

O-Bank and Subsidiaries

**Consolidated Financial Statements for the
Three Months Ended March 31, 2021 and 2020 and
Independent Auditors' Review Report**

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Stockholders
O-Bank

Introduction

We have reviewed the accompanying consolidated financial statements of O-Bank and its subsidiaries (collectively referred to as the "Group") as of March 31, 2021 and 2020, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three-month periods then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements"). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Publicly Held Bills Finance Companies, and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

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

Basis for Qualified Conclusion

As disclosed in Notes 15 and 16 to the consolidated financial statements, the financial statements of some non-significant subsidiaries and the investment accounted for using equity method included in the consolidated financial statements referred to in the first paragraph were not reviewed. As of March 31, 2021 and 2020, combined total assets of these non-significant subsidiaries were NT\$1,139,437 thousand and NT\$1,038,013 thousand, respectively, representing 0.20% and 0.19%, respectively, of the consolidated total assets, and combined total liabilities of these subsidiaries were NT\$299,491 thousand and NT\$247,087 thousand, respectively, representing 0.06% and 0.05%, respectively, of the consolidated total liabilities; for the three-month periods ended March 31, 2021 and 2020, the amounts of combined total comprehensive income (loss) of these non-significant subsidiaries were NT\$36,174 thousand and NT\$(71,137) thousand, respectively, representing 5.14% and 13.02%, respectively, of the consolidated total comprehensive income (loss). As of March 31, 2021, the amount of investments accounted for using the equity method was NT\$785,323 thousand, representing 0.14% of the consolidated total assets; for the three-month period ended March 31, 2021, the amount of share of comprehensive income (loss) of associate

accounted for using the equity method was NT\$(4,540) thousand, representing (0.65%) of the consolidated total comprehensive income (loss).

Qualified Conclusion

Based on our reviews, except for the adjustments, if any, as might have been determined to be necessary had the financial statements of the non-significant subsidiaries and the investment accounted for using equity method described in the preceding paragraph been reviewed, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not give a true and fair view of the consolidated financial position of the Group as at March 31, 2021 and 2020, and of its consolidated financial performance and its consolidated cash flows for the three-month periods then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Publicly Held Bills Finance Companies, and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

May 5, 2021

Notice to Readers

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

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

O-BANK AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

| | March 31, 2021 (Reviewed) | | December 31, 2020 (Audited) | | March 31, 2020 (Reviewed) | |
|--|------------------------------|-------------------|--------------------------------|-------------------|------------------------------|-------------------|
| | Amount | % | Amount | % | Amount | % |
| ASSETS | | | | | | |
| CASH AND CASH EQUIVALENTS (Note 6) | \$ 8,702,657 | 2 | \$ 9,621,739 | 2 | \$ 5,465,661 | 1 |
| DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS (Note 7) | 19,777,779 | 4 | 18,125,019 | 3 | 22,236,319 | 4 |
| FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 8 and 42) | 150,247,912 | 27 | 162,494,696 | 28 | 156,817,349 | 28 |
| FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 9, 42 and 46) | 176,817,433 | 31 | 172,509,235 | 30 | 148,416,400 | 27 |
| BILLS AND BONDS PURCHASED UNDER RESALE AGREEMENTS (Note 10) | 5,984,029 | 1 | 4,732,882 | 1 | 748,000 | - |
| RECEIVABLES, NET (Notes 11 and 13) | 15,419,104 | 3 | 14,952,859 | 3 | 15,135,872 | 3 |
| CURRENT TAX ASSETS | 347,218 | - | 362,328 | - | 439,455 | - |
| DISCOUNTS AND LOANS, NET (Notes 12, 13, 41 and 42) | 177,431,625 | 31 | 183,710,973 | 32 | 200,117,346 | 36 |
| INVESTMENT ACCOUNTED FOR USING EQUITY METHOD, NET (Note 16) | 785,323 | - | 789,863 | - | - | - |
| OTHER FINANCIAL ASSETS (Notes 17 and 42) | 910,524 | - | 858,462 | - | 1,936,535 | - |
| PROPERTY AND EQUIPMENT, NET (Notes 18 and 43) | 2,634,581 | 1 | 2,672,567 | 1 | 2,829,375 | 1 |
| RIGHT-OF-USE ASSETS, NET (Note 19) | 391,304 | - | 429,678 | - | 468,478 | - |
| INTANGIBLE ASSETS, NET (Note 20) | 2,139,728 | - | 2,207,244 | - | 2,285,938 | - |
| DEFERRED TAX ASSETS | 872,075 | - | 895,887 | - | 812,454 | - |
| OTHER ASSETS (Notes 19 and 21) | <u>1,452,187</u> | <u>-</u> | <u>1,050,198</u> | <u>-</u> | <u>907,728</u> | <u>-</u> |
| TOTAL | <u>\$ 563,913,479</u> | <u>100</u> | <u>\$ 575,413,630</u> | <u>100</u> | <u>\$ 558,616,910</u> | <u>100</u> |
| LIABILITIES AND EQUITY | | | | | | |
| LIABILITIES | | | | | | |
| Deposits From the Central Bank and other banks (Note 22) | \$ 24,164,498 | 4 | \$ 28,479,755 | 5 | \$ 45,472,746 | 8 |
| Financial liabilities at fair value through profit or loss (Note 8) | 440,044 | - | 790,298 | - | 447,785 | - |
| Bills and bonds sold under repurchase agreement (Note 23) | 178,306,779 | 32 | 181,165,826 | 32 | 154,382,338 | 28 |
| Payables (Note 24) | 3,560,001 | 1 | 2,740,642 | 1 | 2,802,811 | 1 |
| Current tax liabilities | 296,737 | - | 172,428 | - | 122,933 | - |
| Deposits and remittances (Notes 25 and 41) | 263,057,413 | 47 | 267,719,672 | 47 | 268,133,219 | 48 |
| Bank debentures payable (Note 26) | 15,100,000 | 3 | 16,400,000 | 3 | 18,700,000 | 3 |
| Other financial liabilities (Note 27) | 18,388,194 | 3 | 18,102,763 | 3 | 12,790,052 | 2 |
| Provisions (Notes 13, 28 and 29) | 2,135,747 | - | 2,102,012 | - | 1,949,496 | - |
| Lease liabilities (Note 19) | 408,683 | - | 444,659 | - | 483,332 | - |
| Deferred tax liabilities | 719,507 | - | 793,255 | - | 432,724 | - |
| Other liabilities (Note 30) | <u>2,377,538</u> | <u>-</u> | <u>2,249,555</u> | <u>-</u> | <u>2,638,003</u> | <u>1</u> |
| Total liabilities | <u>508,955,141</u> | <u>90</u> | <u>521,160,865</u> | <u>91</u> | <u>508,355,439</u> | <u>91</u> |
| EQUITY ATTRIBUTABLE TO OWNERS OF THE BANK | | | | | | |
| Capital | | | | | | |
| Common stock | 27,330,063 | 5 | 27,330,063 | 5 | 24,130,063 | 4 |
| Preferred stock | 3,000,000 | 1 | 3,000,000 | - | 3,000,000 | 1 |
| Total capital | <u>30,330,063</u> | <u>6</u> | <u>30,330,063</u> | <u>5</u> | <u>27,130,063</u> | <u>5</u> |
| Capital surplus | 6,749 | - | 5,966 | - | 10,574 | - |
| Retained earnings | | | | | | |
| Legal reserve | 3,697,811 | 1 | 3,697,811 | 1 | 3,367,681 | 1 |
| Special reserve | 1,396,353 | - | 1,396,353 | - | 1,631,335 | - |
| Unappropriated earnings | 644,965 | - | 106,262 | - | 1,258,698 | - |
| Total retained earnings | <u>5,739,129</u> | <u>1</u> | <u>5,200,426</u> | <u>1</u> | <u>6,257,714</u> | <u>1</u> |
| Other equity | 52,650 | - | 57,744 | - | (745,379) | - |
| Treasury stock | <u>(38,304)</u> | <u>-</u> | <u>(38,304)</u> | <u>-</u> | <u>(10,704)</u> | <u>-</u> |
| Total equity attributable to owners of the Bank | <u>36,090,287</u> | <u>7</u> | <u>35,555,895</u> | <u>6</u> | <u>32,642,268</u> | <u>6</u> |
| NON-CONTROLLING INTERESTS | <u>18,868,051</u> | <u>3</u> | <u>18,696,870</u> | <u>3</u> | <u>17,619,203</u> | <u>3</u> |
| Total equity (Note 31) | <u>54,958,338</u> | <u>10</u> | <u>54,252,765</u> | <u>9</u> | <u>50,261,471</u> | <u>9</u> |
| TOTAL | <u>\$ 563,913,479</u> | <u>100</u> | <u>\$ 575,413,630</u> | <u>100</u> | <u>\$ 558,616,910</u> | <u>100</u> |

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

(With Deloitte & Touche auditors' review report dated May 5, 2021)

O-BANK AND SUBSIDIARIES

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

| | For the Three Months Ended March 31 | | | |
|--|-------------------------------------|-------------|--------------------|-------------|
| | 2021 | | 2020 | |
| | Amount | % | Amount | % |
| INTEREST REVENUE (Notes 32 and 41) | \$ 1,711,653 | 74 | \$ 2,219,257 | 118 |
| INTEREST EXPENSE (Notes 32 and 41) | <u>(577,761)</u> | <u>(25)</u> | <u>(1,293,758)</u> | <u>(69)</u> |
| NET INTEREST | <u>1,133,892</u> | <u>49</u> | <u>925,499</u> | <u>49</u> |
| TOTAL NET REVENUE OTHER THAN INTEREST REVENUE | | | | |
| Service fee income, net (Notes 33 and 41) | 669,369 | 29 | 471,807 | 25 |
| Gains on financial assets or liabilities measured at fair value through profit or loss (Note 34) | 199,854 | 9 | 432,672 | 23 |
| Realized gain on financial assets at fair value through other comprehensive income (Note 35) | 110,233 | 5 | 134,625 | 7 |
| Foreign exchange gain (loss), net | 125,767 | 5 | (99,479) | (5) |
| Reversal of impairment loss (impairment loss) on assets | (1,215) | - | 455 | - |
| Share of loss of associates and joint ventures accounted for using equity method (Note 16) | (2,089) | - | - | - |
| Other net revenue other than interest | <u>69,318</u> | <u>3</u> | <u>17,506</u> | <u>1</u> |
| Total net revenue other than interest | <u>1,171,237</u> | <u>51</u> | <u>957,586</u> | <u>51</u> |
| NET REVENUE | <u>2,305,129</u> | <u>100</u> | <u>1,883,085</u> | <u>100</u> |
| BAD DEBTS EXPENSE, COMMITMENT AND GUARANTEE LIABILITY PROVISION (Note 13) | <u>(26,561)</u> | <u>(1)</u> | <u>(256,320)</u> | <u>(13)</u> |
| OPERATING EXPENSES | | | | |
| Employee benefits expenses (Notes 29, 36 and 41) | 693,353 | 30 | 657,664 | 35 |
| Depreciation and amortization expenses (Note 37) | 161,337 | 7 | 155,448 | 8 |
| Other general and administrative expenses (Notes 38 and 41) | <u>272,077</u> | <u>12</u> | <u>276,301</u> | <u>15</u> |
| Total operating expenses | <u>1,126,767</u> | <u>49</u> | <u>1,089,413</u> | <u>58</u> |
| PROFIT FROM CONTINUING OPERATIONS BEFORE TAX | 1,151,801 | 50 | 537,352 | 29 |
| INCOME TAX EXPENSE (Note 39) | <u>309,748</u> | <u>13</u> | <u>150,634</u> | <u>8</u> |
| INCOME FROM CONTINUING OPERATIONS | 842,053 | 37 | 386,718 | 21 |
| LOSS FROM DISCONTINUED OPERATIONS (Note 14) | <u>(593)</u> | <u>-</u> | <u>(9,088)</u> | <u>(1)</u> |
| NET PROFIT FOR THE PERIOD | <u>841,460</u> | <u>37</u> | <u>377,630</u> | <u>20</u> |

(Continued)

O-BANK AND SUBSIDIARIES

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

| | For the Three Months Ended March 31 | | | |
|---|-------------------------------------|-------------|---------------------|-------------|
| | 2021 | | 2020 | |
| | Amount | % | Amount | % |
| OTHER COMPREHENSIVE INCOME (LOSS) | | | | |
| Components of other comprehensive income (loss) | | | | |
| that will not be reclassified to profit or loss: | | | | |
| Gains (losses) on remeasurements of defined benefit plans | \$ (149) | - | \$ 111 | - |
| Revaluation gains (losses) on investments in equity instruments measured at fair value through other comprehensive income | 648,998 | 28 | (316,444) | (17) |
| Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (Note 39) | <u>30</u> | <u>-</u> | <u>(22)</u> | <u>-</u> |
| Components of other comprehensive income (loss) that will not be reclassified to profit or loss, net of tax | <u>648,879</u> | <u>28</u> | <u>(316,355)</u> | <u>(17)</u> |
| Components of other comprehensive income (loss) that will be reclassified to profit or loss: | | | | |
| Exchange differences on translation of financial statements of foreign operations | (3,604) | - | 20,771 | 1 |
| Gains (losses) from investments in debt instruments measured at fair value through other comprehensive income | (898,078) | (39) | (728,533) | (39) |
| Income tax related to components of other comprehensive income that will be reclassified to profit or loss (Note 39) | <u>115,093</u> | <u>5</u> | <u>100,329</u> | <u>6</u> |
| Components of other comprehensive income (loss) that will be reclassified to profit or loss, net of tax | <u>(786,589)</u> | <u>(34)</u> | <u>(607,433)</u> | <u>(32)</u> |
| Other comprehensive income (loss) for the period, net of income tax | <u>(137,710)</u> | <u>(6)</u> | <u>(923,788)</u> | <u>(49)</u> |
| TOTAL COMPREHENSIVE INCOME (LOSS) | <u>\$ 703,750</u> | <u>31</u> | <u>\$ (546,158)</u> | <u>(29)</u> |
| NET PROFIT ATTRIBUTABLE TO: | | | | |
| Owners of the Bank | \$ 453,803 | 20 | \$ 115,440 | 6 |
| Non-controlling interests | <u>387,657</u> | <u>17</u> | <u>262,190</u> | <u>14</u> |
| | <u>\$ 841,460</u> | <u>37</u> | <u>\$ 377,630</u> | <u>20</u> |
| TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO: | | | | |
| Owners of the Bank | \$ 533,609 | 23 | \$ (607,055) | (32) |
| Non-controlling interests | <u>170,141</u> | <u>8</u> | <u>60,897</u> | <u>3</u> |
| | <u>\$ 703,750</u> | <u>31</u> | <u>\$ (546,158)</u> | <u>(29)</u> |

(Continued)

O-BANK AND SUBSIDIARIES

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

| | For the Three Months Ended March 31 | | | |
|---|-------------------------------------|---|---------------|---|
| | 2021 | | 2020 | |
| | Amount | % | Amount | % |
| EARNINGS PER SHARE (Note 40) | | | | |
| From continuing and discontinued operations | | | | |
| Basic | <u>\$0.17</u> | | <u>\$0.05</u> | |
| Diluted | <u>\$0.15</u> | | <u>\$0.04</u> | |
| From continuing operations | | | | |
| Basic | <u>\$0.17</u> | | <u>\$0.05</u> | |
| Diluted | <u>\$0.15</u> | | <u>\$0.04</u> | |

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

(With Deloitte & Touche auditors' review report dated May 5, 2021)

(Concluded)

O-BANK AND SUBSIDIARIES

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

Equity Attributable to Owners of the Bank (Notes 9 and 31)

| | Equity Attributable to Owners of the Bank (Notes 9 and 31) | | | | | | | | Other Equity | | Owner of the Bank | Non-controlling Interests (Note 31) | Total Equity | |
|---|--|---------------------|----------------------|------------------|---------------------|---------------------|-------------------------|---------------------|---|---|--------------------|-------------------------------------|----------------------|----------------------|
| | Capital Stock | | | Capital Surplus | Retained Earning | | | | Exchange Differences on the Translation of Foreign Financial Statements | Unrealized Gain (Losses) on Financial Assets at Fair Value Through Other Comprehensive Income | | | | Treasury Stock |
| | Common Stock | Preferred Stock | Total | | Legal Reserve | Special Reserve | Unappropriated Earnings | Total | | | | | | |
| BALANCE AT JANUARY 1, 2020 | \$ 24,130,063 | \$ 3,000,000 | \$ 27,130,063 | \$ 9,750 | \$ 3,367,681 | \$ 1,631,335 | \$ 1,187,851 | \$ 6,186,867 | \$ (307,473) | \$ 239,996 | \$ - | \$ 33,259,203 | \$ 17,557,074 | \$ 50,816,277 |
| Unclaimed dividends | - | - | - | 336 | - | - | - | - | - | - | - | 336 | 1,232 | 1,568 |
| Changes in capital surplus from investments in subsidiaries accounted for using the equity method | - | - | - | 488 | - | - | - | - | - | - | - | 488 | - | 488 |
| Net profit for the three months ended March 31, 2020 | - | - | - | - | - | - | 115,440 | 115,440 | - | - | - | 115,440 | 262,190 | 377,630 |
| Other comprehensive income(loss) for the three months ended March 31, 2020, net of income tax | - | - | - | - | - | - | 25 | 25 | 12,524 | (735,044) | - | (722,495) | (201,293) | (923,788) |
| Total comprehensive income (loss) for the three months ended March 31, 2020 | - | - | - | - | - | - | 115,465 | 115,465 | 12,524 | (735,044) | - | (607,055) | 60,897 | (546,158) |
| Purchase of treasury shares | - | - | - | - | - | - | - | - | - | - | (10,704) | (10,704) | - | (10,704) |
| Disposals of investments in equity instruments designated as at fair value through other comprehensive income | - | - | - | - | - | - | (44,618) | (44,618) | - | 44,618 | - | - | - | - |
| BALANCE AT MARCH 31, 2020 | <u>\$ 24,130,063</u> | <u>\$ 3,000,000</u> | <u>\$ 27,130,063</u> | <u>\$ 10,574</u> | <u>\$ 3,367,681</u> | <u>\$ 1,631,335</u> | <u>\$ 1,258,698</u> | <u>\$ 6,257,714</u> | <u>\$ (294,949)</u> | <u>\$ (450,430)</u> | <u>\$ (10,704)</u> | <u>\$ 32,642,268</u> | <u>\$ 17,619,203</u> | <u>\$ 50,261,471</u> |
| BALANCE AT JANUARY 1, 2021 | \$ 27,330,063 | \$ 3,000,000 | \$ 30,330,063 | \$ 5,966 | \$ 3,697,811 | \$ 1,396,353 | \$ 106,262 | \$ 5,200,426 | \$ (697,554) | \$ 755,298 | \$ (38,304) | \$ 35,555,895 | \$ 18,696,870 | \$ 54,252,765 |
| Unclaimed dividends | - | - | - | 371 | - | - | - | - | - | - | - | 371 | 1,040 | 1,411 |
| Changes in capital surplus from investments in subsidiaries accounted for using the equity method | - | - | - | 412 | - | - | - | - | - | - | - | 412 | - | 412 |
| Net profit for the three months ended March 31, 2021 | - | - | - | - | - | - | 453,803 | 453,803 | - | - | - | 453,803 | 387,657 | 841,460 |
| Other comprehensive income (loss) for the three months ended March 31, 2021 | - | - | - | - | - | - | (33) | (33) | (2,753) | 82,592 | - | 79,806 | (217,516) | (137,710) |
| Total comprehensive income(loss) for the three months ended March 31, 2021 | - | - | - | - | - | - | 453,770 | 453,770 | (2,753) | 82,592 | - | 533,609 | 170,141 | 703,750 |
| Disposals of investments in equity instruments designated as at fair value through other comprehensive income | - | - | - | - | - | - | 84,933 | 84,933 | - | (84,933) | - | - | - | - |
| BALANCE AT MARCH 31, 2021 | <u>\$ 27,330,063</u> | <u>\$ 3,000,000</u> | <u>\$ 30,330,063</u> | <u>\$ 6,749</u> | <u>\$ 3,697,811</u> | <u>\$ 1,396,353</u> | <u>\$ 644,965</u> | <u>\$ 5,739,129</u> | <u>\$ (700,307)</u> | <u>\$ 752,957</u> | <u>\$ (38,304)</u> | <u>\$ 36,090,287</u> | <u>\$ 18,868,051</u> | <u>\$ 54,958,338</u> |

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

(With Deloitte & Touche auditors' review report dated May 5, 2021)

O-BANK AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

| | For the Three Months Ended March 31 | |
|--|--|------------------|
| | 2021 | 2020 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit from continuing operations before tax | \$ 1,151,801 | \$ 537,352 |
| Loss from discontinued operations before tax | (593) | (9,088) |
| Adjustments to reconcile profit (loss): | | |
| Depreciation expense | 89,181 | 89,316 |
| Amortization expense | 72,314 | 66,282 |
| Expected credit loss/recognition of provisions | 27,776 | 255,865 |
| Net gain on financial assets or liabilities at fair value through profit or loss | (203,461) | (427,736) |
| Interest expense | 577,761 | 1,293,758 |
| Interest revenue | (1,711,586) | (2,219,798) |
| Dividends income | (5,463) | (4,622) |
| Share of loss of associates and joint ventures accounted for using equity method | 2,089 | - |
| Loss on disposal of property and equipment | 199 | 2 |
| Gain on disposal of investments | (104,770) | (130,003) |
| Changes in operating assets and liabilities: | | |
| Due from the Central Bank and call loans to banks | 622,676 | 123,729 |
| Financial assets at fair value through profit or loss | 12,079,318 | 16,235,033 |
| Financial assets at fair value through other comprehensive income | (3,963,517) | (6,818,943) |
| Bills and bonds purchased under resale agreements | (1,251,147) | (647,987) |
| Receivables | (509,572) | 1,133,077 |
| Discounts and loans | 6,274,667 | (6,112,622) |
| Deposits from the Central Bank and other banks | (4,315,257) | 2,033,348 |
| Financial liabilities at fair value through profit or loss | (350,254) | (85,797) |
| Bills and bonds sold under repurchase agreement | (2,859,047) | (5,171,047) |
| Payables | 837,029 | (889,567) |
| Deposits and remittances | (4,662,259) | 2,401,395 |
| Provisions | 4,553 | 14,931 |
| Net cash inflow generated from operations | 1,802,438 | 1,666,878 |
| Interest received | 1,757,637 | 2,435,597 |
| Dividends received | 4,578 | 3,247 |
| Interest paid | (591,247) | (1,340,412) |
| Income tax paid | (220,265) | (187,391) |
| Net cash flows generated from operating activities | <u>2,753,141</u> | <u>2,577,919</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisitions of property and equipment | (14,045) | (26,271) |
| Proceeds from disposal of property and equipment | 156 | 298 |
| Increase in refundable deposits | (362,773) | - |
| Decrease in refundable deposits | - | 24,368 |
| Acquisitions of intangible assets | (2,876) | (25,948) |
| Increase in other financial assets | - | (1,008,139) |

(Continued)

O-BANK AND SUBSIDIARIES

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

| | For the Three Months Ended March 31 | |
|---|--|----------------------|
| | 2021 | 2020 |
| Decrease in other financial assets | \$ 518,579 | \$ - |
| Increase in other assets | <u>(39,216)</u> | <u>(15,322)</u> |
| Net cash flows generated from (used in) investing activities | <u>99,825</u> | <u>(1,051,014)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Increase in short-term borrowings | 180,150 | 571,815 |
| Increase in commercial papers | 118,000 | - |
| Decrease in commercial papers | - | (150,000) |
| Repayments of bank debentures | (1,300,000) | - |
| Proceeds from long-term borrowings | 492,501 | 685,747 |
| Repayments of long-term borrowings | (425,417) | (583,398) |
| Repayment of the principal portion of lease liabilities | (44,072) | (44,262) |
| Increase in other financial liabilities | 65,252 | - |
| Decrease in other financial liabilities | - | (643,371) |
| Increase in other liabilities | 127,865 | 277,825 |
| Payments to acquire treasury shares | <u>-</u> | <u>(10,704)</u> |
| Net cash flows generated from (used in) financing activities | <u>(785,721)</u> | <u>103,652</u> |
| EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS | <u>(140,250)</u> | <u>12,280</u> |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 1,926,995 | 1,642,837 |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD | <u>16,905,644</u> | <u>17,550,472</u> |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD | <u>\$ 18,832,639</u> | <u>\$ 19,193,309</u> |

Reconciliation of the amounts in the consolidated statements of cash flows with the equivalent items reported in the consolidated balance sheets at March 31, 2021 and 2020:

| | March 31 | |
|--|----------------------|----------------------|
| | 2021 | 2020 |
| Cash and cash equivalents reported in the consolidated balance sheets | \$ 8,702,657 | \$ 5,465,661 |
| Due from the Central Bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7 | 9,559,341 | 13,727,648 |
| Other items qualifying for cash and cash equivalents under the definition of IAS 7 | <u>570,641</u> | <u>-</u> |
| Cash and cash equivalents at the end of the period | <u>\$ 18,832,639</u> | <u>\$ 19,193,309</u> |

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

(With Deloitte & Touche auditors' review report dated May 5, 2021)

(Concluded)

O-BANK AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

1. GENERAL INFORMATION

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

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

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

As of March 31, 2021, the Bank has eight main departments - Business Department, Principal Investment Department, Treasury Department, Securities Trading Department, Corporate and Institutional Banking Department, Corporate Finance Department, Consumer Lending Department and Wealth Management Department. It also has five domestic branches - Zhongxiao Dunhua branch, Taoyuan branch, Hsinchu branch, Taichung branch and Kaohsiung branch. In addition, it has an Offshore Banking Unit, Hong Kong branch, and Tianjin representative office.

