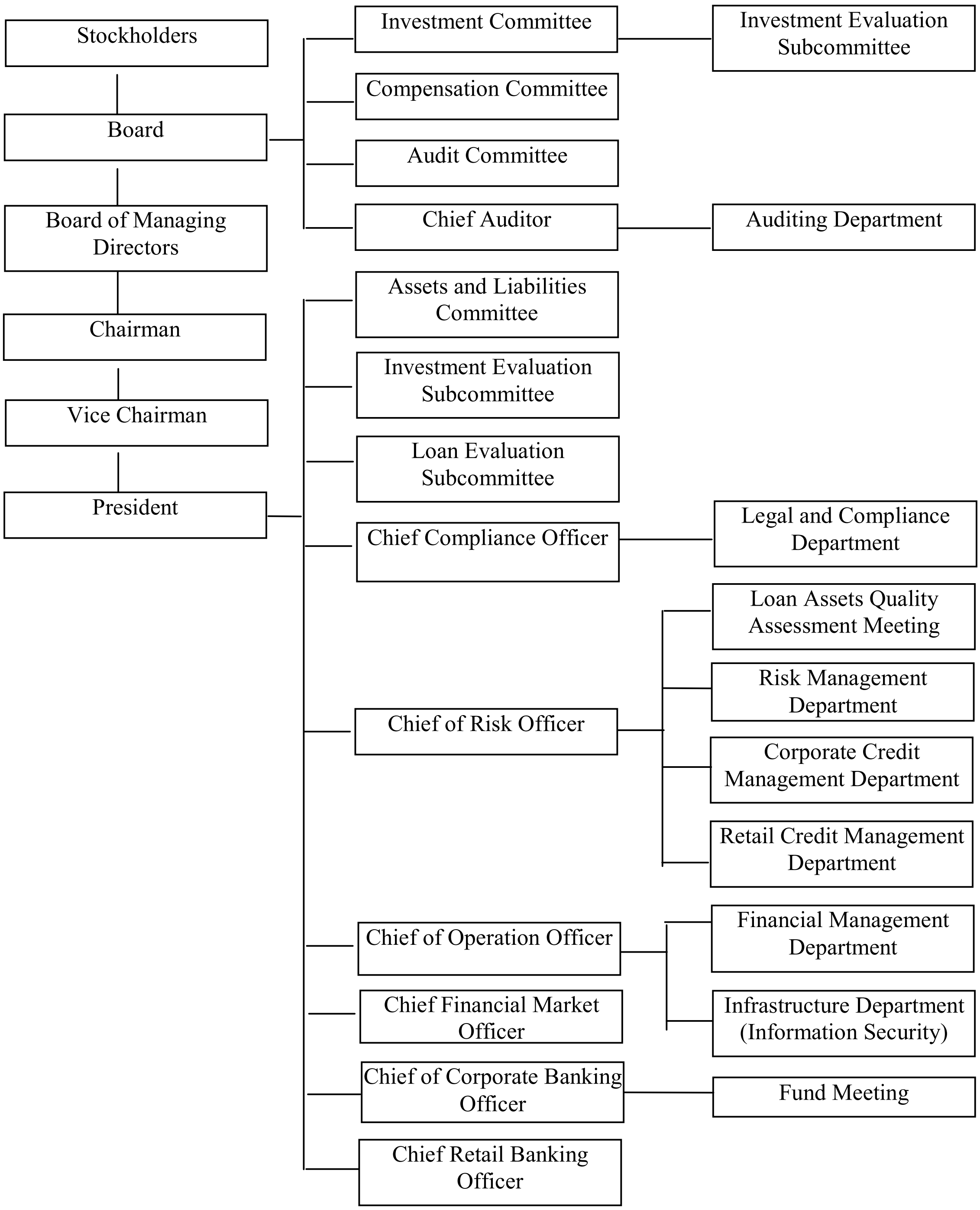
a. Overview

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

b. Risk management framework

Risk management framework of the Bank and its important individual in control are expressed as follows:

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



1) Assets and Liabilities Committee: It has responsibility for oversight and review of significant issues, policies relating to management of assets and liabilities, liquidity risk, interest rate sensitivity, market risk, review the asset and liability allocation and capital adequacy. It held assets and liabilities management meeting once a month.

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

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

4) Loan and investment assets assessment meetings held for various businesses:

   a) Loan assets quality assessment meeting

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

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

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

   b) Investment assets quality assessment meeting

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

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

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

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

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

c. Credit risk

1) Sources and definition of credit risk

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

2) Strategy/objectives/policies and procedures

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

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

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

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

d) Credit risk management process:

   i. Risk identification

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

   ii. Risk measurement

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

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

      ii) Portfolio management:

         - It is used to ensure the risk of loan is within the tolerable scope,

         - "Concentrative risks" are concentration-limited, avoiding the risks to be overly centralized to sufficiently diversify the risk.