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

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

As of March 31, 2021, December 31, 2020 and March 31, 2020, the Bank and its subsidiaries (the "Group") had 1,449, 1,453 and 1,491 employees, respectively.

2. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Bank's board of directors and authorized for issue on May 5, 2021.

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

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

Except for the following, the application of the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Group's accounting policies:

Effect of interest rate benchmark reform

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform - Phase 2".

The Group elected to apply the practical expedient provided in the amendments to deal with the changes in the basis for determining contractual cash flows of financial assets, financial liabilities or lease liabilities resulting from the interest rate benchmark reform. The changes are accounted for by updating the effective interest rate at the time the basis is changed, provided the changes are necessary as a direct consequence of the reform and the new basis is economically equivalent to the previous basis.

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

| <u>New IFRSs</u> | <u>Effective Date Announced by IASB (Note 1)</u> |
|--|--|
| "Annual Improvements to IFRS Standards 2018-2020" | January 1, 2022 (Note 2) |
| Amendments to IFRS 3 "Reference to the Conceptual Framework" | January 1, 2022 (Note 3) |
| Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture" | To be determined by IASB |
| IFRS 17 "Insurance Contracts" | January 1, 2023 |
| Amendments to IFRS 17 | January 1, 2023 |
| Amendments to IAS 1 "Classification of Liabilities as Current or Non-current" | January 1, 2023 |
| Amendments to IAS 1 "Disclosure of Accounting Policies" | January 1, 2023 (Note 6) |
| Amendments to IAS 8 "Definition of Accounting Estimates" | January 1, 2023 (Note 7) |
| Amendments to IAS 16 "Property, Plant and Equipment - Proceeds before Intended Use" | January 1, 2022 (Note 4) |
| Amendments to IAS 37 "Onerous Contracts - Cost of Fulfilling a Contract" | January 1, 2022 (Note 5) |

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

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

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

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

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

Note 6: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 7: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

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

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

Basis of Preparation

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

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

Basis of Consolidation

Principles for preparing consolidated financial statements

The consolidated financial statements incorporate the financial statements of the Bank and the entities controlled by the Bank. Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. When necessary, adjustments are

made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Bank. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. The total comprehensive income of subsidiaries shall be attributed to the owners of the Bank and to the non-controlling interests, even if the balance becomes negative or loss is incurred.

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

Other Significant Accounting Policies

Except as described in the following paragraphs, other significant accounting policies used in the preparation of these consolidated financial statements are the same as those disclosed in the consolidated financial statements for the year ended December 31, 2020.

a. Employee benefits

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

b. Taxation

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

c. Modification of financial instruments

For the changes in the basis for determining contractual cash flows of financial assets or financial liabilities resulting from the interest rate benchmark reform, the Group elects to apply the practical expedient in which the changes are accounted for by updating the effective interest rate at the time the basis is changed, provided the changes are necessary as a direct consequence of the reform and the new basis is economically equivalent to the previous basis. When multiple changes are made to a financial asset or a financial liability, the Group first applies the practical expedient to those changes required by interest rate benchmark reform, and then applies the requirements of modification of financial instruments to the other changes that cannot apply the practical expedient.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Estimated Impairment of Loans and Financial Guarantee Contract

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

6. CASH AND CASH EQUIVALENTS

| | March 31, 2021 | December 31, 2020 | March 31, 2020 |
|-----------------------------|---------------------|----------------------|---------------------|
| Cash on hand and petty cash | \$ 78,862 | \$ 70,930 | \$ 92,648 |
| Checking for clearing | 1,317,196 | 451,158 | 337,233 |
| Due from banks | <u>7,306,599</u> | <u>9,099,651</u> | <u>5,035,780</u> |
| | <u>\$ 8,702,657</u> | <u>\$ 9,621,739</u> | <u>\$ 5,465,661</u> |

The cash and cash equivalents of the consolidated cash flows and the related adjustments of the consolidated balance sheets on December 31, 2020 are as follows. The adjustments as March 31, 2021 and 2020, refer to the consolidated statements of cash flows.

| | December 31, 2020 |
|--|----------------------|
| Cash and cash equivalents in the consolidated balance sheets | \$ 9,621,739 |
| Due from the Central Bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7 | <u>7,283,905</u> |
| Cash and cash equivalents in the consolidated statements of cash flows | <u>\$ 16,905,644</u> |

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

| | March 31, 2021 | December 31, 2020 | March 31, 2020 |
|-----------------------------------|----------------------|----------------------|----------------------|
| Reserves for deposits - Type A | \$ 4,005,010 | \$ 4,091,431 | \$ 2,653,663 |
| Reserves for deposits - Type B | 5,384,141 | 5,521,144 | 5,319,924 |
| Due from Central Bank - Financial | 800,754 | 1,200,031 | 500,271 |
| Call loans to banks | 9,559,341 | 7,283,905 | 13,727,648 |
| Others | <u>28,533</u> | <u>28,508</u> | <u>34,813</u> |
| | <u>\$ 19,777,779</u> | <u>\$ 18,125,019</u> | <u>\$ 22,236,319</u> |

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

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | March 31, 2021 | December 31, 2020 | March 31, 2020 |
|---|-----------------------|-----------------------|-----------------------|
| <u>Financial assets mandatorily classified as at FVTPL</u> | | | |
| Hybrid financial assets | | | |
| Convertible bond - domestic (include assets swap contracts) | \$ 8,647,752 | \$ 9,793,156 | \$ 10,899,313 |
| Structured debt | <u>576,348</u> | <u>577,236</u> | <u>595,695</u> |
| | <u>9,224,100</u> | <u>10,370,392</u> | <u>11,495,008</u> |
| Derivative financial instruments | | | |
| Currency swap contracts | 365,450 | 269,278 | 171,959 |
| Forward contracts | 27,967 | 30,816 | 42,053 |
| Interest rate swap contracts | 6,794 | 8,324 | 12,482 |
| Currency option contracts - call | <u>14,979</u> | <u>8,028</u> | <u>11,474</u> |
| | <u>415,190</u> | <u>316,446</u> | <u>237,968</u> |
| Non-derivative financial assets | | | |
| Bills | 95,181,495 | 106,494,789 | 93,689,861 |
| Negotiable certificate of deposit | 43,565,906 | 44,080,443 | 50,366,648 |
| Stocks and beneficiary certificates | 1,861,221 | 1,232,626 | 876,860 |
| Government bonds | - | - | 150,289 |
| When-issued bonds | <u>-</u> | <u>-</u> | <u>715</u> |
| | <u>140,608,622</u> | <u>151,807,858</u> | <u>145,084,373</u> |
| | <u>\$ 150,247,912</u> | <u>\$ 162,494,696</u> | <u>\$ 156,817,349</u> |
| <u>Held-for-trading financial liabilities</u> | | | |
| Financial liabilities held for trading | | | |
| Derivative financial instruments | | | |
| Currency swap contracts | \$ 327,330 | \$ 682,233 | \$ 210,395 |
| Forward contracts | 43,125 | 42,719 | 4,689 |
| Interest rate swap contracts | 14,500 | 18,334 | 49,503 |
| Currency option contracts - put | 15,087 | 8,030 | 11,745 |
| Others | <u>39,722</u> | <u>37,022</u> | <u>3,129</u> |
| | <u>439,764</u> | <u>788,338</u> | <u>279,461</u> |
| Non-derivative financial liabilities | | | |
| Commercial paper contracts | 280 | 1,960 | 18,036 |
| When-issued bonds | <u>-</u> | <u>-</u> | <u>150,288</u> |
| | <u>280</u> | <u>1,960</u> | <u>168,324</u> |
| | <u>\$ 440,044</u> | <u>\$ 790,298</u> | <u>\$ 447,785</u> |

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

The contract amounts (or notional amounts) of outstanding derivative transactions as of March 31, 2021, December 31, 2020 and March 31, 2020 as follows:

| | March 31, 2021 | December 31, 2020 | March 31, 2020 |
|------------------------------|---------------------------|------------------------------|---------------------------|
| Interest rate swap contracts | \$ 12,040,003 | \$ 13,219,615 | \$ 17,553,426 |
| Currency swap contracts | 63,466,495 | 58,701,818 | 79,599,860 |
| Forward contracts | 8,497,613 | 5,899,199 | 3,830,545 |
| Currency option contracts | | | |
| Buy | 1,181,764 | 368,196 | 771,793 |
| Sell | 1,017,191 | 368,196 | 735,558 |
| Promised purchase contracts | 12,800,000 | 12,800,000 | 3,250,000 |

As of March 31, 2021, December 31, 2020 and March 31, 2020, financial assets at fair value through profit and loss under agreement to repurchase were in the amounts of \$72,117,000 thousand, \$73,379,700 thousand and \$58,437,200 thousand, respectively.

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

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

| | March 31, 2021 | December 31, 2020 | March 31, 2020 |
|---|---------------------------|------------------------------|---------------------------|
| Investments in equity instruments at FVTOCI | \$ 7,156,811 | \$ 6,118,890 | \$ 3,562,213 |
| Investments in debt instruments at FVTOCI | | | |
| Government bonds | 19,245,391 | 20,713,254 | 27,463,083 |
| Bank debentures | 36,334,105 | 38,028,140 | 33,915,994 |
| Corporate bonds | 71,425,460 | 74,779,579 | 59,822,174 |
| Overseas government bonds | 2,599,067 | 2,199,467 | 3,271,159 |
| Mortgage backed securities | 2,319,466 | 885,917 | 3,175,482 |
| Commercial papers | 9,065,496 | - | - |
| Negotiable certificates of deposit | <u>28,671,637</u> | <u>29,783,988</u> | <u>17,206,295</u> |
| | <u>\$ 176,817,433</u> | <u>\$ 172,509,235</u> | <u>\$ 148,416,400</u> |

a. Investments in equity instruments at FVTOCI

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

The Group disposed of stocks classified as at FVTOCI for invested management purpose for the three months ended March 31, 2021 and 2020. The fair values of stocks classified as at FVTOCI which had to be disposed of were \$534,603 thousand and \$585,103 thousand and the accumulated loss and gain related to the sold assets of \$84,933 thousand in gain and \$44,618 thousand in loss, respectively, were transferred from equity to retained earnings.

Dividends income from FVTOCI of \$5,463 thousand and \$4,622 thousand were recognized in profit or loss for the three months ended March 31, 2021 and 2020. The dividends related to investments held at the end of the reporting period were \$5,463 thousand and \$4,622 thousand, respectively.

b. Investments in debt instruments at FVTOCI

- 1) Refer to Note 42 for information relating to investments in debt instruments at FVTOCI pledged as security.
- 2) Refer to Note 46 for information relating to the credit risk management and impairment assessment of investments in debt instruments at FVTOCI.
- 3) The Group has sold investments in debt instruments at FVTOCI on the condition of buying them back. The amounts were \$95,361,613 thousand, \$98,234,855 thousand and \$91,448,327 thousand., on March 31, 2021, December 31, 2020 and March 31, 2020, respectively.

10. BILLS AND BONDS PURCHASED UNDER RESALE AGREEMENTS

The Group's bills and bonds purchased under resale agreements and bond investments are all government bonds. As of March 31, 2021, December 31, 2020 and March 31, 2020, the bonds purchased under resale agreements were in the amounts of \$5,985,064 thousand, \$4,734,256 thousand and \$748,205 thousand, respectively. As of March 31, 2021 and December 31, 2020 and March 31, 2020, bonds purchased under resale agreements were sold under agreements to repurchase in the amounts of \$5,980,000 thousand, \$4,726,100 thousand and \$450,000 thousand, respectively.

11. RECEIVABLES, NET

| | March 31, 2021 | December 31, 2020 | March 31, 2020 |
|---|---------------------------|------------------------------|---------------------------|
| Lease payment receivable | \$ 13,141,998 | \$ 12,727,198 | \$ 10,808,122 |
| Factored receivables | 977,289 | 869,297 | 1,624,839 |
| Interest receivable | 1,052,021 | 1,098,072 | 1,503,255 |
| Account receivable | 972,418 | 1,077,159 | 1,054,024 |
| Investment settlements receivable | 93,142 | 92,502 | 368,384 |
| Acceptances receivable | 110,937 | 43,447 | 198,916 |
| Settlements accounts receivable - trusteeship | 75,325 | 82,227 | 102,060 |
| Others | <u>116,347</u> | <u>101,479</u> | <u>473,411</u> |
| | 16,539,477 | 16,091,381 | 16,133,011 |
| Less: Unrealized interest revenue | 703,181 | 707,317 | 551,888 |
| Allowance for possible losses | <u>417,192</u> | <u>431,205</u> | <u>445,251</u> |
| Receivables, net | <u>\$ 15,419,104</u> | <u>\$ 14,952,859</u> | <u>\$ 15,135,872</u> |

The changes in gross carrying amount on receivables (less unrealized interest revenue) for the three months ended March 31, 2021 and 2020 were as follows:

| | 12-month ECLs | Lifetime ECLs | Lifetime ECLs (Credit- impaired Financial Assets) | Total |
|---|----------------------|-------------------|---|----------------------|
| Balance at January 1, 2021 | \$ 15,070,846 | \$ 86,938 | \$ 226,280 | \$ 15,384,064 |
| Transfers | | | | |
| To 12-month ECLs | 2,920 | (2,918) | (2) | - |
| To lifetime ECLs | (14,580) | 14,580 | - | - |
| To credit-impaired financial assets | (25,841) | (9,949) | 35,790 | - |
| New financial assets purchased | 4,830,703 | 7,069 | 267 | 4,838,039 |
| Derecognition of financial assets in the reporting period | (4,308,877) | (13,794) | (15,929) | (4,338,600) |
| Write-offs | - | - | (12,047) | (12,047) |
| Exchange rate or other changes | <u>(34,543)</u> | <u>(133)</u> | <u>(484)</u> | <u>(35,160)</u> |
| Balance at March 31, 2021 | <u>\$ 15,520,628</u> | <u>\$ 81,793</u> | <u>\$ 233,875</u> | <u>\$ 15,836,296</u> |
| Balance at January 1, 2020 | \$ 16,348,342 | \$ 190,010 | \$ 425,106 | \$ 16,963,458 |
| Transfers | | | | |
| To 12-month ECLs | 8,944 | (8,929) | (15) | - |
| To lifetime ECLs | (47,362) | 47,362 | - | - |
| To credit-impaired financial assets | (16,901) | (16,150) | 33,051 | - |
| New financial assets purchased | 3,271,273 | 34,486 | 776 | 3,306,535 |
| Derecognition of financial assets in the reporting period | (5,073,468) | (106,769) | (17,573) | (5,197,810) |
| Write-offs | - | - | (28,234) | (28,234) |
| Exchange rate or other changes | <u>540,919</u> | <u>(997)</u> | <u>(2,748)</u> | <u>537,174</u> |
| Balance at March 31, 2020 | <u>\$ 15,031,747</u> | <u>\$ 139,013</u> | <u>\$ 410,363</u> | <u>\$ 15,581,123</u> |

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

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

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

12. DISCOUNTS AND LOANS, NET

| | March 31, 2021 | December 31, 2020 | March 31, 2020 |
|-----------------------------------|-----------------------|-----------------------|-----------------------|
| Short-term | \$ 57,694,730 | \$ 55,209,054 | \$ 54,663,807 |
| Medium-term | 94,037,906 | 102,429,234 | 120,518,811 |
| Long-term | 27,205,399 | 27,583,799 | 26,074,713 |
| Accounts receivables financing | 110,056 | 102,706 | 201,971 |
| Export bill negotiated | 1,223 | 1,222 | - |
| Guaranteed overdraft | 150,912 | 142,971 | 3,909 |
| Overdue loans | <u>694,977</u> | <u>704,710</u> | <u>1,431,010</u> |
| | 179,895,203 | 186,173,696 | 202,894,221 |
| Less: Allowance for credit losses | <u>2,463,578</u> | <u>2,462,723</u> | <u>2,776,875</u> |
| | <u>\$ 177,431,625</u> | <u>\$ 183,710,973</u> | <u>\$ 200,117,346</u> |

The changes in gross carrying amount on discount and loans for the three months ended March 31, 2021 and 2020 were as follows:

| | 12-month ECLs | Lifetime ECLs | Lifetime ECLs (Credit- impaired Financial Assets) | Total |
|---|-----------------------|----------------------|--|-----------------------|
| Balance at January 1, 2021 | \$ 167,034,025 | \$ 17,442,689 | \$ 1,696,982 | \$ 186,173,696 |
| Transfers | | | | |
| To 12-month ECLs | 1,258,633 | (1,255,199) | (3,434) | - |
| To lifetime ECLs | (23,039) | 23,039 | - | - |
| To credit-impaired financial assets | (22,011) | (18,071) | 40,082 | - |
| New financial assets purchased or originated | 38,352,340 | 5,380,922 | 209,303 | 43,942,565 |
| Derecognition of financial assets in the reporting period | (42,830,485) | (6,994,784) | (322,583) | (50,147,852) |
| Write-offs | - | - | (11,027) | (11,027) |
| Exchange rate or other changes | <u>(67,434)</u> | <u>5,556</u> | <u>(301)</u> | <u>(62,179)</u> |
| Balance at March 31, 2021 | <u>\$ 163,702,029</u> | <u>\$ 14,584,152</u> | <u>\$ 1,609,022</u> | <u>\$ 179,895,203</u> |
| Balance at January 1, 2020 | \$ 177,477,719 | \$ 16,398,011 | \$ 3,082,728 | \$ 196,958,458 |
| Transfers | | | | |
| To 12-month ECLs | 1,226,751 | (1,211,713) | (15,038) | - |
| To lifetime ECLs | (226,167) | 226,167 | - | - |
| To credit-impaired financial assets | (22,015) | (6,207) | 28,222 | - |
| New financial assets purchased or originated | 52,306,175 | 5,051,651 | 236,461 | 57,594,287 |
| Derecognition of financial assets in the reporting period | (47,311,619) | (4,145,254) | (384,395) | (51,841,268) |
| Write-offs | - | - | (185,025) | (185,025) |
| Exchange rate or other changes | <u>337,325</u> | <u>24,240</u> | <u>6,204</u> | <u>367,769</u> |
| Balance at March 31, 2020 | <u>\$ 183,788,169</u> | <u>\$ 16,336,895</u> | <u>\$ 2,769,157</u> | <u>\$ 202,894,221</u> |

The balance of the overdue loans of the Group as of March 31, 2021, December 31, 2020 and March 31, 2020 no longer include the calculation of interest. The unrecognized interest revenue on the above loans amounted to \$5,973 thousand and \$17,038 thousand for the three months ended March 31, 2021 and 2020, respectively. For the three months ended March 31, 2021 and 2020, the Group wrote off credits only upon completing the required legal procedures.

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

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

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

13. ALLOWANCE FOR CREDIT LOSSES AND PROVISIONS

The changes in allowance for credit losses and provisions for the three months ended March 31, 2021 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, 2021 | \$ 220,734 | \$ 25,785 | \$ 175,691 | \$ 422,210 | \$ 8,995 | \$ 431,205 |
| Transfers | | | | | | |
| To 12-month ECLs | 4 | (4) | - | - | - | - |
| To lifetime ECLs | (10,007) | 10,007 | - | - | - | - |
| To credit-impaired financial assets | (13,355) | (5,544) | 18,899 | - | - | - |
| New financial assets purchased or originated | 7,283 | 7 | 159 | 7,449 | - | 7,449 |
| Derecognition of financial assets in the reporting period | (2,080) | (4,522) | (10,729) | (17,331) | - | (17,331) |
| Change in model or risk parameters | 140 | - | 56 | 196 | - | 196 |
| Difference between IFRS 9 and local requirements | - | - | - | - | 2,385 | 2,385 |
| Write-offs | - | - | (12,047) | (12,047) | - | (12,047) |
| Withdrawal after write-offs | - | - | 6,230 | 6,230 | - | 6,230 |
| Exchange rate or other changes | (362) | (68) | (463) | (893) | (2) | (895) |
| Balance at March 31, 2021 | <u>\$ 202,357</u> | <u>\$ 25,661</u> | <u>\$ 177,796</u> | <u>\$ 405,814</u> | <u>\$ 11,378</u> | <u>\$ 417,192</u> |
| | | | | | | |
| Allowance for Discounts and Loans | 12-month ECLs | Lifetime ECLs | Lifetime ECLs (Credit-impaired Financial Assets) | Accumulated Amount under IFRS 9 | Difference Between IFRS 9 and Local Requirements | Total |
| Balance at January 1, 2021 | \$ 530,975 | \$ 194,967 | \$ 352,887 | \$ 1,078,829 | \$ 1,383,894 | \$ 2,462,723 |
| Transfers | | | | | | |
| To 12-month ECLs | 3,608 | (3,605) | (3) | - | - | - |
| To lifetime ECLs | (6,948) | 6,948 | - | - | - | - |
| To credit-impaired financial assets | (12,057) | (9,684) | 21,741 | - | - | - |
| New financial assets purchased or originated | 80,955 | 30,243 | 147,316 | 258,514 | - | 258,514 |
| Derecognition of financial assets in the reporting period | (115,454) | (33,580) | (155,189) | (304,223) | - | (304,223) |
| Change in model or risk parameters | (3,161) | (23,195) | 71,760 | 45,404 | - | 45,404 |
| Difference between IFRS 9 and local requirements | - | - | - | - | 4,985 | 4,985 |
| Write-offs | - | - | (11,027) | (11,027) | - | (11,027) |
| Withdrawal after write-offs | - | - | 7,458 | 7,458 | - | 7,458 |
| Exchange rate or other changes | (49) | 198 | 21 | 170 | (426) | (256) |
| Balance at March 31, 2021 | <u>\$ 477,869</u> | <u>\$ 162,292</u> | <u>\$ 434,964</u> | <u>\$ 1,075,125</u> | <u>\$ 1,388,453</u> | <u>\$ 2,463,578</u> |
| | | | | | | |
| Reserve for Losses on Guarantees and Financing Quota Preparation | 12-month ECLs | Lifetime ECLs | Lifetime ECLs (Credit-impaired Financial Assets) | Accumulated Amount under IFRS 9 | Difference Between IFRS 9 and Local Requirements | Total |
| Balance at January 1, 2021 | \$ 131,948 | \$ 21,026 | \$ - | \$ 152,974 | \$ 1,686,303 | \$ 1,839,277 |
| Transfers | | | | | | |
| To lifetime ECLs | (569) | 569 | - | - | - | - |
| New financial assets purchased or originated | 78,060 | 14,743 | - | 92,803 | - | 92,803 |
| Derecognition of financial assets in the reporting period | (67,457) | (3,319) | - | (70,776) | - | (70,776) |
| Change in model or risk parameters | (16,308) | 48 | - | (16,260) | - | (16,260) |
| Difference between IFRS 9 and local requirements | - | - | - | - | 23,415 | 23,415 |
| Withdrawal after write-offs | - | - | - | - | 5,654 | 5,654 |
| Exchange rate or other changes | (15) | 6 | - | (9) | (35) | (44) |
| Balance at March 31, 2021 | <u>\$ 125,659</u> | <u>\$ 33,073</u> | <u>\$ -</u> | <u>\$ 158,732</u> | <u>\$ 1,715,337</u> | <u>\$ 1,874,069</u> |

The changes in allowance for credit losses and provisions for the three months ended March 31, 2020 were as follows:

| Allowance for Receivables | 12-month ECLs | Lifetime ECLs | Lifetime ECLs (Credit-impaired Financial Assets) | Accumulated Amount under IFRS 9 | Difference Between IFRS 9 and Local Requirements | Total |
|---|----------------------|----------------------|---|--|---|-------------------|
| Balance at January 1, 2020 | \$ 196,173 | \$ 35,928 | \$ 226,869 | \$ 458,970 | \$ 21,314 | \$ 480,284 |
| Transfers | | | | | | |
| To 12-month ECLs | 2,732 | (2,726) | (6) | - | - | - |
| To lifetime ECLs | (967) | 967 | - | - | - | - |
| To credit-impaired financial assets | (1) | (12,824) | 12,825 | - | - | - |
| New financial assets purchased or originated | 5,683 | 8,467 | 4,006 | 18,156 | - | 18,156 |
| Derecognition of financial assets in the reporting period | (21,409) | (72) | (941) | (22,422) | - | (22,422) |
| Change in model or risk parameters | 3 | 2 | (21) | (16) | - | (16) |
| Difference between IFRS 9 and local requirements | - | - | - | - | (414) | (414) |
| Write-offs | - | - | (28,234) | (28,234) | - | (28,234) |
| Withdrawal after write-offs | - | - | 1,580 | 1,580 | - | 1,580 |
| Exchange rate or other changes | (1,581) | (312) | (1,832) | (3,725) | 42 | (3,683) |
| Balance at March 31, 2020 | <u>\$ 180,633</u> | <u>\$ 29,430</u> | <u>\$ 214,246</u> | <u>\$ 424,309</u> | <u>\$ 20,942</u> | <u>\$ 445,251</u> |

| Allowance for Discounts and Loans | 12-month ECLs | Lifetime ECLs | Lifetime ECLs (Credit-impaired Financial Assets) | Accumulated Amount under IFRS 9 | Difference Between IFRS 9 and Local Requirements | Total |
|---|----------------------|----------------------|---|--|---|---------------------|
| Balance at January 1, 2020 | \$ 265,977 | \$ 77,304 | \$ 403,522 | \$ 746,803 | \$ 1,965,426 | \$ 2,712,229 |
| Transfers | | | | | | |
| To 12-month ECLs | 13,105 | (6,679) | (6,426) | - | - | - |
| To lifetime ECLs | (453) | 453 | - | - | - | - |
| To credit-impaired financial assets | (90) | (1,971) | 2,061 | - | - | - |
| New financial assets purchased or originated | 58,089 | 7,281 | 199,845 | 265,215 | - | 265,215 |
| Derecognition of financial assets in the reporting period | (42,399) | (2,698) | (93,856) | (138,953) | - | (138,953) |
| Change in model or risk parameters | 6,985 | (1,848) | 52,424 | 57,561 | - | 57,561 |
| Difference between IFRS 9 and local requirements | - | - | - | - | 57,682 | 57,682 |
| Write-offs | - | - | (185,025) | (185,025) | - | (185,025) |
| Withdrawal after write-offs | - | - | 508 | 508 | - | 508 |
| Exchange rate or other changes | 596 | 142 | 1,065 | 1,803 | 5,855 | 7,658 |
| Balance at March 31, 2020 | <u>\$ 301,810</u> | <u>\$ 71,984</u> | <u>\$ 374,118</u> | <u>\$ 747,912</u> | <u>\$ 2,028,963</u> | <u>\$ 2,776,875</u> |

| Reserve for Losses on Guarantees and Financing Quota Preparation | 12-month ECLs | Lifetime ECLs | Lifetime ECLs (Credit-impaired Financial Assets) | Accumulated Amount under IFRS 9 | Difference Between IFRS 9 and Local Requirements | Total |
|---|----------------------|----------------------|---|--|---|---------------------|
| Balance at January 1, 2020 | \$ 75,284 | \$ 4,380 | \$ - | \$ 79,664 | \$ 1,531,119 | \$ 1,610,783 |
| Transfers | | | | | | |
| To 12-month ECLs | 34 | (34) | - | - | - | - |
| To lifetime ECLs | (268) | 268 | - | - | - | - |
| New financial assets purchased or originated | 20,926 | 1,793 | - | 22,719 | - | 22,719 |
| Derecognition of financial assets in the reporting period | (29,696) | (1,685) | - | (31,381) | - | (31,381) |
| Change in model or risk parameters | (514) | (518) | - | (1,032) | - | (1,032) |
| Difference between IFRS 9 and local requirements | - | - | - | - | 29,205 | 29,205 |
| Withdrawal after write-offs | - | - | - | - | 165 | 165 |
| Exchange rate or other changes | 80 | 2 | - | 82 | 68 | 150 |
| Balance at March 31, 2020 | <u>\$ 65,846</u> | <u>\$ 4,206</u> | <u>\$ -</u> | <u>\$ 70,052</u> | <u>\$ 1,560,557</u> | <u>\$ 1,630,609</u> |

14. DISCONTINUED OPERATIONS

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

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

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

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

| | For the Three Months Ended March 31 | |
|--|--|-------------------|
| | 2021 | 2020 |
| Interest revenue | \$ 46 | \$ 1,112 |
| Interest expense | <u>-</u> | <u>-</u> |
| Net interest | <u>46</u> | <u>1,112</u> |
| Net revenues other than interest | | |
| Gain (loss) on financial assets and liabilities at fair value through profit or loss | 3,607 | (4,936) |
| Foreign exchange gain, net | - | 11 |
| Other net revenue other than interest | <u>111</u> | <u>(270)</u> |
| Total net revenues other than interest | <u>3,718</u> | <u>(5,195)</u> |
| Net revenue | <u>3,764</u> | <u>(4,083)</u> |
| Operating expenses | | |
| Employee benefits expenses | 2,420 | 2,303 |
| Depreciation and amortization expense | 158 | 150 |
| Other general and administrative expenses | <u>1,838</u> | <u>2,152</u> |
| Total operating expenses | <u>4,416</u> | <u>4,605</u> |
| Income tax expense | <u>-</u> | <u>-</u> |
| Loss from discontinued operations before written off | (652) | (8,688) |
| Write-off transactions with related parties | <u>59</u> | <u>(400)</u> |
| Loss from discontinued operations | <u>\$ (593)</u> | <u>\$ (9,088)</u> |
| Loss of discontinued operations attributable to: | | |
| Owners of the Bank | \$ (591) | \$ (9,065) |
| Non-controlling interests | <u>(2)</u> | <u>(23)</u> |
| | <u>\$ (593)</u> | <u>\$ (9,088)</u> |
| Cash outflow from: | | |
| Net cash flows generated from operating activities | \$ (1,354) | \$ 4,287 |
| Net cash flows used in generated from investing activities | 3 | (39) |
| Effects of exchange rate changes on cash and cash equivalents | <u>238</u> | <u>(2,793)</u> |
| Net cash (outflow) inflow | <u>\$ (1,113)</u> | <u>\$ 1,455</u> |

15. SUBSIDIARIES

a. Subsidiary included in consolidated financial statements:

| Investor | Investee | Main Business | % of Ownership | | | Remark | Reviewed by CPA |
|---|---|---|----------------|-------------------|----------------|---|-----------------|
| | | | March 31, 2021 | December 31, 2020 | March 31, 2020 | | |
| The Bank | China Bills Finance Co. (CBF) | Bonds underwriting, dealing and brokerage of securities | 28.37 | 28.37 | 28.37 | Founded in 1978 | Yes |
| | IBTH | Holding company | 100.00 | 100.00 | 100.00 | Founded in 2006 in California | Yes |
| | IBT Leasing | Leasing | 100.00 | 100.00 | 100.00 | Founded in 2011 | Yes |
| | IBTM | Investment consulting | 100.00 | 100.00 | 100.00 | Founded in 2000 | No |
| Chun Teng New Century Co., Ltd. (former IBTS) | Chun Teng New Century Co., Ltd. (former IBTS) | Investment (former Security Firm) | 99.75 | 99.75 | 99.75 | Founded in 1961 (dissolved on November 11, 2016 and still recognized using equity method) | No |
| | IBT Leasing | IBT International Leasing Corp. | 100.00 | 100.00 | 100.00 | Founded in 2011 in mainland China (commonly held with IBT VII) | Yes |
| Chun Teng New Century Co., Ltd. (formerly IBTS) | IBT VII Venture Capital Co., Ltd. | Venture capital | 100.00 | 100.00 | 100.00 | Founded in 2014 | No |
| | IBTSH | Holding company | 100.00 | 100.00 | 100.00 | Founded in 2003 in the British Virgin Islands | No |
| IBTSH | IBTS HK | Investment | 100.00 | 100.00 | 100.00 | Founded in 2003 in Hong Kong | No |
| | IBTS Asia | Securities and investment | 100.00 | 100.00 | 100.00 | Founded in 2004 in Hong Kong | No |
| IBTH | EverTrust Bank | Banking | 91.78 | 91.78 | 91.78 | Founded in 1994 in California | Yes |

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

| Name of Subsidiary | Principal Place of Business | Proportion of Ownership and Voting Rights Held by Non-controlling Interests | | |
|--------------------|-----------------------------|---|-------------------|----------------|
| | | March 31, 2021 | December 31, 2020 | March 31, 2020 |
| CBF | Taipei | 71.63% | 71.63% | 71.63% |

The summarized financial information below represents amounts before intragroup eliminations:

| | March 31, 2021 | December 31, 2020 | March 31, 2020 |
|--|----------------------|-----------------------------------|----------------------|
| <u>CBF</u> | | | |
| Equity attributable to: | | | |
| Owners of the Bank | \$ 7,285,138 | \$ 7,219,701 | \$ 6,787,227 |
| Non-controlling interests of CBF | <u>18,394,971</u> | <u>18,229,741</u> | <u>17,137,744</u> |
| | <u>\$ 25,680,109</u> | <u>\$ 25,449,442</u> | <u>\$ 23,924,971</u> |
| | | For the Three Months Ended | |
| | | March 31 | |
| | | 2021 | 2020 |
| Net revenue | | <u>\$ 791,658</u> | <u>\$ 573,495</u> |
| Net profit from continuing operations | | \$ 530,980 | \$ 357,069 |
| Other comprehensive income (loss) for the period | | <u>(301,765)</u> | <u>(289,280)</u> |
| Total comprehensive income for the period | | <u>\$ 229,215</u> | <u>\$ 67,789</u> |

(Continued)

| | For the Three Months Ended March 31 | |
|---|--|-------------------|
| | 2021 | 2020 |
| Profit attributable to: | | |
| Owners of the Bank | \$ 150,633 | \$ 101,296 |
| Non-controlling interests of CBF | <u>380,347</u> | <u>255,773</u> |
| | <u>\$ 530,980</u> | <u>\$ 357,069</u> |
| Total comprehensive income attributable to: | | |
| Owners of the Bank | \$ 65,026 | \$ 19,231 |
| Non-controlling interests of CBF | <u>164,189</u> | <u>48,558</u> |
| | <u>\$ 229,215</u> | <u>\$ 67,789</u> |
| Net cash inflow (outflow) from: | | |
| Operating activities | \$ 1,652,170 | \$ (29,874) |
| Investing activities | (4,017) | (7,296) |
| Financing activities | <u>(1,641,151)</u> | <u>354,071</u> |
| Net cash inflow | <u>\$ 7,002</u> | <u>\$ 316,901</u> |
| Dividends paid to non-controlling interest CBF | <u>\$ -</u> | <u>\$ -</u> |

(Concluded)

16. INVESTMENT ACCOUNTED FOR USING EQUITY METHOD, NET

Investment in Associate

| | March 31, 2021 | December 31, 2020 |
|--|---------------------------|------------------------------|
| Associate - Beijing Sunshine Consumer Finance Co., Ltd., | <u>\$ 785,323</u> | <u>\$ 789,863</u> |

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

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

17. OTHER FINANCIAL ASSETS

| | March 31, 2021 | December 31, 2020 | March 31, 2020 |
|--|-------------------|----------------------|---------------------|
| Time deposits with original maturities more than 3 months | \$ 51,044 | \$ 57,843 | \$ 100,624 |
| Pledged time deposits | 217,464 | 744,108 | 738,067 |
| Compensation account for payment | 15,500 | 15,500 | 45,960 |
| Prepaid investment | - | - | 863,564 |
| Call loans to securities firms | 570,641 | - | - |
| Others | <u>55,875</u> | <u>41,011</u> | <u>188,320</u> |
| | <u>\$ 910,524</u> | <u>\$ 858,462</u> | <u>\$ 1,936,535</u> |

18. PROPERTY AND EQUIPMENT

| | March 31, 2021 | December 31, 2020 | March 31, 2020 |
|---|---------------------|----------------------|---------------------|
| <u>Carrying amount</u> | | | |
| Land | \$ 781,970 | \$ 781,970 | \$ 781,970 |
| Buildings | 1,273,801 | 1,284,858 | 1,312,957 |
| Machinery and computer equipment | 309,621 | 326,010 | 343,296 |
| Transportation equipment | 31,941 | 31,574 | 35,011 |
| Office and other equipment | 61,071 | 65,234 | 77,770 |
| Lease improvement | 148,407 | 161,712 | 179,888 |
| Construction in progress and prepayments for equipment | <u>27,770</u> | <u>21,209</u> | <u>98,483</u> |
| | <u>\$ 2,634,581</u> | <u>\$ 2,672,567</u> | <u>\$ 2,829,375</u> |

The changes in property and equipment for the three months ended March 31, 2021 and 2020 are summarized as follows:

| | Freehold Land | Buildings | Machinery and Computer Equipment | Transportation Equipment | Office and Other Equipment | Lease Improvement | Construction in Progress and Prepayments for Equipment | Total |
|--|-------------------|---------------------|--|-----------------------------|----------------------------------|----------------------|--|---------------------|
| <u>Cost</u> | | | | | | | | |
| Balance at January 1, 2021 | \$ 781,970 | \$ 1,905,429 | \$ 842,003 | \$ 80,683 | \$ 282,030 | \$ 393,822 | \$ 21,209 | \$ 4,307,146 |
| Additions | - | 536 | 356 | 3,244 | 1,619 | - | 8,290 | 14,045 |
| Disposals and scrapped | - | - | (9,119) | (663) | (2,049) | - | - | (11,831) |
| Reclassification | - | - | 530 | 50 | - | - | (1,720) | (1,140) |
| Effect of foreign currency exchange differences | - | - | (134) | (35) | 15 | (17) | (9) | (180) |
| Balance at March 31, 2021 | <u>\$ 781,970</u> | <u>\$ 1,905,965</u> | <u>\$ 833,636</u> | <u>\$ 83,279</u> | <u>\$ 281,615</u> | <u>\$ 393,805</u> | <u>\$ 27,770</u> | <u>\$ 4,308,040</u> |
| <u>Accumulated depreciation</u> | | | | | | | | |
| Balance at January 1, 2021 | \$ - | \$ 620,571 | \$ 515,993 | \$ 49,109 | \$ 216,796 | \$ 232,110 | \$ - | \$ 1,634,579 |
| Disposals and scrapped | - | - | (8,866) | (663) | (1,947) | - | - | (11,476) |
| Depreciation expense | - | 11,593 | 16,975 | 2,907 | 5,674 | 13,304 | - | 50,453 |
| Effect of foreign currency exchange differences | - | - | (87) | (15) | 21 | (16) | - | (97) |
| Balance at March 31, 2021 | <u>\$ -</u> | <u>\$ 632,164</u> | <u>\$ 524,015</u> | <u>\$ 51,338</u> | <u>\$ 220,544</u> | <u>\$ 245,398</u> | <u>\$ -</u> | <u>\$ 1,673,459</u> |
| <u>Carrying amount</u> | | | | | | | | |
| Balance at March 31, 2021 | <u>\$ 781,970</u> | <u>\$ 1,273,801</u> | <u>\$ 309,621</u> | <u>\$ 31,941</u> | <u>\$ 61,071</u> | <u>\$ 148,407</u> | <u>\$ 27,770</u> | <u>\$ 2,634,581</u> |

(Continued)

| | Freehold Land | Buildings | Machinery and Computer Equipment | Transportation Equipment | Office and Other Equipment | Lease Improvement | Construction in Progress and Prepayments for Equipment | Total |
|---|-------------------|---------------------|----------------------------------|--------------------------|----------------------------|-------------------|--|---------------------|
| <u>Cost</u> | | | | | | | | |
| Balance at January 1, 2020 | \$ 781,970 | \$ 1,898,849 | \$ 809,120 | \$ 78,739 | \$ 280,283 | \$ 373,783 | \$ 91,330 | \$ 4,314,074 |
| Additions | - | - | 6,740 | 2,229 | 310 | 402 | 16,590 | 26,271 |
| Disposals and scrapped | - | - | (62) | (1,597) | - | - | - | (1,659) |
| Reclassification | - | - | 4,152 | - | 38 | 4,444 | (9,484) | (850) |
| Effect of foreign currency exchange differences | - | - | (282) | (37) | 308 | 873 | 47 | 909 |
| Balance at March 31, 2020 | <u>\$ 781,970</u> | <u>\$ 1,898,849</u> | <u>\$ 819,668</u> | <u>\$ 79,334</u> | <u>\$ 280,939</u> | <u>\$ 379,502</u> | <u>\$ 98,483</u> | <u>\$ 4,338,745</u> |
| <u>Accumulated depreciation</u> | | | | | | | | |
| Balance at January 1, 2020 | \$ - | \$ 574,367 | \$ 459,515 | \$ 42,797 | \$ 196,897 | \$ 186,304 | \$ - | \$ 1,459,880 |
| Disposals and scrapped | - | - | (50) | (1,309) | - | - | - | (1,359) |
| Depreciation expense | - | 11,525 | 17,144 | 2,854 | 6,082 | 12,898 | - | 50,503 |
| Reclassification | - | - | - | - | - | (71) | - | (71) |
| Effect of foreign currency exchange differences | - | - | (237) | (19) | 190 | 483 | - | 417 |
| Balance at March 31, 2020 | <u>\$ -</u> | <u>\$ 585,892</u> | <u>\$ 476,372</u> | <u>\$ 44,323</u> | <u>\$ 203,169</u> | <u>\$ 199,614</u> | <u>\$ -</u> | <u>\$ 1,509,370</u> |
| <u>Carrying amount</u> | | | | | | | | |
| Balance at March 31, 2020 | <u>\$ 781,970</u> | <u>\$ 1,312,957</u> | <u>\$ 343,296</u> | <u>\$ 35,011</u> | <u>\$ 77,770</u> | <u>\$ 179,888</u> | <u>\$ 98,483</u> | <u>\$ 2,829,375</u> |

(Concluded)