         - It achieves the optimal profits.

   iii. Risk communication

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

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

iv. Risk monitoring

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

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

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

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

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

3) Credit risk management and framework

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

6) Maximum exposure to credit risk

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

Off-balance Sheet Item	Maximum Exposure Amount	
	December 31, 2019	December 31, 2018
Financial guarantees and irrevocable documentary letter of credit		
Contract amounts	$ 129,913,751	$ 121,652,586
Maximum exposure amounts	129,913,751	121,652,586
Loan commitments	52,430,535	51,883,120

7) Concentrations of credit risk exposure

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

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

a) By industry

Credit Risk Profile by Industry Sector	December 31, 2019		December 31, 2018	
	Amount	%	Amount	%
Finance and insurance	$ 80,703,164	26	$ 81,904,093	27
Manufacturing	66,421,881	22	76,092,650	25
Real estate	59,667,556	20	59,805,579	20

b) By counterparty

Credit Risk Profile by Industry Sector	December 31, 2019		December 31, 2018	
	Amount	%	Amount	%
Private sector	$ 168,455,809	86	$ 183,749,738	92
Natural person	28,502,648	14	16,540,441	8

c) By geographical area

Credit Risk Profile by Industry Sector	December 31, 2019		December 31, 2018	
	Amount	%	Amount	%
Domestic	$ 123,721,500	63	$ 122,863,558	61
Other Asia area	37,043,347	19	34,140,109	17
America	27,253,098	14	35,143,990	18

8) Credit quality and impairment assessment of financial assets

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

The related financial asset impairment valuation is as follows:

a) Credit business (including loan commitments and guarantees)

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

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

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

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

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

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

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

b) Credit risk management for investments in debt instruments

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

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

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

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

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

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

December 31, 2019

Category	**Expected Loss Rate**	**Gross Carrying Amount**
Performing	0.0189%-0.393%	$ 136,955,987
Doubtful	0.2008%-0.227%	1,400,040
In default	-	-

December 31, 2018

Category	**Expected Loss Rate**	**Gross Carrying Amount**
Performing	0.0014%-0.405%	$ 146,682,749
Doubtful	-	-
In default	-	-

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

For the year ended December 31, 2019

	Credit Rating		
	Performing (12-month ECLs)	**Doubtful (Lifetime ECLs)**	**Total**
Balance at January 1, 2019	$ 35,671	$ -	$ 35,671
Changes in credit rating			
Performing to doubtful	(923)	923	-
Default to write off	4,895	7,213	12,108
New financial assets purchased	2,756	-	2,756
Derecognition of financial assets	(3,167)	-	(3,167)
Change in model or risk parameters	(873)	-	(873)
Exchange rate or other changes	(87)	-	(87)
Balance at December 31, 2019	$ 38,272	$ 8,136	$ 46,408

For the year ended December 31, 2018

Allowance for Impairment Loss	**Credit Rating** **Performing (12-month ECLs)**
Balance at January 1, 2018 per IAS 39	$ -
Adjustment on initial application of IFRS 9	44,061
Balance at January 1, 2018 per IFRS 9	44,061
New financial assets purchased	3,394
Derecognition of financial assets	(11,625)
Change in model or risk parameters	(378)
Exchange rate or other changes	219
Balance at December 31, 2018	$ 35,671

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

a) Credit analysis for receivables and discounts and loans

	December 31, 2019				
	Stage 1 12-month ECLs	**Stage 2 Lifetime ECLs**	**Stage 3 Lifetime ECLs**	**Impairment Provided in Accordance with Law**	**Total**
Receivables	$ 16,348,342	$ 190,010	$ 425,106	$ -	$ 16,963,458
Allowance for credit losses	(196,173)	(35,928)	(226,869)	-	(458,970)
Impairment provided in accordance with law Non-accrual Loans	-	-	-	(21,314)	(21,314)
Net total	$ 16,152,169	$ 154,082	$ 198,237	$ (21,314)	$ 16,483,174

	December 31, 2019				
	Stage 1 12-month ECLs	**Stage 2 Lifetime ECLs**	**Stage 3 Lifetime ECLs**	**Impairment Provided in Accordance with Law**	**Total**
Discounts and loans	$ 177,477,719	$ 16,398,011	$ 3,082,728	$ -	$ 196,958,458
Allowance for credit losses	(265,977)	(77,304)	(403,522)	-	(746,803)
Impairment provided in accordance with law Non-accrual Loans	-	-	-	(1,965,426)	(1,965,426)
Net total	$ 177,211,742	$ 16,320,707	$ 2,679,206	$ (1,965,426)	$ 194,246,229

	December 31, 2018				
	Stage 1 12-month ECLs	**Stage 2 Lifetime ECLs**	**Stage 3 Lifetime ECLs**	**Impairment Provided in Accordance with Law**	**Total**
Receivables	$ 20,765,683	$ 304,253	$ 371,269	$ -	$ 21,441,205
Allowance for credit losses	(218,853)	(111,931)	(227,909)	-	(558,693)
Impairment provided in accordance with law Non-accrual Loans	-	-	-	(52,561)	(52,561)
Net total	$ 20,546,830	$ 192,322	$ 143,360	$ (52,561)	$ 20,829,951