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

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

19. LEASE ARRANGEMENTS

a. Right-of-use assets

| | March 31, 2021 | December 31, 2020 | March 31, 2020 |
|--|-------------------|--|-------------------|
| <u>Carrying amount</u> | | | |
| Buildings | \$ 382,583 | \$ 418,692 | \$ 459,986 |
| Transportation equipment | 6,428 | 8,369 | 8,492 |
| Office equipment | <u>2,293</u> | <u>2,617</u> | <u>-</u> |
| | <u>\$ 391,304</u> | <u>\$ 429,678</u> | <u>\$ 468,478</u> |
| | | For the Three Months Ended March 31 | |
| | | <u>2021</u> | <u>2020</u> |
| Additions to right-of-use assets | | <u>\$ 570</u> | <u>\$ 17,417</u> |
| Depreciation charges for right-of-use assets | | | |
| Buildings | | \$ 36,324 | \$ 36,938 |
| Transportation equipment | | 2,079 | 1,875 |
| Office equipment | | <u>325</u> | <u>-</u> |
| | | <u>\$ 38,728</u> | <u>\$ 38,813</u> |

Except for the aforementioned addition and recognized depreciation, the Group did not have significant sublease or impairment of right-of-use assets during the three months ended March 31, 2021 and 2020.

b. Lease liabilities

| | March 31, 2021 | December 31, 2020 | March 31, 2020 |
|-----------------|---------------------------|------------------------------|---------------------------|
| Carrying amount | <u>\$ 408,683</u> | <u>\$ 444,659</u> | <u>\$ 483,332</u> |

Range of discount rates for lease liabilities was as follows:

| | March 31, 2021 | December 31, 2020 | March 31, 2020 |
|--------------------------|---------------------------|------------------------------|---------------------------|
| Buildings | 0.44%-5.70% | 0.44%-5.70% | 1.61%-5.70% |
| Transportation equipment | 2.04%-6.00% | 2.28%-6.00% | 1.71%-6.00% |
| Office equipment | 1.71%-2.76% | 1.71%-2.76% | - |

c. Material lease-in activities

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

As of March 31, 2021, December 31, 2020 and March 31, 2020, refundable deposits paid under operating lease amounted to \$37,694 thousand, \$37,809 thousand and \$30,307 thousand.

d. Other lease information

| | For the Three Months Ended March 31 | |
|---|--|--------------------|
| | 2021 | 2020 |
| Expenses relating to short-term leases | <u>\$ 5,235</u> | <u>\$ 5,297</u> |
| Expenses relating to low-value asset leases | <u>\$ 701</u> | <u>\$ 614</u> |
| Total cash outflow for leases | <u>\$ (50,008)</u> | <u>\$ (50,173)</u> |

20. INTANGIBLE ASSETS

| | March 31, 2021 | December 31, 2020 | March 31, 2020 |
|------------------------|---------------------------|------------------------------|---------------------------|
| <u>Carrying amount</u> | | | |
| Computer software | \$ 1,056,271 | \$ 1,124,681 | \$ 1,136,989 |
| Goodwill | 1,083,457 | 1,082,563 | 1,148,938 |
| Others | <u>-</u> | <u>-</u> | <u>11</u> |
| | <u>\$ 2,139,728</u> | <u>\$ 2,207,244</u> | <u>\$ 2,285,938</u> |

The changes in intangible assets for the three months ended March 31, 2021 and 2020 are summarized as follows:

| | Computer Software | Goodwill | Others | Total |
|---|------------------------------|---------------------|-----------------|---------------------|
| <u>Cost</u> | | | | |
| Balance at January 1, 2021 | \$ 2,376,821 | \$ 1,082,563 | \$ 6,960 | \$ 3,466,344 |
| Additions | 2,876 | - | - | 2,876 |
| Reclassification | 1,794 | - | - | 1,794 |
| Effect of foreign currency exchange differences | <u>(218)</u> | <u>894</u> | <u>6</u> | <u>682</u> |
| Balance at March 31, 2021 | <u>\$ 2,381,273</u> | <u>\$ 1,083,457</u> | <u>\$ 6,966</u> | <u>\$ 3,471,696</u> |
| <u>Accumulated amortization and impairment loss</u> | | | | |
| Balance at January 1, 2021 | \$ 1,252,140 | \$ - | \$ 6,960 | \$ 1,259,100 |
| Amortization | 72,314 | - | - | 72,314 |
| Reclassification | 654 | - | - | 654 |
| Effect of foreign currency exchange differences | <u>(106)</u> | <u>-</u> | <u>6</u> | <u>(100)</u> |
| Balance at March 31, 2021 | <u>\$ 1,325,002</u> | <u>\$ -</u> | <u>\$ 6,966</u> | <u>\$ 1,331,968</u> |
| <u>Carrying amount</u> | | | | |
| Balance at March 31, 2021 | <u>\$ 1,056,271</u> | <u>\$ 1,083,457</u> | <u>\$ -</u> | <u>\$ 2,139,728</u> |
| <u>Cost</u> | | | | |
| Balance at January 1, 2020 | \$ 2,157,522 | \$ 1,142,865 | \$ 7,351 | \$ 3,307,738 |
| Additions | 25,948 | - | - | 25,948 |
| Reclassification | 654 | - | - | 654 |
| Effect of foreign currency exchange differences | <u>297</u> | <u>6,073</u> | <u>39</u> | <u>6,409</u> |
| Balance at March 31, 2020 | <u>\$ 2,184,421</u> | <u>\$ 1,148,938</u> | <u>\$ 7,390</u> | <u>\$ 3,340,749</u> |
| <u>Accumulated amortization and impairment loss</u> | | | | |
| Balance at January 1, 2020 | \$ 981,402 | \$ - | \$ 6,789 | \$ 988,191 |
| Amortization | 65,730 | - | 552 | 66,282 |
| Effect of foreign currency exchange differences | <u>300</u> | <u>-</u> | <u>38</u> | <u>338</u> |
| Balance at March 31, 2020 | <u>\$ 1,047,432</u> | <u>\$ -</u> | <u>\$ 7,379</u> | <u>\$ 1,054,811</u> |
| <u>Carrying amount</u> | | | | |
| Balance at March 31, 2020 | <u>\$ 1,136,989</u> | <u>\$ 1,148,938</u> | <u>\$ 11</u> | <u>\$ 2,285,938</u> |

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

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

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

21. OTHER ASSETS

| | March 31, 2021 | December 31, 2020 | March 31, 2020 |
|-------------------------------------|---------------------|----------------------|-------------------|
| Refundable deposits | \$ 825,062 | \$ 462,289 | \$ 246,104 |
| Life insurance cash surrender value | 328,449 | 327,517 | 343,527 |
| Prepayment | 123,764 | 84,754 | 142,082 |
| Others | <u>174,912</u> | <u>175,638</u> | <u>176,015</u> |
| | <u>\$ 1,452,187</u> | <u>\$ 1,050,198</u> | <u>\$ 907,728</u> |

22. DUE TO CENTRAL BANK AND BANKS

| | March 31, 2021 | December 31, 2020 | March 31, 2020 |
|---------------------------------------|----------------------|----------------------|----------------------|
| Call loans from banks | \$ 14,311,292 | \$ 18,628,924 | \$ 35,445,535 |
| Deposits from Chunghwa Post Co., Ltd. | 7,000,000 | 7,000,000 | 7,000,000 |
| Call loans from the Central Bank | <u>2,853,206</u> | <u>2,850,831</u> | <u>3,027,211</u> |
| | <u>\$ 24,164,498</u> | <u>\$ 28,479,755</u> | <u>\$ 45,472,746</u> |

23. BILLS AND BONDS SOLD UNDER REPURCHASE AGREEMENT

| | March 31, 2021 | December 31, 2020 | March 31, 2020 |
|-----------------------------------|-----------------------|-----------------------|-----------------------|
| Bills | \$ 71,993,521 | \$ 73,092,529 | \$ 58,025,247 |
| Government bonds | 25,381,102 | 24,707,835 | 27,062,096 |
| Corporate bonds | 60,507,815 | 62,377,074 | 51,087,910 |
| Bank debentures | <u>20,424,341</u> | <u>20,988,388</u> | <u>18,207,085</u> |
| | <u>\$ 178,306,779</u> | <u>\$ 181,165,826</u> | <u>\$ 154,382,338</u> |
| Date of agreement to repurchase | March 2022 | December 2021 | February 2021 |
| Amount of agreement to repurchase | \$ 178,366,381 | \$ 181,233,857 | \$ 154,491,493 |

24. PAYABLES

| | March 31, 2021 | December 31, 2020 | March 31, 2020 |
|---|---------------------|----------------------|---------------------|
| Investment settlements payable | \$ 235,196 | \$ 202,014 | \$ 300,502 |
| Settlement accounts payable - trusteeship | 75,300 | 82,226 | 101,927 |
| Acceptances | 110,937 | 43,447 | 198,916 |
| Accrued interest | 529,899 | 545,613 | 841,448 |
| Accrued expenses | 708,564 | 1,020,850 | 507,853 |
| Collections payable | 85,224 | 95,555 | 99,981 |
| Factored payables | 249,324 | 79,059 | 315,490 |
| Checks for clearing payables | 1,317,196 | 451,158 | 337,233 |
| Others | <u>248,361</u> | <u>220,720</u> | <u>99,461</u> |
| | <u>\$ 3,560,001</u> | <u>\$ 2,740,642</u> | <u>\$ 2,802,811</u> |

25. DEPOSITS AND REMITTANCES

| | March 31, 2021 | December 31, 2020 | March 31, 2020 |
|-------------------|-----------------------|-----------------------|-----------------------|
| Deposits | | | |
| Checking | \$ 6,126,850 | \$ 6,534,134 | \$ 4,823,841 |
| Demand | 56,537,584 | 51,119,498 | 33,352,705 |
| Time | 182,777,346 | 193,289,924 | 213,548,910 |
| Saving deposits | 17,609,846 | 16,729,084 | 16,400,044 |
| Export remittance | <u>5,787</u> | <u>47,032</u> | <u>7,719</u> |
| | <u>\$ 263,057,413</u> | <u>\$ 267,719,672</u> | <u>\$ 268,133,219</u> |

26. BANK DEBENTURES PAYABLE

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

(Continued)

| | March 31, 2021 | December 31, 2020 | March 31, 2020 |
|--|---------------------------|------------------------------|-------------------------------------|
| Subordinate bonds first issued in 2014; fixed 2.2% interest rate; maturity: May 5, 2022; interest paid annually and repayment of principal at maturity | \$ 1,500,000 | \$ 1,500,000 | \$ 1,500,000 |
| Subordinate bonds first issued in 2015; fixed 1.85% interest rate; maturity: December 29, 2022; interest paid annually and repayment of principal at maturity | 1,000,000 | 1,000,000 | 1,000,000 |
| Subordinate bonds A first issued in 2016; fixed 1.70% interest rate; maturity: June 29, 2023; interest paid annually and repayment of principal at maturity | 1,500,000 | 1,500,000 | 1,500,000 |
| Subordinate bonds B first issued in 2016; fixed 1.80% interest rate; maturity: June 29, 2024; interest paid annually and repayment of principal at maturity | 1,500,000 | 1,500,000 | 1,500,000 |
| Subordinate bonds first issued in 2017; fixed 1.97% interest rate; maturity: September 5, 2027; interest paid annually and repayment of principal at maturity | 2,000,000 | 2,000,000 | 2,000,000 |
| Subordinate bonds A second issued in 2017; fixed 4% interest rate; no maturity, interest paid annually | 750,000 | 750,000 | 750,000 |
| Subordinate bonds B second issued in 2017; fixed 1.82% interest rate; maturity: December 27, 2027; interest paid annually and repayment of principal at maturity | 1,000,000 | 1,000,000 | 1,000,000 |
| Subordinate bonds A first issued in 2018; fixed 4% interest rate; no maturity, interest paid annually | 700,000 | 700,000 | 700,000 |
| Subordinate bonds B first issued in 2018; fixed 1.75% interest rate; maturity: June 29, 2028; interest paid annually and repayment of principal at maturity | 1,050,000 | 1,050,000 | 1,050,000 |
| Subordinate bonds first issued in 2019; fixed 1.5% interest rate; maturity: June 6, 2026; interest paid annually and repayment of principal at maturity | <u>2,500,000</u> | <u>2,500,000</u> | <u>2,500,000</u> |
| | <u>\$ 15,100,000</u> | <u>\$ 16,400,000</u> | <u>\$ 18,700,000</u> (Concluded) |

27. OTHER FINANCIAL LIABILITIES

| | March 31, 2021 | December 31, 2020 | March 31, 2020 |
|--|----------------------|----------------------|----------------------|
| Bank borrowings | \$ 10,095,574 | \$ 9,993,528 | \$ 9,614,774 |
| Commercial papers payable | 5,379,360 | 5,261,227 | 350,000 |
| Principal of structured products | 95,339 | 25,939 | 96,470 |
| Funds obtained from the government - intended for specific types of loans | <u>2,817,921</u> | <u>2,822,069</u> | <u>2,728,808</u> |
| | <u>\$ 18,388,194</u> | <u>\$ 18,102,763</u> | <u>\$ 12,790,052</u> |

a. Bank borrowings

| | March 31, 2021 | December 31, 2020 | March 31, 2020 |
|------------------------|----------------------|----------------------|---------------------|
| Short-term borrowings | \$ 5,151,674 | \$ 4,971,524 | \$ 5,085,310 |
| Long-term borrowings | <u>4,943,900</u> | <u>5,022,004</u> | <u>4,529,464</u> |
| | <u>\$ 10,095,574</u> | <u>\$ 9,993,528</u> | <u>\$ 9,614,774</u> |
| Interest rate interval | | | |
| New Taiwan dollars | 1.00%-1.35% | 1.00%-1.60% | 1.00%-1.55% |
| U.S. dollars | 0.95%-1.70% | 0.95%-1.93% | 0.95%-3.22% |
| Renminbi | 4.60%-5.50% | 4.69%-5.50% | 4.69%-5.70% |

b. Commercial papers payable

| | March 31, 2021 | December 31, 2020 | March 31, 2020 |
|----------------------------|---------------------|----------------------|-------------------|
| Commercial papers payable | \$ 5,380,000 | \$ 5,262,000 | \$ 350,000 |
| Less: Unamortized discount | <u>(640)</u> | <u>(773)</u> | <u>-</u> |
| | <u>\$ 5,379,360</u> | <u>\$ 5,261,227</u> | <u>\$ 350,000</u> |
| Interest rate interval | 0.23%-1.14% | 0.27%-1.14% | 1.19%-1.23% |

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

| | March 31, 2021 | December 31, 2020 | March 31, 2020 |
|--|---------------------|----------------------|---------------------|
| Funds obtained from the government - intended for specific types of loans | <u>\$ 2,817,921</u> | <u>\$ 2,822,069</u> | <u>\$ 2,728,808</u> |

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

28. PROVISIONS

| | March 31, 2021 | December 31, 2020 | March 31, 2020 |
|---|---------------------|----------------------|---------------------|
| Provisions for employee benefits | \$ 261,678 | \$ 262,735 | \$ 318,887 |
| Provisions for losses on guarantees contracts | 1,782,348 | 1,747,556 | 1,563,643 |
| Provisions for losses financing commitment | <u>91,721</u> | <u>91,721</u> | <u>66,966</u> |
| | <u>\$ 2,135,747</u> | <u>\$ 2,102,012</u> | <u>\$ 1,949,496</u> |

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

29. RETIREMENT BENEFIT PLANS

Defined Contribution Plan

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

The amount to be paid in accordance with the percentage specified in the proposed plan for the three months ended March 31, 2021 and 2020 was recognized in the consolidated statements of comprehensive income in the total amounts of \$17,522 thousand and \$17,886, respectively.

Defined Benefit Plan

The retirement benefit expenses recognized under defined benefit plans which amounted to \$2,754 thousand and \$3,588 thousand for the three months ended March 31, 2021 and 2020 were calculated using the actuarially determined discount rates as of December 31, 2020 and 2019, respectively.

30. OTHER LIABILITIES

| | March 31, 2021 | December 31, 2020 | March 31, 2020 |
|-----------------------------|---------------------|----------------------|---------------------|
| Guarantee deposits received | \$ 1,945,350 | \$ 1,929,469 | \$ 1,696,962 |
| Advance revenue | 49,864 | 47,999 | 26,739 |
| Payable for custody | 20,809 | 39,403 | 49,497 |
| Others | <u>361,515</u> | <u>232,684</u> | <u>864,805</u> |
| | <u>\$ 2,377,538</u> | <u>\$ 2,249,555</u> | <u>\$ 2,638,003</u> |

31. EQUITY

a. Capital stock

| | March 31, 2021 | December 31, 2020 | March 31, 2020 |
|---|---------------------------|------------------------------|---------------------------|
| Number of stock authorized (in thousands) | <u>3,500,000</u> | <u>3,500,000</u> | <u>3,500,000</u> |
| Amount of capital stock authorized | <u>\$ 35,000,000</u> | <u>\$ 35,000,000</u> | <u>\$ 35,000,000</u> |
| Number of stocks issued and fully paid (in thousands) | | | |
| Common stock | <u>2,733,006</u> | <u>2,733,006</u> | <u>2,413,006</u> |
| Preferred stock | <u>300,000</u> | <u>300,000</u> | <u>300,000</u> |
| Amount of stocks issued | <u>\$ 30,330,063</u> | <u>\$ 30,330,063</u> | <u>\$ 27,130,063</u> |

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

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

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

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

On July 7, 2020, the Bank's board of directors resolved to issue 320,000 thousand common shares with a par value of \$10, for a consideration of \$6.35 per share, which increased the share capital issued and fully paid to \$30,330,063 thousand. The above transaction was approved by the FSC and the Ministry of Economic Affairs (MOEA).

b. Capital surplus

| | March 31, 2021 | December 31, 2020 | March 31, 2020 |
|---|---------------------------|------------------------------|---------------------------|
| May be used to offset a deficit, distributed as dividends, or transferred to capital stock (Note) | | | |
| Treasury share transactions | \$ 3,193 | \$ 3,193 | \$ 3,193 |
| Share-based payments | - | - | 4,537 |
| Must be used to offset a deficit | | | |
| Unclaimed dividends | 1,349 | 978 | 985 |
| May not be used for any purpose | | | |
| Share of changes in capital surplus of subsidiaries associates or joint ventures | <u>2,207</u> | <u>1,795</u> | <u>1,859</u> |
| | <u>\$ 6,749</u> | <u>\$ 5,966</u> | <u>\$ 10,574</u> |

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

c. Special reserves

| | March 31, 2021 | December 31, 2020 | March 31, 2020 |
|--|---------------------------|------------------------------|---------------------------|
| Trading loss and default loss reserve | \$ 133,955 | \$ 133,955 | \$ 133,955 |
| Employee transfer or placement expenditure arising from financial technology development | 17,181 | 17,181 | 18,353 |
| Other equity deductions special reserves | 67,477 | 67,477 | 159,981 |
| According to the Bank's policy | <u>1,177,740</u> | <u>1,177,740</u> | <u>1,319,046</u> |
| | <u>\$ 1,396,353</u> | <u>\$ 1,396,353</u> | <u>\$ 1,631,335</u> |

The Bank reclassified reserve for trading loss and default losses as of December 31, 2010 to a special reserve account, which is part of equity, in accordance with Order No. 10010000440 issued by the FSC.

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

- 1) Expenses for staff transfer or placement, including the related expenses for assisting employees to transfer between departments or groups, and the payment of retirement and severance benefits to employees that are superior to labor-related laws and regulations.
- 2) Expenses for financial technology or banking business development, i.e., expenditure for education and training to enhance or develop employee functions.

Under related regulations, the Bank should appropriate or reverse to a special reserve according to the net debit balance. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses and thereafter distributed

d. Retained earnings and dividend policy

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

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

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

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

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

Under the dividends policy as set forth in the amended Articles, where the Bank made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 30% of the remaining profit until the accumulated legal reserve equals the Bank's paid-in capital, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings

shall be used by the board of directors as the basis for proposing a distribution plan, which should be resolved in the stockholders' meeting for distribution of dividends and bonus to stockholders. When the amount of legal reserve has not reached the Bank's total capital, the amount of cash dividends cannot exceed 15% of the Bank's paid-in capital.

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

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

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

The appropriations of earnings for 2020 and 2019 have been proposed by the Bank's board of directors and approved in the stockholders' meetings on March 22, 2021 and June 19, 2020, respectively. The appropriations and dividends per share were as follows:

| | <u>2020</u> | <u>2019</u> |
|---|--------------------------------------|--------------------------------------|
| | Appropriation of Earnings | Appropriation of Earnings |
| Legal reserve | \$ 31,879 | \$ 330,130 |
| Special reserve appropriated (reversed) | (598,570) | (234,982) |
| Cash dividends - common stock | 545,454 | 965,203 |
| Cash dividends - preferred stock | 127,500 | 127,500 |

The appropriation of earnings for 2020 are subject to the resolution of the shareholders in their meeting to be held on June 25, 2021.

e. Other equity items

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

| | <u>For the Three Months Ended March 31</u> | |
|---|--|---------------------|
| | <u>2021</u> | <u>2020</u> |
| Balance at January 1 | \$ (697,554) | \$ (307,473) |
| Exchange differences arising on translating the financial statements of foreign operations | (2,289) | 18,231 |
| Income tax related to gains arising on translating the financial statements of foreign operations | <u>(464)</u> | <u>(5,707)</u> |
| Balance at March 31 | <u>\$ (700,307)</u> | <u>\$ (294,949)</u> |

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

| | For the Three Months Ended March 31 | |
|--|--|---------------------|
| | 2021 | 2020 |
| Balance at January 1 | \$ 755,298 | \$ 239,996 |
| Recognized during the period | | |
| Unrealized gain (loss) - debt instruments | (455,609) | (490,163) |
| Unrealized gain (loss) - equity instruments | 535,243 | (244,640) |
| Loss allowance of debt instruments | <u>2,958</u> | <u>(241)</u> |
| Other comprehensive income (loss) recognized in the period | <u>82,592</u> | <u>(735,044)</u> |
| Cumulative unrealized gain (loss) of equity instruments transferred to retained earnings due to disposal | <u>(84,933)</u> | <u>44,618</u> |
| Balance at March 31 | <u>\$ 752,957</u> | <u>\$ (450,430)</u> |

f. Non-controlling interests

| | For the Three Months Ended March 31 | |
|---|--|----------------------|
| | 2021 | 2020 |
| Balance at January 1 | \$ 18,696,870 | \$ 17,557,074 |
| Attributed to non-controlling interests | | |
| Share of profit for the year | 387,657 | 262,190 |
| Capital surplus | 1,040 | 1,232 |
| Other comprehensive income | | |
| Exchange differences arising on translation of foreign entities | 425 | 2,540 |
| Unrealized valuation gain or loss on FVTOCI | (217,855) | (203,896) |
| Actuarial profit and loss of defined benefit plan | <u>(86)</u> | <u>63</u> |
| Balance at March 31 | <u>\$ 18,868,051</u> | <u>\$ 17,619,203</u> |

g. Treasury stocks

| | Unit: In Thousands of Shares | |
|-------------------------------|--|--------------|
| | For the Three Months Ended March 31 | |
| | 2021 | 2020 |
| Number of shares at January 1 | 5,737 | - |
| Increase during the period | <u>-</u> | <u>1,650</u> |
| Number of shares at March 31 | <u>5,737</u> | <u>1,650</u> |

On March 19, 2020, the board of directors proposed to repurchase treasury stocks transfer to employees. The repurchase period is from March 20, 2020 to May 19, 2020. As of May 19, 2020, the Bank had repurchased 5,737 thousand shares of treasury stocks for \$38,304 thousand.