	December 31, 2018				
	Stage 1 12-month ECLs	**Stage 2 Lifetime ECLs**	**Stage 3 Lifetime ECLs**	**Impairment Provided in Accordance with Law**	**Total**
Discounts and loans	$ 183,751,973	$ 15,147,609	$ 1,390,597	$ -	$ 200,290,179
Allowance for credit losses	(203,195)	(49,620)	(334,761)	-	(587,576)
Impairment provided in accordance with law Non-accrual Loans	-	-	-	(2,364,553)	(2,364,553)
Net total	$ 183,548,778	$ 15,097,989	$ 1,055,836	$ (2,364,553)	$ 197,338,050

b) Credit analysis for marketable securities

	December 31, 2019	
	At FVTOCI - Debt Instruments	At Amortized Cost
Gross carrying amount	$ 138,356,027	$ -
Allowance for impairment loss	(46,408)	-
Amortized cost	138,309,619	$ -
Fair value adjustment	799,506	
	$ 139,109,125	

	December 31, 2018	
	At FVTOCI - Debt Instruments	At Amortized Cost
Gross carrying amount	$ 146,682,749	$ 499,939
Allowance for impairment loss	(35,671)	-
Amortized cost	146,647,078	$ 499,939
Fair value adjustment	(350,775)	
	$ 146,997,853	

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

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

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

d. Liquidity risk

1) Source and definition of liquidity risk

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

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

2) Management strategy and principles of liquidity risk

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

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

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

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

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

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

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

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

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

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

December 31, 2019	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	More Than 1 Year	Total
Due to Central Bank and banks	$ 33,236,111	$ 3,203,287	$ -	$ -	$ 7,000,000	$ 43,439,398
Financial liabilities at fair value through profit or loss	4,462	-	-	-	-	4,462
Bills and bonds sold under repurchase agreements	120,253,258	38,101,977	1,019,705	298,895	-	159,673,835
Payables	1,980,590	223,488	655,705	801,963	82,460	3,744,206
Deposits and remittances	59,938,891	87,304,453	35,541,433	51,156,436	31,790,611	265,731,824
Bank debentures payable	-	-	2,300,000	-	16,400,000	18,700,000
Other financial liabilities	2,254,831	2,475,778	824,186	2,906,201	4,448,263	12,909,259
Lease liabilities	13,625	26,616	38,988	75,071	398,865	553,165
	$ 217,681,768	$ 131,335,599	$ 40,380,017	$ 55,238,566	$ 60,120,199	$ 504,756,149

December 31, 2018	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	More Than 1 Year	Total
Due to the Central Bank and banks	$ 48,781,709	$ 6,747,667	$ -	$ -	$ -	$ 55,529,376
Financial liabilities at fair value through profit or loss	4,924	-	-	-	-	4,924
Bills and bonds sold under repurchase agreements	125,561,932	24,799,314	980,470	202,797	-	151,544,513
Payables	2,183,750	431,407	2,048,855	933,391	39,034	5,636,437
Deposits and remittances	75,701,417	71,367,790	46,562,669	42,107,083	26,064,362	261,803,321
Bank notes payable	-	-	-	1,650,000	16,200,000	17,850,000
Other financial liabilities	2,154,084	1,762,372	1,079,679	3,110,559	6,927,720	15,034,414
	$ 254,387,816	$ 105,108,550	$ 50,671,673	$ 48,003,830	$ 49,231,116	$ 507,402,985

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

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

December 31, 2018	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	More Than 1 Year	Total
Deliverable						
Forward contracts	$ 11,258	$ 1,022	$ 1,669	$ 25,214	$ -	$ 39,163
Currency swap contracts	335,349	55,470	215,891	13,171	-	619,881
Others	961	-	-	-	-	961
	347,568	56,492	217,560	38,385	-	660,005
Non-deliverable						
Interest rate swap contracts	-	1,647	4,000	1,334	121,362	128,343
	$ 347,568	$ 58,139	$ 221,560	$ 39,719	$ 121,362	$ 788,348

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

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

December 31, 2018	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	More Than 1 Year	Total
Unused letters of credit	$ 604,084	$ 840,096	$ 328,568	$ -	$ 7,389	$ 1,780,137
Other guarantees	41,321,550	65,333,900	7,089,769	5,998,775	128,455	119,872,449
Loan commitments	1,613,326	2,311,305	3,467,107	6,934,213	37,557,069	51,883,120
	$ 43,538,960	$ 68,485,401	$ 10,885,444	$ 12,932,988	$ 37,692,913	$ 173,535,706

e. Market risk

1) Source and definition of market risk

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

2) Market risk management strategy and process

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

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

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

3) Market risk management organization and framework

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

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

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

4) Market risk report and evaluation system

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

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

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

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

5) Value at risk

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

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

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

6) Foreign currency rate risk information

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

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

	December 31, 2019		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
Financial assets			
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
Financial liabilities			
Monetary item			
USD	3,567,802	30.1107	107,429,113
JPY	1,483,011	0.2770	410,853
HKD	4,926,752	3.8680	19,056,676
EUR	14,796	33.7536	499,413
AUD	7,009	21.0967	147,871
RMB	1,811,762	4.3218	7,830,108