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

32. NET INTEREST

| | For the Three Months Ended March 31 | |
|--|--|-------------------|
| | 2021 | 2020 |
| <u>Interest revenue</u> | | |
| Discounts and loans | \$ 1,009,294 | \$ 1,401,784 |
| Investment in securities | 418,698 | 507,433 |
| Installment sales and lease | 249,427 | 235,952 |
| Due from the Central Bank and call loans to banks | 12,651 | 51,399 |
| Others | <u>21,583</u> | <u>22,689</u> |
| | <u>1,711,653</u> | <u>2,219,257</u> |
| <u>Interest expense</u> | | |
| Deposits | 300,169 | 755,583 |
| Due to the Central Bank and banks | 14,448 | 102,385 |
| Bank debenture | 81,275 | 93,456 |
| Bills and bonds sold under agreement to repurchase | 110,303 | 253,170 |
| Others | <u>71,566</u> | <u>89,164</u> |
| | <u>577,761</u> | <u>1,293,758</u> |
| | <u>\$ 1,133,892</u> | <u>\$ 925,499</u> |

33. NET SERVICE FEE REVENUE

| | For the Three Months Ended March 31 | |
|----------------------------|--|-------------------|
| | 2021 | 2020 |
| Service fee | | |
| Guarantee business | \$ 288,185 | \$ 231,776 |
| Loan business | 102,960 | 23,066 |
| Underwrite business | 153,549 | 104,477 |
| Trust business | 15,141 | 6,495 |
| Lease business | 60,746 | 31,053 |
| Credit examine business | 40,096 | 59,336 |
| Import and export business | 3,517 | 3,440 |
| Factoring business | 5,186 | 4,872 |
| Insurance agent business | 8,255 | 22,168 |
| Others | <u>16,687</u> | <u>14,322</u> |
| | 694,322 | 501,005 |
| Service charge | | |
| Others | <u>24,953</u> | <u>29,198</u> |
| | <u>\$ 669,369</u> | <u>\$ 471,807</u> |

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

| | For the Three Months Ended March 31 | |
|-------------------------------------|--|-------------------|
| | 2021 | 2020 |
| Realized gain or loss | | |
| Bills | \$ 43,147 | \$ 15,508 |
| Stocks and beneficiary certificates | 53,025 | (36,849) |
| Bonds | 6,535 | (8,055) |
| Derivatives | <u>(532,760)</u> | <u>(139,028)</u> |
| | <u>(430,053)</u> | <u>(168,424)</u> |
| Gains (losses) on valuation | | |
| Bills | (3,385) | 70,810 |
| Stocks and beneficiary certificates | 3,940 | (23,727) |
| Bonds | 6,278 | (15,686) |
| Derivatives | <u>462,190</u> | <u>282,364</u> |
| | 469,023 | 313,761 |
| Interest revenue | <u>160,884</u> | <u>287,335</u> |
| | <u>\$ 199,854</u> | <u>\$ 432,672</u> |

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

| | For the Three Months Ended March 31 | |
|--------------------------------|--|-------------------|
| | 2021 | 2020 |
| Realized gain-debt instruments | \$ 104,770 | \$ 130,003 |
| Dividend income | <u>5,463</u> | <u>4,622</u> |
| | <u>\$ 110,233</u> | <u>\$ 134,625</u> |

36. EMPLOYEE BENEFITS EXPENSES

| | For the Three Months Ended March 31 | |
|---|--|-------------------|
| | 2021 | 2020 |
| Short-term employee benefits | | |
| Salaries and wages | \$ 566,287 | \$ 545,344 |
| Directors' remuneration and traffic allowance | 31,721 | 18,687 |
| Labor insurance and national health insurance | 37,420 | 35,528 |
| Others | 37,649 | 36,586 |
| Post-employment benefits | | |
| Pension expenses | 20,276 | 21,474 |
| Pension benefits | <u>-</u> | <u>45</u> |
| | <u>\$ 693,353</u> | <u>\$ 657,664</u> |

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

The amounts and accrual rates of compensation of employees and remuneration of directors for the three months ended March 31, 2021 and 2020 were as follows:

Accrual rate

| | For the Three Months Ended March 31 | |
|---------------------------|--|-------------|
| | 2021 | 2020 |
| Compensation of employees | 1.25% | 1.25% |
| Remuneration of directors | 2.50% | 2.50% |

Amount

| | For the Three Months Ended March 31 | |
|---------------------------|--|-----------------|
| | 2021 | 2020 |
| Compensation of employees | <u>\$ 6,900</u> | <u>\$ 1,425</u> |
| Remuneration of directors | <u>\$ 13,800</u> | <u>\$ 2,850</u> |

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

The compensation of employees and remuneration of directors for 2020 and 2019, which were approved by the board of directors on March 22, 2021 and March 25, 2020 respectively, were as follows:

| | 2020 | | 2019 | |
|---------------------------|-------------|--------------|-------------|--------------|
| | Cash | Stock | Cash | Stock |
| Employee's compensation | \$ 16,056 | \$ - | \$ 15,715 | \$ - |
| Remuneration of directors | 32,111 | - | 31,430 | - |

There are no differences between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the annual consolidated financial statements for the years ended December 31, 2020 and 2019.

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

37. DEPRECIATION AND AMORTIZATION EXPENSES

| | For the Three Months Ended March 31 | |
|------------------------|--|-------------------|
| | 2021 | 2020 |
| Property and equipment | \$ 50,295 | \$ 50,353 |
| Right-of-use assets | 38,728 | 38,813 |
| Intangible assets | <u>72,314</u> | <u>66,282</u> |
| | <u>\$ 161,337</u> | <u>\$ 155,448</u> |

38. OTHER GENERAL AND ADMINISTRATIVE EXPENSES

| | For the Three Months Ended March 31 | |
|--|--|-------------------|
| | 2021 | 2020 |
| Taxation | \$ 60,555 | \$ 59,308 |
| Rental fees | 6,793 | 6,432 |
| Management fees | 10,778 | 11,207 |
| Computer operating and consulting fees | 73,875 | 74,419 |
| Entertainment fees | 9,275 | 11,648 |
| Professional services fees | 19,800 | 22,984 |
| Advertisement fees | 11,074 | 10,913 |
| Others fees | <u>79,927</u> | <u>79,390</u> |
| | <u>\$ 272,077</u> | <u>\$ 276,301</u> |

39. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

| | For the Three Months Ended March 31 | |
|---|--|-------------------|
| | 2021 | 2020 |
| Current tax | | |
| In respect of the current period | \$ 243,520 | \$ 161,304 |
| Deferred tax | | |
| In respect of the current period | <u>66,228</u> | <u>(10,670)</u> |
| Income tax expense recognized in profit or loss | <u>\$ 309,748</u> | <u>\$ 150,634</u> |

b. Income tax recognized in other comprehensive income

| | For the Three Months Ended March 31 | |
|---|--|---------------------|
| | 2021 | 2020 |
| <u>Deferred tax</u> | | |
| Translation of foreign operations | \$ (1,277) | \$ 5,707 |
| Gain (loss) on remeasurements of defined benefit plans | (30) | 22 |
| Unrealized gain (loss) on financial assets at FVTOCI | <u>(113,816)</u> | <u>(106,036)</u> |
| Income tax expense recognized in other comprehensive income | <u>\$ (115,123)</u> | <u>\$ (100,307)</u> |

c. Assessment of the income tax returns

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

40. EARNINGS PER SHARE

| | Unit: NT\$ Per Share | |
|----------------------------------|--|----------------|
| | For the Three Months Ended March 31 | |
| | 2021 | 2020 |
| Basic earnings per share | | |
| From continuing operations | \$ 0.17 | \$ 0.05 |
| From discontinued operations | <u>-</u> | <u>-</u> |
| Total basic earnings per share | <u>\$ 0.17</u> | <u>\$ 0.05</u> |
| Diluted earnings per share | | |
| From continuing operations | \$ 0.15 | \$ 0.04 |
| From discontinued operations | <u>-</u> | <u>-</u> |
| Total diluted earnings per share | <u>\$ 0.15</u> | <u>\$ 0.04</u> |

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

Net Profit for the Period

| | For the Three Months Ended March 31 | |
|---|--|-------------------|
| | 2021 | 2020 |
| Profit for the period attributable to owners of the Bank | \$ 453,803 | \$ 115,440 |
| Less: Profit for the period from discontinued operations used in the computation of basic earnings per share from discontinued operations | <u>(591)</u> | <u>(9,065)</u> |
| Earnings used in the computation of basic and diluted earnings per share from continuing operations | <u>\$ 454,394</u> | <u>\$ 124,505</u> |

Stock (In Thousands of Shares)

| | For the Three Months Ended March 31 | |
|--|--|------------------|
| | 2021 | 2020 |
| Weighted average number of common stocks in computation of basic earnings per share | 2,727,269 | 2,412,904 |
| Effect of potentially dilutive common stocks: | | |
| Compensation of employees | 3,057 | 2,508 |
| Convertible preferred stock | <u>300,000</u> | <u>300,000</u> |
| Weighted average number of common stocks used in the computation of diluted earnings per share | <u>3,030,326</u> | <u>2,715,412</u> |

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.

41. RELATED PARTY TRANSACTIONS

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

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

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

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

1) Deposits (part of deposits and remittances)

| | Ending Balance | Interest Expense | Rate (%) |
|---|---------------------|------------------|------------|
| For the three months ended <u>March 31, 2021</u> | | | |
| Associates | \$ 261 | \$ - | 0.03-0.04 |
| Others | <u>4,657,149</u> | <u>11,089</u> | 0.00-6.315 |
| | <u>\$ 4,657,410</u> | <u>\$ 11,089</u> | |
| For the three months ended <u>March 31, 2020</u> | | | |
| Associates | \$ 2,298 | \$ - | 0.04-0.10 |
| Others | <u>4,518,834</u> | <u>11,818</u> | 0.00-6.56 |
| | <u>\$ 4,521,132</u> | <u>\$ 11,818</u> | |

2) Loan

| | Maximum Balance | Ending Balance | Interest Revenue | Rate (%) |
|---|-------------------|-------------------|------------------|----------|
| For the three months ended <u>March 31, 2021</u> | | | | |
| Others | <u>\$ 430,000</u> | <u>\$ 430,000</u> | <u>\$ 1,250</u> | 1.1786 |
| For the three months ended <u>March 31, 2020</u> | | | | |
| Others | <u>\$ 430,000</u> | <u>\$ 430,000</u> | <u>\$ 1,524</u> | 1.1786 |

March 31, 2021

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

December 31, 2020

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

March 31, 2020

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

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

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

| | For the Three Months Ended March 31 | |
|--------|--|-------------|
| | 2021 | 2020 |
| Others | <u>\$ 2</u> | <u>\$ 6</u> |

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

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

| | For the Three Months Ended March 31 | |
|--------|--|-----------------|
| | 2021 | 2020 |
| Others | <u>\$ 5,650</u> | <u>\$ 5,720</u> |

Other expenses are donations.

c. Compensation of key management personnel

The remuneration of directors and other members of key management personnel for the three months ended March 31, 2021 and 2020 were as follows:

| | For the Three Months Ended March 31 | |
|------------------------------|--|------------------|
| | 2021 | 2020 |
| Short-term employee benefits | \$ 64,168 | \$ 63,126 |
| Post-employment benefits | <u>6,299</u> | <u>2,329</u> |
| | <u>\$ 70,467</u> | <u>\$ 65,455</u> |

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

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

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

42. PLEDGED ASSETS

| | March 31, 2021 | December 31, 2020 | March 31, 2020 |
|----------------------------------|---------------------------|------------------------------|---------------------------|
| Financial assets at FVTPL | \$ 8,898,394 | \$ 9,100,504 | \$ 12,464,170 |
| Financial assets at FVTOCI | 13,569,319 | 8,470,589 | 9,464,626 |
| Discounts and loans | 6,517,176 | 6,065,517 | 5,301,220 |
| Pledged time deposits | 217,464 | 744,108 | 738,067 |
| Compensation account for payment | <u>15,500</u> | <u>15,500</u> | <u>45,960</u> |
| | <u>\$ 29,217,853</u> | <u>\$ 24,396,218</u> | <u>\$ 28,014,043</u> |

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

43. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

- a. In addition to those mentioned in other notes, As of March 31, 2021, December 31, 2020 and March 31, 2020, the Group had commitments as follows:

| | March 31, 2021 | December 31, 2020 | March 31, 2020 |
|---|---------------------------|------------------------------|---------------------------|
| Office decorating and contracts of computer software | | | |
| Amount of contracts | \$ 46,462 | \$ 31,836 | \$ 115,177 |
| Payments for construction in progress and prepayments for equipment | 27,770 | 21,209 | 98,483 |

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

44. TRUST BUSINESS UNDER THE TRUST LAW

Balance Sheet of Trust Accounts

| | March 31, 2021 | December 31, 2020 | March 31, 2020 |
|--|----------------------|----------------------|----------------------|
| Trust assets | | | |
| Petty cash | \$ 100 | \$ 100 | \$ 100 |
| Bank deposits | 2,024,106 | 2,404,446 | 1,632,991 |
| Financial assets | 3,564,332 | 3,285,615 | 2,752,614 |
| Receivables | 16 | 18 | 1,067 |
| Prepayments | 1,112 | 1,374 | 1,226 |
| Real estate | 6,301,622 | 8,544,916 | 8,238,959 |
| Other assets | <u>23</u> | <u>21,329</u> | <u>24,865</u> |
| Total trust assets | <u>\$ 11,891,311</u> | <u>\$ 14,257,798</u> | <u>\$ 12,651,822</u> |
| Trust liabilities and capital | | | |
| Payables | \$ 43,523 | \$ 1,188 | \$ 46,146 |
| Unearned receipts | 1,336 | 1,201 | 1,141 |
| Taxes payable | 7,804 | 4,256 | 7,896 |
| Guarantee deposits received | 48,308 | 51,530 | 61,015 |
| Other liabilities | 504 | 955 | 439 |
| Trust capital | 11,632,899 | 14,022,448 | 12,395,796 |
| Provisions and accumulated profit and loss | <u>156,937</u> | <u>176,220</u> | <u>139,389</u> |
| Trust liabilities and capital | <u>\$ 11,891,311</u> | <u>\$ 14,257,798</u> | <u>\$ 12,651,822</u> |

Income Statements of Trust Accounts

| | For the Three Months Ended March 31 | |
|--------------------|--|------------------|
| | 2021 | 2020 |
| Trust revenue | | |
| Interest revenue | \$ 277 | \$ 1,466 |
| Rent revenue | 28,391 | 29,076 |
| Other revenue | <u>930</u> | <u>363</u> |
| | <u>29,598</u> | <u>30,905</u> |
| Trust expenses | | |
| Management fees | (909) | (863) |
| Service charge | (2,772) | (1,305) |
| Tax | (3,548) | (3,599) |
| Other expenses | (3,103) | (3,283) |
| Income tax expense | <u>-</u> | <u>(117)</u> |
| | <u>(10,332)</u> | <u>(9,167)</u> |
| | <u>\$ 19,266</u> | <u>\$ 21,738</u> |

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

Trust Property List

| | March 31, 2021 | December 31, 2020 | March 31, 2020 |
|---------------|----------------------|----------------------|----------------------|
| Petty cash | \$ 100 | \$ 100 | \$ 100 |
| Bank deposits | 2,024,106 | 2,404,446 | 1,632,991 |
| Stocks | 228,378 | 228,378 | 228,378 |
| Funds | 3,056,842 | 2,839,148 | 2,524,236 |
| Bonds | 279,112 | 218,089 | - |
| Land | 5,460,927 | 7,704,221 | 7,398,368 |
| Buildings | 840,695 | 840,695 | 840,591 |
| Receivables | 16 | 18 | 1,067 |
| Prepayments | 1,112 | 1,374 | 1,226 |
| Other | <u>23</u> | <u>21,329</u> | <u>24,865</u> |
| | <u>\$ 11,891,311</u> | <u>\$ 14,257,798</u> | <u>\$ 12,651,822</u> |

45. FINANCIAL INSTRUMENTS

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

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

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

| | March 31, 2021 | | December 31, 2020 | | March 31, 2020 | |
|------------------------------|--------------------|---------------|--------------------|---------------|--------------------|---------------|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| <u>Financial liabilities</u> | | | | | | |
| Bank debentures payable | \$ 15,100,000 | \$ 15,264,835 | \$ 16,400,000 | \$ 16,574,644 | \$ 18,700,000 | \$ 18,745,262 |

2) The fair value hierarchy

| Financial Instrument Items at Fair Value | March 31, 2021 | | | |
|---|-------------------|---------|---------------|---------|
| | Total | Level 1 | Level 2 | Level 3 |
| <u>Financial liabilities</u> | | | | |
| Bank debentures payable | \$ 15,264,835 | \$ - | \$ 15,264,835 | \$ - |
| Financial Instrument Items at Fair Value | December 31, 2020 | | | |
| | Total | Level 1 | Level 2 | Level 3 |
| <u>Financial liabilities</u> | | | | |
| Bank debentures payable | \$ 16,574,644 | \$ - | \$ 16,574,644 | \$ - |

| Financial Instrument Items at Fair Value | March 31, 2020 | | | |
|---|----------------|---------|---------------|---------|
| | Total | Level 1 | Level 2 | Level 3 |
| <u>Financial liabilities</u> | | | | |
| Bank debentures payable | \$ 18,745,262 | \$ - | \$ 18,745,262 | \$ - |

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

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

- 1) The fair value hierarchy of the financial instruments as of March 31, 2021, December 31, 2020 and March 31, 2020 were as follows:

| Item | March 31, 2021 | | | |
|---|----------------|--------------|-------------|------------|
| | Total | Level 1 | Level 2 | Level 3 |
| <u>Non-derivative financial instruments</u> | | | | |
| Assets | | | | |
| Financial assets at FVTPL | | | | |
| Stocks and beneficial certificates | \$ 1,861,221 | \$ 1,213,862 | \$ 503,141 | \$ 144,218 |
| Bills | 95,181,495 | - | 95,181,495 | - |
| Hybrid financial assets | 9,224,100 | 197,405 | 904,355 | 8,122,340 |
| Negotiable certificates of deposit | 43,565,906 | - | 43,565,906 | - |
| Financial assets at FVTOCI | | | | |
| Equity instruments | 7,156,811 | 6,201,877 | 118,240 | 836,694 |
| Bills | 9,065,496 | - | 9,065,496 | - |
| Debt instruments | 131,923,489 | 29,936,160 | 101,987,329 | - |
| Negotiable certificates of deposit | 28,671,637 | - | 28,671,637 | - |
| Liabilities | | | | |
| Financial liabilities at FVTPL | 280 | - | 280 | - |
| <u>Derivative financial instruments</u> | | | | |
| Assets | | | | |
| Financial assets at FVTPL | 415,190 | - | 415,190 | - |
| Liabilities | | | | |
| Financial liabilities at FVTPL | 439,764 | - | 439,764 | - |

| Item | December 31, 2020 | | | |
|---|-------------------|------------|-------------|------------|
| | Total | Level 1 | Level 2 | Level 3 |
| <u>Non-derivative financial instruments</u> | | | | |
| Assets | | | | |
| Financial assets at FVTPL | | | | |
| Stocks and beneficial certificates | \$ 1,232,626 | \$ 596,870 | \$ 503,298 | \$ 132,458 |
| Bills | 106,494,789 | - | 106,494,789 | - |
| Hybrid financial assets | 10,370,392 | 176,050 | 1,097,692 | 9,096,650 |
| Negotiable certificates of deposit | 44,080,443 | - | 44,080,443 | - |
| Financial assets at FVTOCI | | | | |
| Equity instruments | 6,118,890 | 5,175,647 | 118,719 | 824,524 |
| Debt instruments | 136,606,357 | - | 136,606,357 | - |
| Negotiable certificates of deposit | 29,783,988 | - | 29,783,988 | - |
| Liabilities | | | | |
| Financial liabilities at FVTPL | 1,960 | - | 1,960 | - |
| <u>Derivative financial instruments</u> | | | | |
| Assets | | | | |
| Financial assets at FVTPL | 316,446 | - | 316,446 | - |
| Liabilities | | | | |
| Financial liabilities at FVTPL | 788,338 | - | 788,338 | - |
| Item | March 31, 2020 | | | |
| | Total | Level 1 | Level 2 | Level 3 |
| <u>Non-derivative financial instruments</u> | | | | |
| Assets | | | | |
| Financial assets at FVTPL | | | | |
| Stocks and beneficial certificates | \$ 876,860 | \$ 247,325 | \$ 500,000 | \$ 129,535 |
| Bonds | 151,004 | - | 151,004 | - |
| Bills | 93,689,861 | - | 93,689,861 | - |
| Hybrid financial assets | 11,495,008 | 138,784 | 1,325,717 | 10,030,507 |
| Negotiable certificates of deposit | 50,366,648 | - | 50,366,648 | - |
| Financial assets at FVTOCI | | | | |
| Equity instruments | 3,562,213 | 2,780,872 | 132,942 | 648,399 |
| Debt instruments | 144,854,187 | - | 144,854,187 | - |
| Liabilities | | | | |
| Financial liabilities at FVTPL | 168,324 | - | 168,324 | - |
| <u>Derivative financial instruments</u> | | | | |
| Assets | | | | |
| Financial assets at FVTPL | 237,968 | - | 237,968 | - |
| Liabilities | | | | |
| Financial liabilities at FVTPL | 279,461 | - | 279,461 | - |

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 income refer to quoted market prices for fair value. If quoted market prices are not available, then fair value is determined by using a valuation technique.

a) Marking-to-market

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

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

b) Marking-to-model

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

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

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

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

For the three months ended March 31, 2021

| Financial Assets | Financial Assets at Fair Value Through Profit or Loss | | Financial Assets at Fair Value Through Other Comprehensive Income Equity Instruments | Total |
|--|---|--------------------|--|---------------------|
| | Hybrid Financial Assets | Equity Instruments | | |
| Beginning balance | \$ 9,096,650 | \$ 132,458 | \$ 824,524 | \$ 10,053,632 |
| Recognition in profit or loss - financial assets or liabilities measured at fair value through profit or loss | 16,190 | 11,735 | - | 27,925 |
| Recognition in other comprehensive income - unrealized gains (losses) on financial assets at fair value through other comprehensive income | - | - | 12,170 | 12,170 |
| Purchases | 3,218,500 | - | - | 3,218,500 |
| Disposals | (4,209,000) | - | - | (4,209,000) |
| Other | - | 25 | - | 25 |
| Ending balance | <u>\$ 8,122,340</u> | <u>\$ 144,218</u> | <u>\$ 836,694</u> | <u>\$ 9,103,252</u> |

For the three months ended March 31, 2020

| Financial Assets | Financial Assets at Fair Value Through Profit or Loss | | Financial Assets at Fair Value Through Other Comprehensive Income Equity Instruments | Total |
|--|---|--------------------|--|----------------------|
| | Hybrid Financial Assets | Equity Instruments | | |
| Beginning balance | \$ 8,623,449 | \$ 203,543 | \$ 854,704 | \$ 9,681,696 |
| Recognition in profit or loss - financial assets or liabilities measured at fair value through profit or loss | (22,142) | (130,784) | - | (152,926) |
| Recognition in other comprehensive income - unrealized gains (losses) on financial assets at fair value through other comprehensive income | - | - | (11,645) | (11,645) |
| Purchases | 3,314,900 | 56,776 | - | 3,371,676 |
| Disposals | (1,885,700) | - | (194,660) | (2,080,360) |
| Ending balance | <u>\$ 10,030,507</u> | <u>\$ 129,535</u> | <u>\$ 648,399</u> | <u>\$ 10,808,441</u> |

The assets held at the balance sheet date, which were included in the profit and loss and the unrealized gains and losses for the three months ended March 31, 2021 and 2020, consisted of \$72,913 thousand in profit and \$147,077 thousand in loss, respectively.