	December 31, 2018		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
Financial assets			
Monetary item			
USD	$ 3,655,151	30.7459	$ 112,381,036
JPY	1,384,579	0.2781	385,062
HKD	8,911,525	3.9254	34,981,039
EUR	18,765	35.2119	660,751
AUD	2,318	21.6701	50,231
RMB	2,781,862	4.4700	12,434,883
Financial liabilities			
Monetary item			
USD	3,663,930	30.7459	112,650,950
JPY	1,344,156	0.2781	373,820
HKD	6,513,703	3.9254	25,568,699
EUR	10,228	35.2119	360,147
AUD	8,661	21.6701	187,685
RMB	2,618,361	4.4700	11,704,039

f. Banking book interest risk

1) Source and definition of banking book interest risk

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

2) Banking book interest risk management strategy and process

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

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

3) Banking book interest risk management organization and framework

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

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

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

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

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

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

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

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

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

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

O-Bank

	For the Year Ended December 31			
	2019		2018	
	Average Balance	**Average Rate (%)**	**Average Balance**	**Average Rate (%)**
Interest-earning assets				
Due from banks (part of cash and cash equivalents and other financial assets)	$ 1,083,859	2.69	$ 1,094,656	2.33
Call loans to banks	14,720,683	1.56	9,580,197	1.34
Due from the Central Bank	5,087,055	0.63	4,327,135	0.67
Financial assets at FVTPL	66,204,070	0.64	45,155,273	0.62
Bills and bonds purchased under resell agreements	34,904	0.16	358,849	0.21
Discounts and loans	178,218,274	2.65	176,133,124	2.58
Financial assets at FVTOCI	37,853,046	1.89	45,677,257	1.57
Investments in debt instruments at amortized costs	271,215	1.15	499,876	1.15
Receivables	1,232,168	2.45	2,178,908	2.37

(Continued)

	For the Year Ended December 31			
	2019		2018	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
Interest-bearing liabilities				
Due to the Central Bank and banks	$ 25,504,367	1.94	$ 34,530,412	1.74
Demand deposits	46,431,809	0.48	37,420,897	0.48
Time deposits	193,697,613	1.37	177,495,807	1.17
Bills and bonds sold under repurchase agreements	4,082,774	0.50	5,262,897	0.73
Bank debentures payable	18,671,233	2.03	20,373,836	2.08
Other financial liabilities	3,670,516	-	4,946,764	-

(Concluded)

China Bills Finance Corporation (CBF)

	December 31			
	2019		2018	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
Interest-earning assets				
Cash and cash equivalents (including certificate of deposits)	$ 818,427	0.12	$ 812,169	0.16
Call loans to banks	35,342	0.20	9,945	0.21
Financial assets at fair value through profit or loss - bonds and bills	92,696,926	0.61	89,719,489	0.58
FTVOCI - debt instruments	97,982,784	1.35	97,039,689	1.33
Financial instruments at fair value through profit or loss - hybrid financial assets	7,691,212	1.55	6,467,912	1.51
Securities purchased under resell agreements	1,197,135	0.34	3,984,373	0.35
Interest-bearing liabilities				
Due to other banks	16,404,175	0.77	17,717,031	0.62
Bank overdraft	2,046	1.78	1,910	1.75
Securities sold under repurchase agreements	159,903,209	0.64	157,117,047	0.53
Commercial paper issued, net	865,753	0.62	1,568,219	0.56

47. CAPITAL MANAGEMENT

a. Strategies to maintain capital adequacy

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

b. Capital assessment program

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

c. Capital adequacy ratio

O-Bank

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

<table>
<tr><th colspan="3" rowspan="2">Items / Year</th><th colspan="2">December 31, 2018</th></tr>
<tr><th>Standalone Capital Adequacy Ratio</th><th>Consolidated Capital Adequacy Ratio</th></tr>
<tr><td rowspan="4">Eligible capital</td><td colspan="2">Common equity</td><td>$ 23,857,101</td><td>$ 42,039,566</td></tr>
<tr><td colspan="2">Other Tier 1 capital</td><td>750,999</td><td>2,248,225</td></tr>
<tr><td colspan="2">Tier 2 capital</td><td>4,518,127</td><td>7,639,991</td></tr>
<tr><td colspan="2">Eligible capital</td><td>29,126,227</td><td>51,927,782</td></tr>
<tr><td rowspan="9">Risk-weighted assets</td><td rowspan="3">Credit risk</td><td>Standardized approach</td><td>196,614,687</td><td>308,063,174</td></tr>
<tr><td>Internal rating based approach</td><td>-</td><td>-</td></tr>
<tr><td>Securitization</td><td>-</td><td>-</td></tr>
<tr><td rowspan="3">Operational risk</td><td>Basic indicator approach</td><td>8,071,238</td><td>9,260,225</td></tr>
<tr><td>Standardized/alternative standardized approach</td><td>-</td><td>-</td></tr>
<tr><td>Advanced measurement approach</td><td>-</td><td>-</td></tr>
<tr><td rowspan="2">Market risk</td><td>Standardized approach</td><td>8,099,200</td><td>76,233,338</td></tr>
<tr><td>Internal model approach</td><td>-</td><td>-</td></tr>
<tr><td colspan="2">Total risk-weighted assets</td><td>212,785,125</td><td>393,556,737</td></tr>
<tr><td colspan="3">Capital adequacy ratio</td><td>13.69%</td><td>13.19%</td></tr>
<tr><td colspan="3">Ratio of common equity to risk-weighted assets</td><td>11.21%</td><td>10.68%</td></tr>
<tr><td colspan="3">Ratio of Tier 1 capital to risk-weighted assets</td><td>11.56%</td><td>11.25%</td></tr>
<tr><td colspan="3">Leverage ratio</td><td>7.16%</td><td>6.86%</td></tr>
</table>