The Group had no significant transfers Level 3 for the three months period ended March 31, 2021 and 2020.

4) Transfers between Level 1 and Level 2

The Group had no significant transfers between Level 1 and Level 2 for the three months period ended March 31, 2021 and 2020.

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

The fair value measurement of financial instruments is reasonable, although the use of different valuation models or parameters may lead to different evaluation results. For the fair value measurements of structured bonds which fall under Level 3 of the fair value hierarchy, they are evaluated according to counterparty quotes; for bonds and convertible corporate bonds for asset swaps which have no quoted market prices, they are evaluated using the future cash flows discounted model. Were there to be a 10% or 1 basis point change in either direction of the quotes from respective counterparties or in discount rates and all other conditions remained the same, the effects on the income and other comprehensive income for the three months ended March 31, 2021 and 2020 periods would be as follows:

For the three months ended March 31, 2021

| Item | Movement: Upward/ Downward | Effect on Profit and Loss | | Effect on Other Comprehensive Income | |
|--------------------|----------------------------------|---------------------------|-------------|--------------------------------------|-------------|
| | | Favorable | Unfavorable | Favorable | Unfavorable |
| Convertible bond | 1BP | \$ 1,272 | \$ (1,272) | \$ - | \$ - |
| Equity instruments | 10% | 14,422 | (14,422) | 92,706 | (92,706) |

For the three months ended March 31, 2020

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

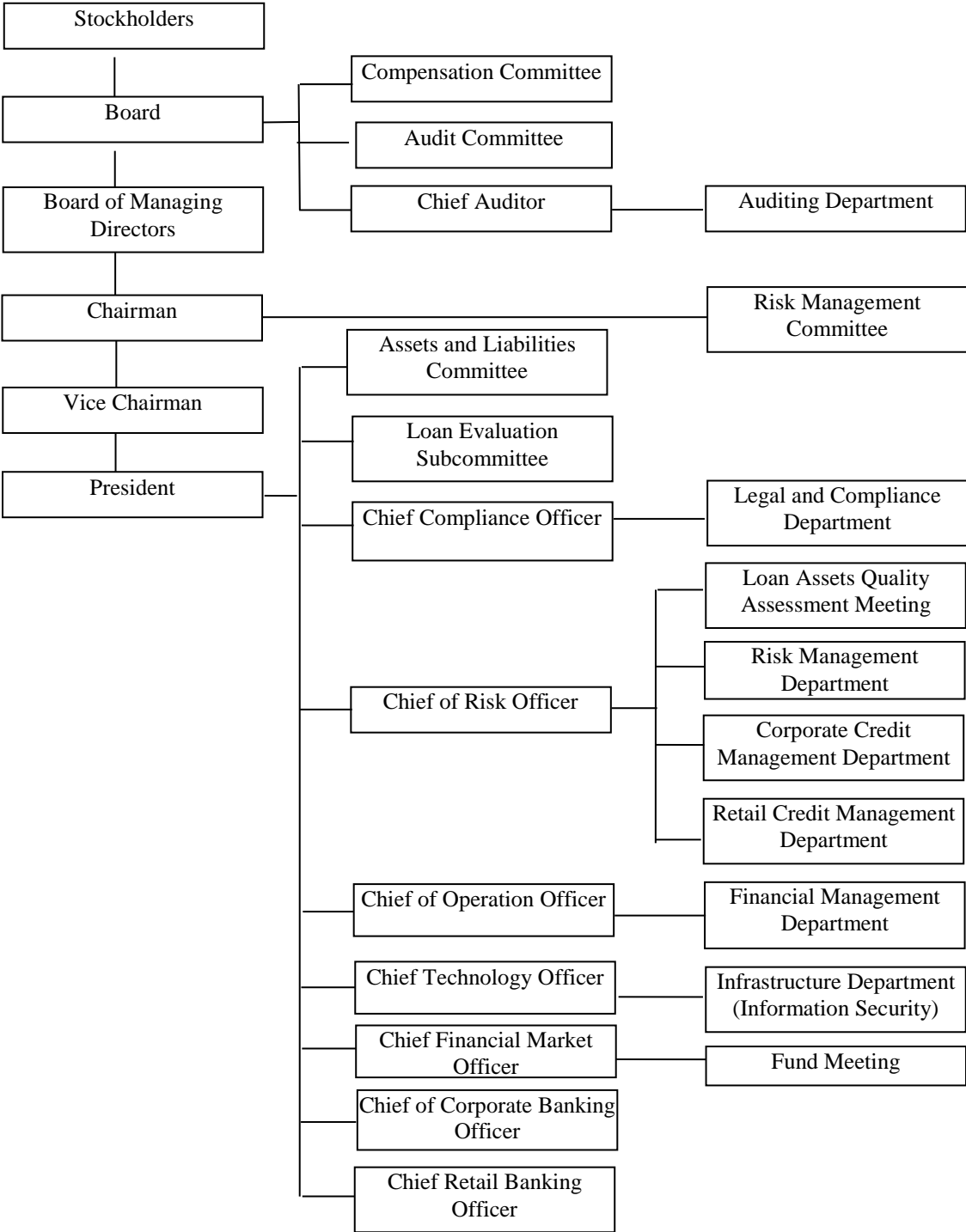
46. FINANCIAL RISK MANAGEMENT

a. Overview

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

b. Risk management framework

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



- 1) Assets and Liabilities Committee: Responsible for overseeing and reviewing of significant issues and policies relating to management of assets and liabilities, liquidity risk, interest rate sensitivity, market risk, as well as review the allocation of asset and liability and capital adequacy. It holds assets and liabilities management meeting once a month.
- 2) Loan Evaluation Subcommittee: The subcommittee reviews the loan cases rendered by the Corporate Credit Management Department and Retail Credit Management Department. After passing, the provisions should still be submitted to the level of competence review.
- 3) 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, provision of allowances for bad debts and guarantee liability shall be reported after the approval of the president.

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

c. Credit risk

1) Sources and definition of credit risk

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

2) Strategy/objectives/policies and procedures

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

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

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

d) Credit risk management process:

i. Risk identification

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

ii. Risk measurement

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

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

ii) Portfolio management:

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

iii. Risk communication

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

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

iv. Risk monitoring

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

3) Credit risk management and framework

- a) Board of Directors: Responsible for authorizing and reviewing the credit risk management strategies and approving the credit risk management framework. The strategy reflects the level of risk that the Bank can tolerate and the level of profitability that the Bank expects to achieve under various credit risks.
- b) Audit Committee: Responsible for the stipulation and amendment on issues relating to internal control framework, effectiveness of internal control framework, acquisition or disposal of assets or derivatives, monitoring of directors' self-interest issues, appointment or dismissal of the CPA and internal auditors, and other important issues ruled by the FSC.
- c) Risk Management Committee: Responsible for the risk management policies, various risk management regulations, annual risk appetites, limits, risk management proposals for the board of directors' approval levels and various risk management mechanisms, supervising and reviewing credit, market, operations, liquidity, information security, AML, personal data protection, emergencies and other risk management, improving the Bank's risk management mechanism to ensure the effective implementation of the Bank's risk management procedures.
- d) 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.
- e) 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.
- f) 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.

- g) 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.
 - h) Corporate Credit Management Department: Supervises the establishment of corporate finance risk identification, measurement, monitoring and management, preparation of regulatory review of credit grading, devising and enhancement of deed lists, deed for credit and guarantee amount control, proper release and other release matters.
 - i) Retail Credit Management Department: Manages personal financial risk, identifies, measures, monitors the allowance for bad debts, and prepares for bad debts presentation, loss assessment and post-loan management.
- 4) The scope and characteristics of credit risk reports and measurement system

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

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

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

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

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

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

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

6) Maximum exposure to credit risk

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

| Off-balance Sheet Item | Maximum Exposure Amount | | |
|---|-------------------------|-------------------|----------------|
| | March 31, 2021 | December 31, 2020 | March 31, 2020 |
| Financial guarantees and irrevocable documentary letter of credit | | | |
| Contract amounts | \$ 149,485,618 | \$ 145,888,269 | \$ 130,728,716 |
| Maximum exposure amounts | 149,485,618 | 145,888,269 | 130,728,716 |
| Loan commitments | 45,046,655 | 42,770,934 | 42,335,674 |

7) Concentration of credit risk exposure

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

On March 31, 2021, December 31, 2020 and March 31, 2020, the Group's significant concentration of credit risk were summarized as follows (only the top three are shown below):

a) By industry

| Credit Risk Profile by Industry Sector | March 31, 2021 | | December 31, 2020 | | March 31, 2020 | |
|--|----------------|----|-------------------|----|----------------|----|
| | Amount | % | Amount | % | Amount | % |
| Financial and insurance | \$ 77,957,107 | 27 | \$ 78,116,172 | 26 | \$ 82,243,000 | 27 |
| Manufacturing | 58,589,884 | 20 | 63,281,714 | 21 | 65,643,205 | 21 |
| Real estate | 55,827,352 | 19 | 56,497,428 | 19 | 61,989,889 | 20 |

b) By counterparty

| Credit Risk Profile by Counterparty Sector | March 31, 2021 | | December 31, 2020 | | March 31, 2020 | |
|--|----------------|----|-------------------|----|----------------|----|
| | Amount | % | Amount | % | Amount | % |
| Private sector | \$ 143,831,994 | 80 | \$ 150,712,058 | 81 | \$ 171,831,298 | 85 |
| Natural person | 36,063,210 | 20 | 35,461,639 | 19 | 31,062,923 | 15 |

c) By geographical area

| Credit Risk Profile by Geographical Sector | March 31, 2021 | | December 31, 2020 | | March 31, 2020 | |
|--|----------------|----|-------------------|----|----------------|----|
| | Amount | % | Amount | % | Amount | % |
| Domestic | \$ 117,421,706 | 65 | \$ 122,417,279 | 66 | \$ 128,817,977 | 63 |
| America | 31,900,620 | 18 | 31,854,819 | 17 | 36,962,952 | 18 |
| Other Asia area | 25,161,648 | 14 | 25,203,739 | 14 | 28,569,243 | 14 |

8) Credit quality and impairment assessment of financial assets

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

The related financial asset impairment valuation is as follows:

a) Credit business (including loan commitments and guarantees)

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

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

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

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

Considering the impact of COVID-19 to the overall economy which caused obvious changes in macroeconomic information, the Bank has adjusted the weights of the assessment forward-looking factors to reflect the estimated influence of the economic indicator changes in the default rate.

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

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

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

b) Credit risk management for investments in debt instruments

The Group only invests in debt instruments that are rated the equivalent of investment grade or higher and have low credit risk for the purpose of impairment assessment. The credit rating information is supplied by independent rating agencies. The Bank and its subsidiaries' exposure and the external credit ratings are continuously monitored. The Bank and its subsidiaries review other public information on debtors 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 | 12-month ECLs |
| Doubtful | There has been a significant increase in credit risk since initial recognition | Lifetime ECLs - not credit-impaired |
| In default | There is evidence indicating the asset is credit-impaired | Lifetime ECLs - credit-impaired |

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

| Category | March 31 2021 | December 31 2020 | March 31 2020 |
|-----------------|----------------------|-------------------------|----------------------|
| Performing | \$ 167,780,698 | \$ 163,611,133 | \$ 143,829,167 |
| Doubtful | 1,000,021 | 1,000,025 | 1,000,037 |
| In default | - | - | - |

The allowance for impairment loss of investments in debt instruments at FVTOCI and at amortized cost is reconciled are summarized as follows:

| | Credit Rating | | |
|--|---|--|------------------|
| | Performing (12-month ECLs) | Doubtful (Lifetime ECLs - Not Credit- impaired) | Total |
| Balance at January 1, 2021 | \$ 42,548 | \$ 8,821 | \$ 51,369 |
| New financial assets purchased or originated | 12,953 | - | 12,953 |
| Derecognition of financial assets | (4,316) | - | (4,316) |
| Change in model or risk parameters | (1,601) | 11 | (1,590) |
| Exchange rate or others | <u>(5,836)</u> | <u>-</u> | <u>(5,836)</u> |
| Balance at March 31, 2021 | <u>\$ 43,748</u> | <u>\$ 8,832</u> | <u>\$ 52,580</u> |

| | Credit Rating | | |
|--|---|--|------------------|
| | Performing (12-month ECLs) | Doubtful (Lifetime ECLs - Not Credit- impaired) | Total |
| Balance at January 1, 2020 | \$ 38,272 | \$ 8,136 | \$ 46,408 |
| Transfers | | | |
| Doubtful to performing | 914 | (914) | - |
| New financial assets purchased or originated | 2,688 | - | 2,688 |
| Derecognition of financial assets | (4,398) | - | (4,398) |
| Change in model or risk parameters | 1,201 | 6 | 1,207 |
| Exchange rate or others | <u>88</u> | <u>-</u> | <u>88</u> |
| Balance at March 31, 2020 | <u>\$ 38,765</u> | <u>\$ 7,228</u> | <u>\$ 45,993</u> |

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

a) Credit analysis for receivables and discounts and loans

March 31, 2021

| | Stage 1 12-month ECLs | Stage 2 Lifetime ECLs | Stage 3 Lifetime ECLs | Difference of Impairment Loss Under Regulations | Total |
|---|----------------------------------|----------------------------------|----------------------------------|--|----------------------|
| Receivables | \$ 15,520,628 | \$ 81,793 | \$ 233,875 | \$ - | \$ 15,836,296 |
| Allowance for credit losses | (202,357) | (25,661) | (177,796) | - | (405,814) |
| Difference of impairment loss under regulations | <u>-</u> | <u>-</u> | <u>-</u> | <u>(11,378)</u> | <u>(11,378)</u> |
| Net total | <u>\$ 15,318,271</u> | <u>\$ 56,132</u> | <u>\$ 56,079</u> | <u>\$ (11,378)</u> | <u>\$ 15,419,104</u> |

| | Stage 1 12-month ECLs | Stage 2 Lifetime ECLs | Stage 3 Lifetime ECLs | Difference of Impairment Loss Under Regulations | Total |
|--|--------------------------|--------------------------|--------------------------|--|-----------------------|
| Discounts and loans | \$ 163,702,029 | \$ 14,584,152 | \$ 1,609,022 | \$ - | \$ 179,895,203 |
| Allowance for credit losses | (477,869) | (162,292) | (434,964) | - | (1,075,125) |
| Difference of impairment loss under regulations | - | - | - | (1,388,453) | (1,388,453) |
| Net total | <u>\$ 163,224,160</u> | <u>\$ 14,421,860</u> | <u>\$ 1,174,058</u> | <u>\$ (1,388,453)</u> | <u>\$ 177,431,625</u> |

December 31, 2020

| | Stage 1 12-month ECLs | Stage 2 Lifetime ECLs | Stage 3 Lifetime ECLs | Difference of Impairment Loss Under Regulations | Total |
|--|--------------------------|--------------------------|--------------------------|--|----------------------|
| Receivables | \$ 15,070,846 | \$ 86,938 | \$ 226,280 | \$ - | \$ 15,384,064 |
| Allowance for credit losses | (220,734) | (25,785) | (175,691) | - | (422,210) |
| Difference of impairment loss under regulations | - | - | - | (8,995) | (8,995) |
| Net total | <u>\$ 14,850,112</u> | <u>\$ 61,153</u> | <u>\$ 50,589</u> | <u>\$ (8,995)</u> | <u>\$ 14,952,859</u> |

| | Stage 1 12-month ECLs | Stage 2 Lifetime ECLs | Stage 3 Lifetime ECLs | Impairment Provided in Accordance with Law | Total |
|--|--------------------------|--------------------------|--------------------------|---|-----------------------|
| Discounts and loans | \$ 167,034,025 | \$ 17,442,689 | \$ 1,696,982 | \$ - | \$ 186,173,696 |
| Allowance for credit losses | (530,975) | (194,967) | (352,887) | - | (1,078,829) |
| Difference of impairment loss under regulations | - | - | - | (1,383,894) | (1,383,894) |
| Net total | <u>\$ 166,503,050</u> | <u>\$ 17,247,722</u> | <u>\$ 1,344,095</u> | <u>\$ (1,383,894)</u> | <u>\$ 183,710,973</u> |

March 31, 2020

| | Stage 1 12-month ECLs | Stage 2 Lifetime ECLs | Stage 3 Lifetime ECLs | Difference of Impairment Loss Under Regulations | Total |
|--|--------------------------|--------------------------|--------------------------|--|----------------------|
| Receivables | \$ 15,031,747 | \$ 139,013 | \$ 410,363 | \$ - | \$ 15,581,123 |
| Allowance for credit losses | (180,633) | (29,430) | (214,246) | - | (424,309) |
| Difference of impairment loss under regulations | - | - | - | (20,942) | (20,942) |
| Net total | <u>\$ 14,851,114</u> | <u>\$ 109,583</u> | <u>\$ 196,117</u> | <u>\$ (20,942)</u> | <u>\$ 15,135,872</u> |

| | Stage 1 12-month ECLs | Stage 2 Lifetime ECLs | Stage 3 Lifetime ECLs | Difference of Impairment Loss Under Regulations | Total |
|--|--------------------------|--------------------------|--------------------------|--|-----------------------|
| Discounts and loans | \$ 183,788,169 | \$ 16,336,895 | \$ 2,769,157 | \$ - | \$ 202,894,221 |
| Allowance for credit losses | (301,810) | (71,984) | (374,118) | - | (747,912) |
| Difference of impairment loss under regulations | - | - | - | (2,028,963) | (2,028,963) |
| Net total | <u>\$ 183,486,359</u> | <u>\$ 16,264,911</u> | <u>\$ 2,395,039</u> | <u>\$ (2,028,963)</u> | <u>\$ 200,117,346</u> |

b) Credit analysis for marketable securities

March 31, 2021

| | At FVTOCI - Debt Instruments |
|-------------------------------|---|
| Gross carrying amount | \$ 168,780,719 |
| Allowance for impairment loss | <u>(52,580)</u> |
| Amortized cost | 168,728,139 |
| Fair value adjustment | <u>932,483</u> |
| | <u>\$ 169,660,622</u> |

December 31, 2020

| | At FVTOCI - Debt Instruments |
|-------------------------------|---|
| Gross carrying amount | \$ 164,611,158 |
| Allowance for impairment loss | <u>(51,369)</u> |
| Amortized cost | 164,559,789 |
| Fair value adjustment | <u>1,830,557</u> |
| | <u>\$ 166,390,346</u> |

March 31, 2020

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

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

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

As of March 31, 2021, December 31, 2020 and March 31, 2020, the Group had no financial assets which were overdue but not impaired.

d. Liquidity risk

1) Source and definition of liquidity risk

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

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

2) Management strategy and principles of liquidity risk

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

As of March 31, 2021, December 31, 2020 and March 31, 2020, the liquidity reserve ratio was 46.49%, 46.39% and 46.09%, respectively.

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

| March 31, 2021 | Less Than 1 Month | 1-3 Months | 3 Months to 6 Months | 6 Months to 1 Year | 1+ Year | Total |
|--|-----------------------|-----------------------|-------------------------|-----------------------|----------------------|-----------------------|
| Due to the Central Bank and other banks | \$ 16,613,958 | \$ 550,540 | \$ - | \$ - | \$ 7,000,000 | \$ 24,164,498 |
| Financial liabilities at fair value through profit or loss | - | - | - | - | 280 | 280 |
| Bill and bonds sold under repurchase agreements | 135,125,377 | 38,415,751 | 4,615,540 | 209,713 | - | 178,366,381 |
| Payables | 2,202,877 | 49,137 | 584,530 | 503,017 | 189,062 | 3,528,623 |
| Deposits and remittances | 35,817,956 | 75,498,736 | 53,601,968 | 54,908,079 | 43,230,674 | 263,057,413 |
| Bank debentures payable | - | 1,000,000 | 600,000 | - | 13,500,000 | 15,100,000 |
| Other financial liabilities | 6,992,807 | 4,807,704 | 1,096,180 | 771,076 | 4,720,427 | 18,388,194 |
| Lease liabilities | 12,916 | 26,979 | 38,206 | 75,032 | 278,699 | 431,832 |
| | <u>\$ 196,765,891</u> | <u>\$ 120,348,847</u> | <u>\$ 60,536,424</u> | <u>\$ 56,466,917</u> | <u>\$ 68,919,142</u> | <u>\$ 503,037,221</u> |

| December 31, 2020 | Less Than 1 Month | 1-3 Months | 3 Months to 6 Months | 6 Months to 1 Year | 1+ Year | Total |
|--|-----------------------|-----------------------|-------------------------|-----------------------|----------------------|-----------------------|
| Due to the Central Bank and other banks | \$ 21,479,755 | \$ - | \$ - | \$ - | \$ 7,000,000 | \$ 28,479,755 |
| Financial liabilities at fair value through profit or loss | - | - | - | - | 1,960 | 1,960 |
| Bill and bonds sold under repurchase agreements | 139,138,761 | 39,633,058 | 2,450,172 | 11,866 | - | 181,233,857 |
| Payables | 1,350,419 | 296,256 | 224,223 | 680,370 | 151,903 | 2,703,171 |
| Deposits and remittances | 51,209,846 | 84,746,765 | 37,206,852 | 50,379,624 | 44,176,585 | 267,719,672 |
| Bank debentures payable | - | 1,300,000 | 1,000,000 | 600,000 | 13,500,000 | 16,400,000 |
| Other financial liabilities | 5,591,440 | 2,023,964 | 1,371,701 | 1,868,192 | 7,247,466 | 18,102,763 |
| Lease liabilities | 12,336 | 29,097 | 39,871 | 75,686 | 315,950 | 472,940 |
| | <u>\$ 218,782,557</u> | <u>\$ 128,029,140</u> | <u>\$ 42,292,819</u> | <u>\$ 53,615,738</u> | <u>\$ 72,393,864</u> | <u>\$ 515,114,118</u> |
| March 31, 2020 | Less Than 1 Month | 1-3 Months | 3 Months to 6 Months | 6 Months to 1 Year | 1+ Year | Total |
| Due to the Central Bank and other banks | \$ 37,867,301 | \$ 605,445 | \$ - | \$ - | \$ 7,000,000 | \$ 45,472,746 |
| Financial liabilities at fair value through profit or loss | 150,288 | - | - | 40 | 17,996 | 168,324 |
| Bill and bonds sold under repurchase agreements | 131,289,985 | 19,599,268 | 3,350,635 | 251,605 | - | 154,491,493 |
| Payables | 1,366,745 | 145,360 | 746,676 | 434,582 | 109,448 | 2,802,811 |
| Deposits and remittances | 60,091,674 | 54,896,730 | 52,548,887 | 62,482,326 | 38,113,602 | 268,133,219 |
| Bank debentures payable | - | 2,300,000 | - | 1,300,000 | 15,100,000 | 18,700,000 |
| Other financial liabilities | 972,196 | 2,351,073 | 1,613,776 | 1,512,969 | 6,340,038 | 12,790,052 |
| Lease liabilities | 14,798 | 25,731 | 38,001 | 73,814 | 372,147 | 524,491 |
| | <u>\$ 231,752,987</u> | <u>\$ 79,923,607</u> | <u>\$ 58,297,975</u> | <u>\$ 66,055,336</u> | <u>\$ 67,053,231</u> | <u>\$ 503,083,136</u> |

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

| March 31, 2021 | Less Than 1 Month | 1-3 Months | 3 Months to 6 Months | 6 Months to 1 Year | 1+ Year | Total |
|------------------------------|----------------------|-------------------|-------------------------|-----------------------|------------------|-------------------|
| Deliverable | | | | | | |
| Forward contracts | \$ 17,230 | \$ 16,077 | \$ 4,766 | \$ 5,052 | \$ - | \$ 43,125 |
| Currency swap contracts | 110,401 | 95,608 | 117,577 | 3,744 | - | 327,330 |
| Others | 4,290 | 6,875 | 2,665 | 1,647 | 39,332 | 54,809 |
| | <u>131,921</u> | <u>118,560</u> | <u>125,008</u> | <u>10,443</u> | <u>39,332</u> | <u>425,264</u> |
| Non-deliverable | | | | | | |
| Interest rate swap contracts | - | 1,523 | - | 744 | 12,233 | 14,500 |
| | <u>\$ 131,921</u> | <u>\$ 120,083</u> | <u>\$ 125,008</u> | <u>\$ 11,187</u> | <u>\$ 51,565</u> | <u>\$ 439,764</u> |
| December 31, 2020 | Less Than 1 Month | 1-3 Months | 3 Months to 6 Months | 6 Months to 1 Year | 1+ Year | Total |
| Deliverable | | | | | | |
| Forward contracts | \$ 12,252 | \$ 21,126 | \$ 5,384 | \$ 3,957 | \$ - | \$ 42,719 |
| Currency swap contracts | 211,140 | 268,534 | 114,314 | 88,245 | - | 682,233 |
| Others | 3,658 | 2,511 | 342 | 2,031 | 36,510 | 45,052 |
| | <u>227,050</u> | <u>292,171</u> | <u>120,040</u> | <u>94,233</u> | <u>36,510</u> | <u>770,004</u> |
| Non-deliverable | | | | | | |
| Interest rate swap contracts | - | - | 2,992 | 1,158 | 14,184 | 18,334 |
| | <u>\$ 227,050</u> | <u>\$ 292,171</u> | <u>\$ 123,032</u> | <u>\$ 95,391</u> | <u>\$ 50,694</u> | <u>\$ 788,338</u> |
| March 31, 2020 | Less Than 1 Month | 1-3 Months | 3 Months to 6 Months | 6 Months to 1 Year | 1+ Year | Total |
| Deliverable | | | | | | |
| Forward contracts | \$ 2,767 | \$ 753 | \$ 425 | \$ 744 | \$ - | \$ 4,689 |
| Currency swap contracts | 92,924 | 66,759 | 35,738 | 14,974 | - | 210,395 |
| Others | 205 | 3,260 | 8,023 | 258 | 3,128 | 14,874 |
| | <u>95,896</u> | <u>70,772</u> | <u>44,186</u> | <u>15,976</u> | <u>3,128</u> | <u>229,958</u> |
| Non-deliverable | | | | | | |
| Interest rate swap contracts | - | - | 10,442 | 648 | 38,413 | 49,503 |
| | <u>\$ 95,896</u> | <u>\$ 70,772</u> | <u>\$ 54,628</u> | <u>\$ 16,624</u> | <u>\$ 41,541</u> | <u>\$ 279,461</u> |

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

| March 31, 2021 | Less Than 1 Month | 1-3 Months | 3 Months to 6 Months | 6 Months to 1 Year | 1+ Year | Total |
|--------------------------|------------------------------|----------------------|---------------------------------|-------------------------------|------------------|-----------------------|
| Unused letters of credit | \$ 466,042 | \$ 1,273,197 | \$ 140,988 | \$ - | \$ - | \$ 1,880,227 |
| Other guarantees | 51,625,555 | 82,838,077 | 10,439,586 | 2,677,423 | 24,750 | 147,605,391 |
| Loan commitments | <u>3,807,343</u> | <u>7,614,687</u> | <u>11,422,030</u> | <u>22,202,595</u> | <u>-</u> | <u>45,046,655</u> |
| | <u>\$ 55,898,940</u> | <u>\$ 91,725,961</u> | <u>\$ 22,002,604</u> | <u>\$ 24,880,018</u> | <u>\$ 24,750</u> | <u>\$ 194,532,273</u> |

| December 31, 2020 | Less Than 1 Month | 1-3 Months | 3 Months to 6 Months | 6 Months to 1 Year | 1+ Year | Total |
|--------------------------|------------------------------|----------------------|---------------------------------|-------------------------------|------------------|-----------------------|
| Unused letters of credit | \$ 500,885 | \$ 309,705 | \$ 99,347 | \$ - | \$ - | \$ 909,937 |
| Other guarantees | 50,971,514 | 78,156,967 | 11,193,704 | 4,626,849 | 29,298 | 144,978,332 |
| Loan commitments | <u>3,614,999</u> | <u>7,229,999</u> | <u>10,844,998</u> | <u>21,080,938</u> | <u>-</u> | <u>42,770,934</u> |
| | <u>\$ 55,087,398</u> | <u>\$ 85,696,671</u> | <u>\$ 22,138,049</u> | <u>\$ 25,707,787</u> | <u>\$ 29,298</u> | <u>\$ 188,659,203</u> |

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

e. Market risk

1) Source and definition of market risk

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

2) Market risk management strategy and process

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

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

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

3) Market risk management organization and framework

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

- b) Risk Management Committee: It is the supervisory agency which responsible for setting risk management limits and supervising market risk management operations. In principle, a risk management committee meeting is held monthly to deliberate the revision of market risk limits and regulations, reporting various market risk limit control situations and market risk related matters.
- c) Risk Management Department: In charge of market risk management. According to the Bank's regulation, the department is in charge of every operation related to market risk management, including planning of market risk limit, statistics, reporting and monitoring.

4) Market risk report and evaluation system

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

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

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

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

5) Value at Risk

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

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

O-Bank

| | March 31, 2021 | | | December 31, 2020 | | | March 31, 2020 | | |
|--|----------------|----------|--------|-------------------|----------|--------|----------------|----------|--------|
| | Average | High | Low | Average | High | Low | Average | High | Low |
| Currency exchange rate risk | \$ 1,985 | \$ 3,579 | \$ 631 | \$ 2,701 | \$ 5,282 | \$ 352 | \$ 1,662 | \$ 3,607 | \$ 352 |
| Fair value risk resulting from interest rate | 3,057 | 4,162 | 2,364 | 4,043 | 6,925 | 1,243 | 2,203 | 6,925 | 1,243 |
| Fair value resulting from stock price | 21,105 | 25,435 | 15,503 | 9,019 | 16,652 | 1,526 | 8,013 | 11,714 | 1,526 |

6) Effect of interest rate benchmark reform

The Group is exposed to USD LIBOR and HKD HIBOR which are subject to interest rate benchmark reform. The exposures arise on non-derivative financial assets. SOFR (Secured Overnight Financing Rate) is expected to replace USD LIBOR. HONIA (Hong Kong Dollar Overnight Index Average) is expected to replace HKD HIBOR. There are key differences among these benchmarks. USD LIBOR is “forward looking”, which implies market expectation over future interest rates, and includes a credit spread over the risk-free rate. SOFR is currently a “backward-looking” rate, based on interest rates from actual transactions, and excludes a credit spread. To transition existing contracts and agreements that reference USD LIBOR to SOFR, adjustments for these differences might need to be applied to SOFR to enable the two benchmark rates to be economically equivalent.

The Group established USD LIBOR and HKD HIBOR transition project plans for each benchmark. These transition projects are considering changes to risk management policies, internal processes, IT systems and valuation models, as well as managing any related tax and accounting implications. As at March 31, 2021, changes required to IT systems and internal processes have been identified and have been scheduled for these updates by the Bank, The Bank’s communication with financial instrument counterparties about amending the existing contract linked to HIBOR has been underway with an aim to finalize the amendment in December 2021, and complete the amendment to the existing contract linked to LIBOR in June 2023.

Risks arising from the transition relate principally to the potential impact of interest rate basis risk. If the bilateral negotiations with the Group’s counterparties are not successfully concluded before the cessation of HKD HIBOR and USD LIBOR, there are significant uncertainties with regard to the interest rate that would apply. This gives rise to additional interest rate risk that was not anticipated when the contracts were entered into.

The following table contains details of all of the financial instruments held by the Group at March 31, 2021 which are subject to the reform and have not transitioned to an alternative benchmark interest rate:

| | Book Value Not Transitioned to Alternative Benchmark Rates | Transition Progress |
|---|---|--|
| <u>USD LIBOR financial assets</u> | | |
| Financial assets at fair value through other comprehensive income | \$ 6,253,279 | The Group will pay close attention to the regulations of the competent authority, market development, and processing methods among other banks, and will cooperate with the issuer and counterparty to negotiate the contract revision. It is expected that the contract revision will be completed in the first half of 2023. |
| Discounts and loans | <u>2,278,320</u> | It is expected to gradually switch to alternative interest rate indicators in the second half of 2021, and complete the full conversion before the end of June 2023. |
| | <u>8,531,599</u> | |

(Continued)

| | Book Value Not Transitioned to Alternative Benchmark Rates | Transition Progress |
|----------------------------------|---|---|
| <u>HKD HIBOR financial asset</u> | | |
| Discounts and loans | \$ <u>1,999,802</u> | It is expected to gradually switch to alternative interest rate indicators in the second half of 2021, and complete the full conversion before the end of 2021. |
| | \$ <u>10,531,401</u> | (Concluded) |

7) Foreign currency rate risk information

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

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

| | March 31, 2021 | | |
|---|-------------------------------|--------------------------|-------------------------------|
| | Foreign Currencies | Exchange Rate | New Taiwan Dollars |
| <u>Financial assets</u> | | | |
| Monetary item | | | |
| USD | \$ 3,297,155 | 28.5321 | \$ 94,074,616 |
| JPY | 2,022,362 | 0.2579 | 521,567 |
| HKD | 5,876,230 | 3.6703 | 21,567,528 |
| EUR | 19,919 | 33.5108 | 667,497 |
| AUD | 172,696 | 21.7341 | 3,753,399 |
| RMB | 2,909,193 | 4.3529/4.3493 | 12,653,522 |
| Investments accounted for using equity method | | | |
| RMB | 180,414 | 4.3529 | 785,323 |
| <u>Financial liabilities</u> | | | |
| Monetary item | | | |
| USD | 2,959,642 | 28.5321 | 84,444,678 |
| JPY | 2,804,593 | 0.2579 | 723,304 |
| HKD | 5,109,722 | 3.6703 | 18,754,213 |
| EUR | 17,468 | 33.5108 | 585,366 |
| AUD | 7,135 | 21.7341 | 155,073 |
| RMB | 2,004,245 | 4.3493 | 8,717,004 |

| | December 31, 2020 | | |
|---|-------------------------------|--------------------------|-------------------------------|
| | Foreign Currencies | Exchange Rate | New Taiwan Dollars |
| <u>Financial assets</u> | | | |
| Monetary item | | | |
| USD | \$ 2,488,873 | 28.5083 | \$ 70,953,550 |
| JPY | 1,535,130 | 0.2763 | 424,210 |
| HKD | 6,380,651 | 3.6774 | 23,464,080 |
| EUR | 20,543 | 35.0416 | 719,868 |
| AUD | 204,922 | 21.9686 | 4,501,838 |
| RMB | 2,755,208 | 4.3665/4.3822 | 12,036,006 |
| Investments accounted for using equity method | | | |
| RMB | 180,891 | 4.3665 | 789,863 |
| <u>Financial liabilities</u> | | | |
| Monetary item | | | |
| USD | 2,994,593 | 28.5083 | 85,370,790 |
| JPY | 2,569,136 | 0.2763 | 709,943 |
| HKD | 4,719,183 | 3.6774 | 17,354,229 |
| EUR | 9,831 | 35.0416 | 344,494 |
| AUD | 8,597 | 21.9686 | 188,874 |
| RMB | 1,954,158 | 4.3822 | 8,563,414 |
| | March 31, 2020 | | |
| | Foreign Currencies | Exchange Rate | New Taiwan Dollars |
| <u>Financial assets</u> | | | |
| Monetary item | | | |
| USD | \$ 3,071,993 | 30.2721 | \$ 92,995,703 |
| JPY | 2,162,891 | 0.2794 | 604,209 |
| HKD | 7,611,322 | 3.9047 | 29,719,929 |
| EUR | 18,790 | 33.2858 | 625,439 |
| AUD | 38,924 | 18.6686 | 726,657 |
| RMB | 2,357,779 | 4.2613 | 10,047,276 |
| <u>Financial liabilities</u> | | | |
| Monetary item | | | |
| USD | 3,065,085 | 30.2721 | 92,786,579 |
| JPY | 1,916,519 | 0.2794 | 53,538,418 |
| HKD | 5,100,916 | 3.9047 | 19,917,547 |
| EUR | 11,594 | 33.2858 | 385,915 |
| AUD | 7,882 | 18.6686 | 147,146 |
| RMB | 1,645,050 | 4.2613 | 7,010,100 |

f. Banking book interest rate risk

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

O-Bank

| | For the Three Months Ended March 31 | | | |
|---|--|-----------------------------|----------------------------|-----------------------------|
| | 2021 | | 2020 | |
| | Average Balance | Average Rate (%) | Average Balance | Average Rate (%) |
| <u>Interest-earning assets</u> | | | | |
| Due from banks (part of cash and cash equivalents and other financial assets) | \$ 859,934 | 1.13 | \$ 1,090,812 | 1.96 |
| Call loans to other banks | 11,667,300 | 0.22 | 10,104,101 | 1.26 |
| Due from the Central Bank | 5,552,848 | 0.39 | 5,227,092 | 0.62 |
| Financial assets at FVTPL | 47,564,205 | 0.31 | 81,364,957 | 0.62 |
| Bills and bonds purchased under resale agreements | 41,507 | 0.09 | - | - |
| Discounts and loans | 160,825,718 | 1.89 | 177,847,376 | 2.50 |
| Financial assets at FVTOCI | 68,433,911 | 0.63 | 33,465,626 | 1.73 |
| Receivables | 934,397 | 1.14 | 1,414,725 | 1.86 |

Interest-bearing liabilities

| | | | | |
|--|-------------|------|-------------|------|
| Due to the Central Bank and other banks | 23,247,633 | 0.42 | 32,884,166 | 1.14 |
| Demand deposits | 62,534,523 | 0.21 | 48,641,747 | 0.54 |
| Time deposits | 179,321,400 | 0.49 | 195,157,253 | 1.21 |
| Bills and bonds sold under repurchase agreements | 1,461,712 | 0.25 | 2,193,547 | 0.46 |
| Bank debentures payable | 16,356,667 | 1.99 | 18,700,000 | 2.00 |

China Bills Finance Corporation (CBF)

| | For the Three Months Ended March 31 | | | |
|--|--|-----------------------------|----------------------------|-----------------------------|
| | 2021 | | 2020 | |
| | Average Balance | Average Rate (%) | Average Balance | Average Rate (%) |
| <u>Interest-earning assets</u> | | | | |
| Cash and cash equivalents (including certificate of deposits) | \$ 396,747 | 0.02 | \$ 773,196 | 0.09 |
| Call loans to banks | 36,778 | 0.10 | 111,566 | 0.30 |
| Financial assets at fair value through profit or loss - bonds and bills | 99,002,467 | 0.38 | 87,834,007 | 0.59 |
| FVTOCI - debt instruments | 100,773,339 | 1.23 | 99,826,117 | 1.39 |
| Financial instruments at fair value through profit or loss - hybrid financial assets | 8,585,699 | 1.59 | 8,835,600 | 1.52 |
| Securities purchased under resale agreements | 5,964,252 | 0.18 | 1,224,419 | 0.16 |

(Continued)

| | For the Three Months Ended March 31 | | | |
|--|--|-----------------------------|----------------------------|-----------------------------|
| | 2021 | | 2020 | |
| | Average Balance | Average Rate (%) | Average Balance | Average Rate (%) |
| <u>Interest-bearing liabilities</u> | | | | |
| Due to other banks | \$ 7,408,149 | 0.22 | \$ 18,017,897 | 0.63 |
| Bank overdraft | 642 | 1.50 | 1,721 | 1.75 |
| Securities sold under repurchase agreements | 179,196,999 | 0.25 | 157,120,812 | 0.64 |
| Commercial paper payable | 4,500,000 | 0.32 | - | - |
| | | | | (Concluded) |

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 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.

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: Refer to Table 4.

2) Concentration of credit extensions

March 31, 2021

| Rank | Company Name | Credit Extensions Balance | % of Net Asset Value |
|-------------|--|----------------------------------|-----------------------------|
| 1 | A Company (real estate development) | \$ 6,040,463 | 16.74 |
| 2 | B Company (unclassified other financial service) | 4,812,000 | 13.33 |
| 3 | C Company (real estate development) | 4,081,000 | 11.31 |
| 4 | D Company (real estate development) | 3,735,876 | 10.35 |
| 5 | E Company (real estate lease industry) | 3,200,000 | 8.87 |
| 6 | F Company (glass and glass made products manufacturing) | 2,931,659 | 8.12 |
| 7 | G Company (non-hazardous waste treatment industry) | 2,676,265 | 7.42 |
| 8 | H Company (retail sale of other food, beverages and tobacco in specialized stores) | 2,389,696 | 6.62 |
| 9 | I Company (accommodation industry) | 2,325,830 | 6.44 |
| 10 | J Company (real estate development) | 2,178,447 | 6.04 |

March 31, 2020

(In Thousands of New Taiwan Dollars, %)

| Rank | Company Name | Credit Extensions Balance | % of Net Asset Value |
|-------------|---|----------------------------------|-----------------------------|
| 1 | A Company (real estate development) | \$ 6,943,275 | 21.27 |
| 2 | B Company (unclassified other financial service) | 4,988,000 | 15.28 |
| 3 | D Company (real estate development) | 3,655,623 | 11.20 |
| 4 | K Company (ocean transportation) | 3,361,089 | 10.30 |
| 5 | I Company (accommodation industry) | 3,108,594 | 9.52 |
| 6 | F Company (glass and glass made products manufacturing) | 3,012,161 | 9.23 |
| 7 | L Company (real estate development) | 2,728,419 | 8.36 |
| 8 | M Company (chemistry manufacturing) | 2,694,971 | 8.26 |
| 9 | N Company (unclassified other financial service) | 2,257,488 | 6.92 |
| 10 | O Company (accommodation industry) | 2,200,000 | 6.74 |

Note 1: The list shows top 10 rankings by total amount of credit, endorsement or other transactions but excludes government-owned or state-run enterprises. If the borrower is a member of a group enterprise, the total amount of credit, endorsement or other transactions of the entire group enterprise must be listed and disclosed by code and line of industry. The industry of the group enterprise should be presented as the industry of the member firm with the highest risk exposure. The lines of industry should be described in accordance with the Standard Industrial Classification System of the Republic of China published by the Directorate - General of Budget, Accounting and Statistics under the Executive Yuan.