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

Note 2: Formulas used were as follows:

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

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

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

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

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

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

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

China Bills Finance Corporation

Items		December 31, 2019	December 31, 2018
Eligible capital	Tier 1 capital	$ 23,198,939	$ 22,793,703
	Tier 2 capital	108,144	-
	Tier 3 capital	295,820	144,775
	Eligible capital	23,602,903	22,938,478
Risk-weighted assets	Credit risk	120,219,765	114,285,372
	Operational risk	3,993,818	4,145,623
	Market risk	61,676,900	59,619,238
	Total risk-weighted assets	185,890,483	178,050,233
Capital adequacy ratio (Note)		12.70%	12.88%
Ratio of Tier 1 capital to risk-weighted assets (Note)		12.48%	12.80%
Ratio of Tier 2 capital to risk-weighted assets (Note)		0.06%	-
Ratio of Tier 3 capital to risk-weighted assets (Note)		0.16%	0.08%
Ratio of common shareholders' equity to total assets (Note)		6.80%	6.73%

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

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

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

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

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

O-Bank

a. Credit risk

1) Asset quality of loans: See Table 5.

2) Concentration of credit extensions

December 31, 2019

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

December 31, 2018

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

b. Market risk

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

(In Thousands of New Taiwan Dollars or in %)

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

December 31, 2018

(In Thousands of New Taiwan Dollars or in %)

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

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

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

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

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

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

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

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

December 31, 2018

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

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

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

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

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

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

c. Liquidity risk

1) Profitability

(In %)

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

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

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

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

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

2) Maturity analysis of assets and liabilities

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

(In Thousands of New Taiwan Dollars)

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

December 31, 2018

(In Thousands of New Taiwan Dollars)

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

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

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

(In Thousands of U.S. Dollars)

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

December 31, 2018

(In Thousands of U.S. Dollars)

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

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

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

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

(In Thousands of U.S. Dollars)

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

December 31, 2018

(In Thousands of U.S. Dollars)

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

China Bills Finance Corporation

a. Asset quality

Year Item	December 31, 2019	December 31, 2018
Balance of guarantees and endorsement credits overdue within 3 months	$ -	$ -
Nonperforming debts (include overdue receivables)	-	-
Credits under observation	-	-
Overdue receivables	-	-
Ratio of nonperforming debts	0.00%	0.00%
Ratio of nonperforming debts and credits under observation	0.00%	0.00%
Required provision for credit losses and reserve for losses on guarantees	1,207,848	1,045,899
Actual provision for credit losses and reserve for losses on guarantees	1,325,077	1,310,077

b. The principal operation

Year Item	December 31, 2019	December 31, 2018
Balance of guarantees and endorsement securities	$ 108,292,200	$ 104,434,900
Ratio of guarantees and endorsement securities to net worth (Note)	4.94	4.77
Short-term bills and bonds sold under repurchase agreements	$ 156,809,643	$ 147,142,872
Ratio of short-term bills and bonds sold under repurchase agreements to net worth (Note)	7.15	6.72

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

d. Concentrations of credit extensions

Year Item	December 31, 2019		December 31, 2018	
Credit to common interest party	$ -		$ -	
Ratio of credit extensions to common interest parties	-		-	
Ratio of credit extensions secured by pledged shares	23.02		19.80	
Loan concentration by industry (ratio of top three industry to which credit line issued to credit extension balance)	**Type of Industry**	**%**	**Type of Industry**	**%**
	Finance and insurance industry	33.51	Finance and insurance industry	36.16
	Manufacturing industry	22.00	Manufacturing industry	22.25
	Real estate industry	24.02	Real estate industry	22.94

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

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

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

e. Interest rate sensitivity information of the balance sheet

December 31, 2019

(In Millions of New Taiwan Dollars, %)

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

December 31, 2018

(In Millions of New Taiwan Dollars, %)

Items	1 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest rate-sensitive assets	$ 85,776	$ 13,639	$ 5,451	$ 90,728	$ 195,594
Interest rate-sensitive liabilities	172,907	980	203	-	174,090
Interest rate-sensitive gap	(87,131)	12,659	5,248	90,728	21,504
Net worth					23,299
Ratio of interest rate-sensitive assets to liabilities (%)					112.35
Ratio of interest rate sensitivity gap to net worth (%)					92.30

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

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

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

f. The use of funding sources table

December 31, 2019

(In Millions of New Taiwan Dollars)

Items \ Period		1 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year
Cash used in	Bills	$ 33,932	$ 44,304	$ 3,974	$ 253	$ -
	Bonds	2,203	2,135	4,760	6,992	94,970
	Due from banks	245	-	-	-	-
	Call loans	-	-	-	-	-
	Securities purchased under resell agreements	100	-	-	-	-
	Total	36,480	46,439	8,734	7,245	94,970
Cash provided by	Borrowing	14,501	-	-	-	-
	Securities sold under repurchase agreements	117,328	38,048	1,017	297	-
	Eligible capital	-	-	-	-	23,855
	Total	131,829	38,048	1,017	297	23,855
Net cash flows		(95,349)	8,391	7,717	6,948	71,115
Accumulated cash flows		(95,349)	(86,958)	(79,241)	(72,293)	(1,178)

December 31, 2018

(In Millions of New Taiwan Dollars)

Items \ Period		1 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year
Cash used in	Bills	$ 44,934	$ 36,756	$ 8,820	$ 110	$ -
	Bonds	1,479	1,354	4,819	5,341	90,728
	Due from banks	262	-	-	-	-
	Call loans	-	-	-	-	-
	Securities purchased under agreement to resell	991	-	-	-	-
	Total	47,666	38,110	13,639	5,451	90,728
Cash provided by	Borrowing	27,044	-	-	-	-
	Securities sold under agreement to repurchase	121,064	24,799	980	203	-
	Eligible capital	-	-	-	-	23,299
	Total	148,108	24,799	980	203	23,299
Net cash flows		(100,442)	13,311	12,659	5,248	67,429
Accumulated cash flows		(100,442)	(87,131)	(74,472)	(69,224)	(1,795)

g. Matters requiring special notation

Causes	December 31, 2019	December 31, 2018
Within the past year, a responsible person or professional employee violated the law in the course of business, resulting in an indictment by a prosecutor	None	None
Within the past year, a fine was levied on for violations of the Act Governing Bills Finance Business and the other laws	None	None
Within the past year, misconduct occurred, resulting in the Ministry of Finance's imposing strict corrective measures	None	None
Within the past year, the individual loss or total loss from employee fraud, accidental and material events, or failure to abide by the "Guidelines for Maintenance of Soundness of Financial Institutions" which exceeded NT$50 million dollars	None	None
Other	None	None

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

49. CASH FLOWS INFORMATION

Changes in Liabilities from Financing Activities

For the year ended December 31, 2019

	January 1, 2019	Cash Inflow (Outflow)	None Cash		December 31, 2019
			Add Leasing	Other	
Bank debentures payable	$ 17,850,000	$ 850,000	$ -	$ -	$ 18,700,000
Lease liabilities	542,298	(172,883)	166,337	(36,920)	498,832
Other financial liabilities	15,034,414	(2,125,274)	-	119	12,909,259
Other liabilities	2,400,842	(40,612)	-	36	2,360,266
	$ 35,827,554	$ (1,488,769)	$ 166,337	$ (36,765)	$ 34,468,357

For the year ended December 31, 2018

	January 1, 2018	Cash Inflow (Outflow)	None Cash Other	December 31, 2018
Bank debentures payable	$ 20,400,000	$ (2,550,000)	$ -	$ 17,850,000
Other financial liabilities	22,337,877	(7,303,463)	-	15,034,414
Other liabilities	2,477,851	(71,251)	(5,758)	2,400,842
	$ 45,215,728	$ (9,924,714)	$ (5,758)	$ 35,285,256

50. ADDITIONAL DISCLOSURES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

51. OPERATING SEGMENT FINANCIAL INFORMATION

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

a. Bank: Business ruled in Law of Bank Article 71.

b. Overseas: Overseas banking business.

c. Leasing: Leasing business.

d. Bills: Bills related Business approved by the competent authority.

e. Others: Other non-core businesses.

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

	Bank	Overseas	Leasing	Bills	Others	Adjustments and Eliminations	Consolidated
For the year ended December 31, 2019							
Net interest							
From unaffiliated segment	$ 1,960,682	$ 1,043,047	$ 704,638	$ 176,315	$ (33)	$ 333	$ 3,884,982
From other segment	(3,232)	-	4	-	203	2,915	(110)
	$ 1,957,450	$ 1,043,047	$ 704,642	$ 176,315	$ 170	$ 3,248	$ 3,884,872
Net revenue other than interest							
From unaffiliated segment	$ 3,311,854	$ 47,300	$ 329,474	$ 1,873,418	$ 11,210	$ -	$ 5,573,256
From other segment	35,911	-	(5,347)	(34,965)	5,220	(1,146,996)	(1,146,177)
	$ 3,347,765	$ 47,300	$ 324,127	$ 1,838,453	$ 16,430	$ (1,146,996)	$ 4,427,079
Income from continuing operation	$ 1,100,433	$ 420,604	$ 369,377	$ 1,244,653	$ 1,014	$ (1,105,447)	$ 2,030,634
Identifiable assets	$ 320,332,662	$ 28,636,176	$ 13,854,997	$ 197,539,559	$ 232,563	$ 104,059	$ 560,700,016
Depreciation and amortization	$ 512,931	$ 56,471	$ 39,459	$ 24,484	$ 1,075	$ (16,987)	$ 617,433
Capital expenditure	$ 97,152	$ 1,655	$ 16,472	$ 10,116	$ -	$ -	$ 125,395

	Bank	Overseas	Leasing	Bills	Others	Adjustments and Eliminations	Consolidated
For the year ended December 31, 2018							
Net interest							
From unaffiliated segment	$ 2,191,721	$ 980,290	$ 719,689	$ 341,365	$ 24	$ (8,980)	$ 4,224,109
From other segment	(10,200)	-	336	1,243	445	8,176	-
	$ 2,181,521	$ 980,290	$ 720,025	$ 342,608	$ 469	$ (804)	$ 4,224,109
Net revenue other than interest							
From unaffiliated segment	$ 2,516,644	$ 42,667	$ 266,344	$ 1,664,667	$ 15,591	$ -	$ 4,505,913
From other segment	31,718	-	-	(30,068)	(925)	(908,834)	(908,109)
	$ 2,548,362	$ 42,667	$ 266,344	$ 1,634,599	$ 14,666	$ (908,834)	$ 3,597,804
Income from continuing operation	$ 954,659	$ 377,280	$ 140,702	$ 1,335,419	$ (510)	$ (868,020)	$ 1,939,530
Identifiable assets	$ 320,219,718	$ 27,310,825	$ 14,408,102	$ 199,531,032	$ 216,392	$ 155,505	$ 561,841,574
Depreciation and amortization	$ 382,934	$ 18,427	$ 15,005	$ 8,426	$ 222	$ -	$ 425,014
Capital expenditure	$ 231,412	$ 54,096	$ 10,784	$ 1,998	$ 3	$ 1,798	$ 300,091

O-BANK AND SUBSIDIARIES

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

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

(Continued)

Note 1: Explanation:

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

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

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

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

(Concluded)

O-BANK AND SUBSIDIARIES

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

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

Note 1: Explanation:

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

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

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

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

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

O-BANK AND SUBSIDIARIES

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

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

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2019				Note
				Stocks/Units (Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value	
	BioResource Internailtional, Inc.	-	Financial asset at FVTPL	1,105	$ 76,735	5.91	$ 76,735	Note 2
	Chipwell tech corporation	-	Financial asset at FVTPL	391	2,339	2.61	2,339	Note 2
	Biocontrol Gene Vaccine Co., Ltd.	-	Financial asset at FVTPL	1,008	1,285	0.98	1,285	Note 2
	Reber Genetics Co., Ltd.	-	Financial asset at FVTPL	2,322	8,869	2.20	8,869	Note 2
	Kaohsiung Rapid Transit Corporation All Rights Reserved.	-	Financial asset at FVTPL	3,845	46,573	1.38	46,573	

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

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

(Concluded)

TABLE 4

O-BANK AND SUBSIDIARIES

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

1. Sales of nonperforming loans

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

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

O-BANK AND SUBSIDIARIES

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

Period			December 31, 2019					December 31, 2018				
Items			Nonperforming Loans (Note 1)	Outstanding Loan Balance	Ratio of Nonperforming Loans (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)	Nonperforming Loans (Note 1)	Outstanding Loan Balance	Ratio of Nonperforming Loans (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)
Corporate banking	Secured		$ 1,083,937	$ 82,689,386	1.31	$ 1,019,122	94.02	$ 21,623	$ 85,631,246	0.03	$ 1,036,438	4,793.22
	Unsecured		230,128	71,322,123	0.32	1,117,229	485.48	-	85,108,167	-	1,480,041	-
Consumer banking	Housing mortgage (Note 4)		-	17,466,495	-	240,775	-	-	8,074,049	-	121,111	-
	Cash card		-	-	-	-	-	-	-	-	-	-
	Small-scale credit loans		11,334	4,928,748	0.23	48,448	427.47	5,714	3,245,770	0.18	33,214	581.27
	Other	Secured	-	-	-	-	-	-	-	-	-	-
		Unsecured	-	-	-	-	-	-	-	-	-	-
Total lending business			1,325,399	176,406,752	0.75	2,425,574	183.01	27,337	182,059,232	0.02	2,670,804	9,769.92
			Nonperforming Receivables	Outstanding Receivable Balance	Ratio of Nonperforming Receivables	Allowance for Possible Losses	Coverage Ratio	Nonperforming Receivables	Outstanding Receivable Balance	Ratio of Nonperforming Receivables	Allowance for Possible Losses	Coverage Ratio
Credit cards			-	-	-	-	-	-	-	-	-	-
Factored accounts receivable without recourse (Note 5)			-	1,585,725	-	17,004	-	-	4,714,725	-	50,500	-

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

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

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

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

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

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

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

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

O-BANK AND SUBSIDIARIES

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

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

O-BANK AND SUBSIDIARIES

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

O-Bank

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

(Continued)

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

IBT Leasing Co., Ltd.

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2019	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2019	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2019	Accumulated Inward Remittance of Earnings as of December 31, 2019
					Outflow	Inflow					
IBT International Leasing Corp.	Leasing	$ 1,957,197 (US$ 65,000)	Note 1 d.	$ 1,589,847 (US$ 52,800)	$ -	$ -	$ 1,589,847 (US$ 52,800)	100.00	$ 313,191 (Notes 2 and 6)	$ 2,211,898 (Note 6)	$ -

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

IBT Management Corp.

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

(Continued)

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

IBT VII Venture Capital Co., Ltd.

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

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

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

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

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

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

d. Direct investment in mainland China.

e. Others.

Note 2: From financial statements audited by other CPA.

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

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

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

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

(Continued)

Note 7: The original investment is under the limited.

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

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

(Concluded)

TABLE 7

O-BANK AND SUBSIDIARIES

BUSINESS RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS AMONG THE BANK AND SUBSIDIARIES
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

No.	Transaction Corporation	Counterparty	Nature of Relationship (Note 2)	Description of Transactions			
				Financial Statement Account	Amounts	Trading Terms	Percentage of Total Revenue or Total Assets
0	The Bank	Chun Teng New Century, IBTM, IBTS Financial (HK) Limited, IBTS Asia (HK) Limited, IBT Leasing and IBTVC7	a	Deposits	$ 272,148	Note 3	0.05
0	The Bank	Chun Teng New Century, IBTM, IBTS Financial (HK) Limited, IBTS Asia (HK) Limited, IBT Leasing and IBTVC7	a	Interest expense	3,121	Note 3	0.04
0	The Bank	Chun Teng New Century, IBTM, IBTS Financial (HK) Limited, and IBTS Asia (HK) Limited	a	Payables	486	Note 3	-
0	The Bank	CBF, IBTM and IBT Leasing	a	Other net revenue other than interest	32,442	Note 3	0.39
1	Chun Teng New Century	The Bank	b	Cash and cash equivalents	45,027	Note 3	0.01
1	Chun Teng New Century	The Bank	b	Discontinued operations - interest revenue	174	Note 3	-
1	Chun Teng New Century	The Bank	b	Accounts receivable	35	Note 3	-
1	Chun Teng New Century	IBT Leasing	c	Other net revenue other than interest	709	Note 3	0.01
2	IBTM	The Bank	b	Accounts receivable	14	Note 3	-
2	IBTM	The Bank	b	Cash and cash equivalents	88,626	Note 3	0.02
2	IBTM	The Bank	b	Interest revenue	203	Note 3	-
2	IBTM	The Bank	b	Other operating and administrative expenses	847	Note 3	0.01
2	IBTM	The Bank	b	Interest expense	27	Note 3	-
2	IBTM	IBTVC7	c	Consultancy service income	6,056	Note 3	0.07
3	CBF	The Bank	b	Other operating and administrative expenses	28,323	Note 3	0.34
3	CBF	The Bank	b	Interest expense	115	Note 3	-

(Continued)

No.	Transaction Corporation	Counterparty	Nature of Relationship (Note 2)	Description of Transactions			
				Financial Statement Account	Amounts	Trading Terms	Percentage of Total Revenue or Total Assets
4	IBTS Financial (HK) Limited	The Bank	b	Cash and cash equivalents	$ 30,952	Note 3	0.01
4	IBTS Financial (HK) Limited	The Bank	b	Discontinued operations - interest revenue	530	Note 3	-
4	IBTS Financial (HK) Limited	The Bank	b	Accounts receivable	210	Note 3	-
5	IBTS Asia (HK) Limited	The Bank	b	Cash and cash equivalents	104,459	Note 3	0.02
5	IBTS Asia (HK) Limited	The Bank	b	Discontinued operations - interest revenue	2,210	Note 3	0.03
5	IBTS Asia (HK) Limited	The Bank	b	Accounts receivable	227	Note 3	-
6	IBTL	The Bank	b	Cash and cash equivalents	1,106	Note 3	-
6	IBTL	The Bank	b	Interest revenue	2	Note 3	-
6	IBTL	The Bank	b	Interest expense	190	Note 3	-
6	IBTL	The Bank	b	Other operating and administrative expenses	3,077	Note 3	0.04
6	IBTL	Chun Teng New Century	c	Other net revenue other than interest	709	Note 3	0.01
7	IBTVC7	The Bank	b	Cash and cash equivalents	1,978	Note 3	-
7	IBTVC7	The Bank	b	Interest revenue	2	Note 3	-
7	IBTVC7	IBTM	c	Other operating and administrative expenses	6,056	Note 3	0.07

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

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

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

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

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

(Concluded)