Note 2: Group enterprise refers to a group of corporate entities as defined by Article 6 of "Supplementary Provisions to the Taiwan Stock Exchange Corporation Rules for Review of Securities Listings"

Note 3: Total amount of credit, endorsement or other transactions is the sum of various loans (including import and export negotiations, discounts, overdrafts, unsecured and secured short-term loans, margin loans receivable, unsecured and secured medium-term loans, unsecured and secured long-term loans and overdue loans), exchange bills negotiated, accounts receivable factored without recourse, acceptances and guarantees.

b. Market risk

Interest Rate Sensitivity Balance Sheet (New Taiwan Dollars)
March 31, 2021

| 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 | \$ 175,339,995 | \$ 19,376,917 | \$ 13,065,588 | \$ 7,626,263 | \$ 215,408,763 |
| Interest rate-sensitive liabilities | 57,734,449 | 70,619,601 | 47,978,856 | 32,292,894 | 208,625,800 |
| Interest rate-sensitive gap | 117,605,546 | (51,242,684) | (34,913,268) | (24,666,631) | 6,782,963 |
| Net worth | | | | | 32,286,614 |
| Ratio of interest rate-sensitive assets to liabilities | | | | | 103.25% |
| Ratio of interest rate sensitivity gap to net worth | | | | | 21.01% |

March 31, 2020

| Items | 0 to 90 Days (Included) | 91 to 180 Days (Included) | 181 Days to One Year (Included) | Over One Year | Total |
|--|----------------------------|------------------------------|---------------------------------------|---------------|----------------|
| Interest rate-sensitive assets | \$ 173,772,313 | \$ 32,114,330 | \$ 15,447,218 | \$ 8,284,038 | \$ 229,617,899 |
| Interest rate-sensitive liabilities | 67,707,162 | 60,730,256 | 58,674,410 | 35,169,005 | 222,280,833 |
| Interest rate-sensitive gap | 106,065,151 | (28,615,926) | (43,227,192) | (26,884,967) | 7,337,066 |
| Net worth | | | | | 29,540,063 |
| Ratio of interest rate-sensitive assets to liabilities | | | | | 103.30% |
| Ratio of interest rate sensitivity gap to net worth | | | | | 24.84% |

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

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

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

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

Interest Rate Sensitivity Balance Sheet (U.S. Dollars)
March 31, 2021

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

| Items | 0 to 90 Days (Included) | 91 to 180 Days (Included) | 181 Days to One Year (Included) | Over One Year | Total |
|--|----------------------------|------------------------------|---------------------------------------|---------------|--------------|
| Interest rate-sensitive assets | \$ 1,433,637 | \$ 19,937 | \$ 14,793 | \$ 857,197 | \$ 2,325,564 |
| Interest rate-sensitive liabilities | 968,819 | 999,488 | 221,344 | - | 2,189,651 |
| Interest rate-sensitive gap | 464,818 | (979,551) | (206,551) | 857,197 | 135,913 |
| Net worth | | | | | 126,936 |
| Ratio of interest rate-sensitive assets to liabilities | | | | | 106.21% |
| Ratio of interest rate sensitivity gap to net worth | | | | | 107.07% |

March 31, 2020

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

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

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

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

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

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

c. Liquidity risk

1) Profitability

(In %)

| Items | | For the Three Months Ended March 31, 2021 | For the Three Months Ended March 31, 2020 |
|------------------------|-------------------|---|---|
| Return on total assets | Before income tax | 0.16 | 0.03 |
| | After income tax | 0.14 | 0.03 |
| Return on equity | Before income tax | 1.47 | 0.35 |
| | After income tax | 1.27 | 0.35 |
| Net income ratio | | 34.01 | 10.41 |

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

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

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

Note 4: Income before (after) income tax represents income for the three months ended March 31, 2021 and 2020.

2) Maturity analysis of assets and liabilities

Maturity Analysis of Assets and Liabilities (New Taiwan Dollars)
March 31, 2021

| | 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 | \$ 253,340,457 | \$54,528,627 | \$19,771,941 | \$32,765,260 | \$30,143,142 | \$23,517,024 | \$92,614,463 |
| Main capital outflow on maturity | 289,355,973 | 13,751,399 | 16,782,106 | 62,971,441 | 48,039,688 | 68,760,159 | 79,051,180 |
| Gap | (36,015,516) | 40,777,228 | 2,989,835 | (30,206,181) | (17,896,546) | (45,243,135) | 13,563,283 |

March 31, 2020

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

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

Maturity Analysis of Assets and Liabilities (U.S. Dollars)
March 31, 2021

(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 | \$ 3,618,964 | \$ 1,386,966 | \$ 741,870 | \$ 329,068 | \$ 332,256 | \$ 828,804 |
| Main capital outflow on maturity | 3,688,655 | 1,384,773 | 958,106 | 563,868 | 312,308 | 469,600 |
| Gap | (69,691) | 2,193 | (216,236) | (234,800) | 19,948 | 359,204 |

March 31, 2020

(In Thousands of U.S. Dollars)

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

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

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

Maturity Analysis of Overseas Assets and Liabilities (U.S. Dollars)
March 31, 2021

(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 | \$ 1,397,310 | \$ 849,471 | \$ 186,918 | \$ 49,194 | \$ 41,145 | \$ 270,582 |
| Main capital outflow on maturity | 1,362,266 | 483,563 | 344,070 | 176,486 | 147,796 | 210,351 |
| Gap | 35,044 | 365,908 | (157,152) | (127,292) | (106,651) | 60,231 |

March 31, 2020

(In Thousands of U.S. Dollars)

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

China Bills Finance Corporation

a. Asset quality

| Item | Period | |
|---|----------------|----------------|
| | March 31, 2021 | March 31, 2020 |
| Balance of guarantees and endorsement credits overdue within 3 months | \$ - | \$ - |
| Nonperforming debts (include overdue receivables) | - | - |
| Credits under observation | - | - |
| Overdue receivables | - | - |
| Ratio of non-performing debts | 0.00% | 0.00% |
| Ratio of non-performing debts and credits under observation | 0.00% | 0.00% |
| Required provision for credit losses and reserve for losses on guarantees | 1,190,227 | 1,196,892 |
| Actual provision for credit losses and reserve for losses on guarantees | 1,375,077 | 1,325,077 |

b. The principal operation

| Item | Period | |
|---|----------------|----------------|
| | March 31, 2021 | March 31, 2020 |
| Balance of guarantees and endorsement securities | \$ 108,533,600 | \$ 107,211,300 |
| Multiple of guarantees and endorsement securities to net worth | 4.82 | 4.89 |
| Short-term bills and bonds sold under repurchase agreement | \$ 176,375,596 | \$ 151,788,923 |
| Multiple of short-term bills and bonds sold under repurchase agreement to net worth | 7.83 | 6.92 |

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

d. Concentrations of credit extensions

(In %)

| Item | Period | March 31, 2021 | | March 31, 2020 | |
|--|---------------------------------------|----------------|--------------------------------|----------------|------|
| | Credit of the common interested party | | \$ - | | \$ - |
| Ratio of credit extensions to common interest parties | | - | | - | |
| Ratio of credit extensions secured by pledged share | | 23.09 | | 23.00 | |
| Loan concentration by industry (ratio of top three industries to which credit line issued to credit extension balance) | Type of Industry | % | Type of Industry | % | |
| | Finance and insurance industry | 32.66 | Finance and insurance industry | 33.83 | |
| | Manufacturing industry | 20.58 | Manufacturing industry | 21.67 | |
| | Real estate industry | 25.31 | Real estate industry | 24.84 | |

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

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

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

e. Interest rate sensitivity information of the balance sheet

March 31, 2021

(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 | \$ 99,842 | \$ 7,756 | \$ 9,352 | \$ 93,077 | \$ 210,027 |
| Interest rate-sensitive liabilities | 180,497 | 4,611 | 208 | - | 185,316 |
| Interest rate-sensitive gap | (80,655) | 3,145 | 9,144 | 93,077 | 24,711 |
| Net worth | | | | | 25,680 |
| Ratio of interest rate-sensitive assets to liabilities (%) | | | | | 113.33 |
| Ratio of interest rate sensitivity gap to net worth (%) | | | | | 96.23 |

March 31, 2020

(In Millions of New Taiwan Dollars, %)

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

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

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

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

f. The use of funding sources table

March 31, 2021

(In Millions of New Taiwan Dollars)

| Items | | Period | | | | |
|------------------------|--|--------------|---------------|----------------|--------------------|-------------|
| | | 1 to 30 Days | 31 to 90 Days | 91 to 180 Days | 181 Days to 1 Year | Over 1 Year |
| Cash used in | Bills | \$ 42,558 | \$ 46,811 | \$ 5,930 | \$ 184 | \$ - |
| | Bonds | 1,609 | 2,608 | 1,826 | 9,168 | 93,077 |
| | Due from banks | 272 | - | - | - | - |
| | Call loans | - | - | - | - | - |
| | Securities purchased under resell agreements | 5,755 | 229 | - | - | - |
| | Total | 50,194 | 49,648 | 7,756 | 9,352 | 93,077 |
| Cash provided by | Borrowing | 8,999 | - | - | - | - |
| | Securities sold under repurchase agreements | 133,507 | 37,991 | 4,611 | 208 | - |
| | Eligible capital | - | - | - | - | 25,680 |
| | Total | 142,506 | 37,991 | 4,611 | 208 | 25,680 |
| Net cash flows | | (92,312) | 11,657 | 3,145 | 9,144 | 67,397 |
| Accumulated cash flows | | (92,312) | (80,655) | (77,510) | (68,366) | (969) |

March 31, 2020

(In Millions of New Taiwan Dollars)

| Items | | Period | | | | |
|------------------------|--|--------------|---------------|----------------|--------------------|-------------|
| | | 1 to 30 Days | 31 to 90 Days | 91 to 180 Days | 181 Days to 1 Year | Over 1 Year |
| Cash used in | Bills | \$ 39,197 | \$ 36,147 | \$ 4,259 | \$ 60 | \$ - |
| | Bonds | 1,051 | 2,708 | 2,064 | 9,641 | 92,995 |
| | Due from banks | 259 | - | - | - | - |
| | Call loans | 302 | - | - | - | - |
| | Securities purchased under resell agreements | 748 | - | - | - | - |
| | Total | 41,557 | 38,855 | 6,323 | 9,701 | 92,995 |
| Cash provided by | Borrowing | 14,856 | - | - | - | - |
| | Securities sold under repurchase agreements | 128,528 | 19,565 | 3,338 | 249 | - |
| | Eligible capital | - | - | - | - | 23,925 |
| | Total | 143,384 | 19,565 | 3,338 | 249 | 23,925 |
| Net cash flows | | (101,827) | 19,290 | 2,985 | 9,452 | 69,070 |
| Accumulated cash flows | | (101,827) | (82,537) | (79,552) | (70,100) | (1,030) |

g. Matters requiring special notation

| Causes | March 31, 2021 | March 31, 2020 |
|---|----------------|----------------|
| 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 | 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 three months ended March 31, 2021

| | January 1, 2021 | Cash Inflow (Outflow) | Non Cash | | March 31, 2021 |
|-----------------------------|----------------------|-----------------------|---------------|---------------------|----------------------|
| | | | Add Leasing | Other | |
| Bank debentures payable | \$ 16,400,000 | \$ (1,300,000) | \$ - | \$ - | \$ 15,100,000 |
| Lease liabilities | 444,659 | (44,072) | 570 | 7,526 | 408,683 |
| Other financial liabilities | 18,102,763 | 430,486 | - | (145,055) | 18,388,194 |
| Other liabilities | <u>2,249,555</u> | <u>127,865</u> | <u>-</u> | <u>118</u> | <u>2,377,538</u> |
| | <u>\$ 37,196,977</u> | <u>\$ (785,721)</u> | <u>\$ 570</u> | <u>\$ (137,411)</u> | <u>\$ 36,274,415</u> |

For the three months ended March 31, 2020

| | January 1, 2020 | Cash Inflow (Outflow) | Non Cash | | March 31, 2020 |
|-----------------------------|----------------------|-----------------------|------------------|------------------|----------------------|
| | | | Add Leasing | Other | |
| Bank debentures payable | \$ 18,700,000 | \$ - | \$ - | \$ - | \$ 18,700,000 |
| Lease liabilities | 498,832 | (44,262) | 17,417 | 11,345 | 483,332 |
| Other financial liabilities | 12,909,259 | (119,207) | - | - | 12,790,052 |
| Other liabilities | <u>2,360,266</u> | <u>277,825</u> | <u>-</u> | <u>(88)</u> | <u>2,638,003</u> |
| | <u>\$ 34,468,357</u> | <u>\$ 114,356</u> | <u>\$ 17,417</u> | <u>\$ 11,257</u> | <u>\$ 34,611,387</u> |

50. OTHERS

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

51. ADDITIONAL DISCLOSURES

- a. Related information of significant transactions and investees and b. Names, locations, and other information of investees over which the Bank exercises significant influence.
- 1) Financing provided: The Group - not applicable; investees - Table 1 (attached)
 - 2) Endorsement/guarantee provided: The Group - not applicable; investees - Table 2 (attached)
 - 3) Marketable securities held: The Group - not applicable; investees - Table 3 (attached)
 - 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 10% of the paid-in capital: None
 - 5) Acquisition of individual real estate at costs of at least NT\$300 million or 10% of the paid-in capital: None
 - 6) Disposal of individual real estate at costs of at least NT\$300 million or 10% of the paid-in capital: None
 - 7) Allowance of service fees to related parties amounting to at least NT\$5 million: None
 - 8) Receivables from related parties amounting to at least NT\$300 million or 10% of the paid-in capital: None
 - 9) Sale of nonperforming loans: None
 - 10) Information of applying for authorization of securitized product type according to the “Regulations of Financial Assets Securitization or Regulations of Real Estate Securitization”: None
 - 11) Other significant transactions which may affect the decisions of users of individual financial reports: None
 - 12) Related information and total stockholding circumstances of “Name, locations and other information of investees on which the Group exercises significant influence.” Uncovering
 - 13) Derivative instrument transactions: Note 8
- c. Investment in mainland China: Table 5 (attached)
- d. Business relationships and significant transactions among the group: Table 6 (attached)
- e. Information of major shareholders : List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder: Table 7 (attached)

51. OPERATING SEGMENT FINANCIAL INFORMATION

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

- a. Bank: Business ruled by in Low of Bank Article 71.
- b. Overseas: Overseas banking business.

- c. Leasing: Leasing business.
- d. Bills: Bills-related business approved by the competent authority.
- e. Others: Other non-core businesses.

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

| | Bank | Overseas | Leasing | Bills | Others | Eliminations | Consolidated |
|--|-----------------------|----------------------|----------------------|-----------------------|--------------------|---------------------|-----------------------|
| <u>For the three months ended March 31, 2021</u> | | | | | | | |
| Net interest | | | | | | | |
| From unaffiliated segment | \$ 525,135 | \$ 219,173 | \$ 196,307 | \$ 193,323 | \$ (129) | \$ 88 | \$ 1,133,897 |
| From other segment | (119) | - | 1 | - | - | 113 | (5) |
| | <u>\$ 525,016</u> | <u>\$ 219,173</u> | <u>\$ 196,308</u> | <u>\$ 193,323</u> | <u>\$ (129)</u> | <u>\$ 201</u> | <u>\$ 1,133,892</u> |
| Net revenue other than interest | | | | | | | |
| From unaffiliated segment | \$ 803,471 | \$ 6,956 | \$ 111,798 | \$ 601,879 | \$ 21,620 | \$ - | \$ 1,545,724 |
| From other segment | 5,642 | - | (1,900) | (3,544) | (194) | (374,491) | (374,487) |
| | <u>\$ 809,113</u> | <u>\$ 6,956</u> | <u>\$ 109,898</u> | <u>\$ 598,335</u> | <u>\$ 21,426</u> | <u>\$ (374,491)</u> | <u>\$ 1,171,237</u> |
| Income from continuing operation | <u>\$ 453,803</u> | <u>\$ 88,779</u> | <u>\$ 118,325</u> | <u>\$ 530,980</u> | <u>\$ 17,331</u> | <u>\$ (367,165)</u> | <u>\$ 842,053</u> |
| Identifiable assets | <u>\$ 305,254,572</u> | <u>\$ 29,388,243</u> | <u>\$ 15,387,294</u> | <u>\$ 213,580,028</u> | <u>\$ 286,878</u> | <u>\$ 16,464</u> | <u>\$ 563,913,479</u> |
| Depreciation and amortization | <u>\$ 134,197</u> | <u>\$ 12,152</u> | <u>\$ 13,470</u> | <u>\$ 3,356</u> | <u>\$ 210</u> | <u>\$ (2,048)</u> | <u>\$ 161,337</u> |
| Capital expenditure | <u>\$ 11,318</u> | <u>\$ 214</u> | <u>\$ 2,326</u> | <u>\$ 125</u> | <u>\$ 62</u> | <u>\$ -</u> | <u>\$ 14,045</u> |
| <u>For the three months ended March 31, 2020</u> | | | | | | | |
| Net interest | | | | | | | |
| From unaffiliated segment | \$ 460,936 | \$ 234,325 | \$ 161,330 | \$ 68,808 | \$ (7) | \$ 114 | \$ 925,506 |
| From other segment | (583) | - | 1 | - | 4 | 571 | (7) |
| | <u>\$ 460,353</u> | <u>\$ 234,325</u> | <u>\$ 161,331</u> | <u>\$ 68,808</u> | <u>\$ (3)</u> | <u>\$ 685</u> | <u>\$ 925,499</u> |
| Net revenue other than interest | | | | | | | |
| From unaffiliated segment | \$ 642,583 | \$ 8,764 | \$ (1,758) | \$ 508,265 | \$ (18,366) | \$ - | \$ 1,139,488 |
| From other segment | 5,658 | - | (1,882) | (3,578) | (191) | (181,909) | (181,902) |
| | <u>\$ 648,241</u> | <u>\$ 8,764</u> | <u>\$ (3,640)</u> | <u>\$ 504,687</u> | <u>\$ (18,557)</u> | <u>\$ (181,909)</u> | <u>\$ 957,586</u> |
| Income from continuing operation | <u>\$ 115,440</u> | <u>\$ 78,201</u> | <u>\$ 32,473</u> | <u>\$ 357,069</u> | <u>\$ (22,369)</u> | <u>\$ (174,096)</u> | <u>\$ 386,718</u> |
| Identifiable assets | <u>\$ 323,203,166</u> | <u>\$ 28,461,680</u> | <u>\$ 13,252,619</u> | <u>\$ 193,308,568</u> | <u>\$ 205,689</u> | <u>\$ 185,188</u> | <u>\$ 558,616,910</u> |
| Depreciation and amortization | <u>\$ 129,772</u> | <u>\$ 13,810</u> | <u>\$ 10,648</u> | <u>\$ 3,003</u> | <u>\$ 252</u> | <u>\$ (2,037)</u> | <u>\$ 155,448</u> |
| Capital expenditure | <u>\$ 17,937</u> | <u>\$ 157</u> | <u>\$ 2,368</u> | <u>\$ 5,809</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 26,271</u> |

O-BANK AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE THREE MONTHS ENDED MARCH 31, 2021
(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 | Inhon Communication Co., Ltd. | Account receivable - short-term accommodations | No | \$ 29,904 | \$ 22,411 | \$ 22,411 | 2-8 | 2 | \$ - | Working capital turnover | \$ 223 | Margin | \$ 10,000 | \$ 287,609 | \$ 1,150,438 | |
| | | An Chieh Bao Corp. | Account receivable - short-term accommodations | No | 29,679 | 21,776 | 21,776 | 2-8 | 2 | - | Working capital turnover | 205 | Margin | 6,000 | 287,609 | 1,150,438 | |
| | | Yuan Mao Construction Co., Ltd. | Account receivable - short-term accommodations | No | 135,000 | 135,000 | 135,000 | 2-8 | 2 | - | Working capital turnover | 1,755 | Stock | 64,680 | 287,609 | 1,150,438 | |
| | | Taroko Recreation Management Co., Ltd. | Account receivable - short-term accommodations | No | 38,907 | 28,562 | 28,562 | 2-8 | 2 | - | Working capital turnover | 514 | Stock | - | 287,609 | 1,150,438 | |
| | | Priority International Finance | Account receivable - short-term accommodations | No | 24,000 | 24,000 | 2,035 | 2-8 | 2 | - | Working capital turnover | 37 | Deposit | 1,200 | 287,609 | 1,150,438 | |
| | | Qiaoding Investment Co., Ltd. | Account receivable - short-term accommodations | No | 96,000 | 93,000 | 93,000 | 2-8 | 2 | - | Working capital turnover | 1,674 | Stock/real estate | 51,830 | 287,609 | 1,150,438 | |
| | | Taiwan Star Telecom Corporation Limited | Account receivable - short-term accommodations | No | 150,000 | 125,399 | 125,399 | 2-8 | 1 | 150,000 | - | 627 | Equipment | 33,152 | 287,609 | 1,150,438 | |
| | | Teamphon Energy Co., Ltd | Account receivable - short-term accommodations | No | 120,000 | 120,000 | - | 2-8 | 2 | - | Working capital turnover | - | - | - | 287,609 | 1,150,438 | |
| 2 | IBT International Leasing Corp. | Suzhou Leading Car Service Co., Ltd. | Entrusted loans | No | 15,081 | 8,667 | 8,667 | 6-16 | 2 | - | Working capital turnover | 9 | Margin | 6,529 | 280,677 | 1,122,708 | |
| | | Nanjing Forland Automobile Leasing Co., Ltd. | Entrusted loans | No | 15,081 | 8,667 | 8,667 | 6-16 | 2 | - | Working capital turnover | 9 | Margin | 6,529 | 280,677 | 1,122,708 | |

Note 1: Explanation:

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

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

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

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

O-BANK AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE THREE MONTHS ENDED MARCH 31, 2021
(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 | \$ 23,008,752 | \$ 7,896,757 | \$ 7,896,757 | \$ 3,913,662 | \$ - | 274.57 | \$ 34,513,128 | No | No | Yes |
| | | IBT VII Venture Capital Co., Ltd. | b | 23,008,752 | 80,000 | 80,000 | 20,000 | - | 2.78 | 34,513,128 | 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 90% 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.
- g. The inter-industry is engaged in joint and several guarantees for the performance of the pre-sale house sales contract in accordance with the Consumer Protection Law.

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

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

TABLE 3

O-BANK AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

MARCH 31, 2021

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

| Holding Company Name | Type and Name of Marketable Securities | Relationship with the Holding Company | Financial Statement Account | March 31, 2021 | | | | Note |
|-----------------------------------|---|---------------------------------------|---|--------------------------|-----------------|-----------------------------|--------------|---------------|
| | | | | Stocks/Units (Thousands) | Carrying Amount | Percentage of Ownership (%) | Fair Value | |
| IBT Holdings | <u>Stocks</u> EverTrust Bank | Subsidiaries | Investments accounted for using the equity method | 10,714 | US\$ 185,881 | 91.78 | US\$ 185,881 | |
| IBT Management Corp. | <u>Closed type beneficiary certificate</u> O-Bank Real Estate Investment Trust “Successful One” | - | Financial asset at FVTOCI | 3,059 | 29,213 | 1.02 | 29,213 | |
| | <u>Stocks</u> Thunder Tiger Biotechnology Co., Ltd. | - | Financial asset at FVTPL | 1,773 | 40,961 | 7.38 | 40,961 | Note 2 |
| | TaiRx Co., Ltd. | - | Financial asset at FVTPL | 511 | 14,779 | 0.57 | 14,779 | Note 2 |
| | Beauty essentials International Ltd. (Samoa) | - | Financial asset at FVTPL | 25,974 | 37,180 | 2.41 | 37,180 | Note 2 |
| | Houdou Pinshan (Cayman) Co., Ltd. | - | Financial asset at FVTPL | 500 | 16,038 | 2.17 | 16,038 | Note 2 |
| | Shihlian China Holdings Corp. | - | Financial asset at FVTPL | 19,682 | 91,433 | 0.46 | 91,433 | Notes 1 and 2 |
| | Ta Chen Stainless Pipe Co. Ltd. | - | Financial asset at FVTPL | 1,045 | 32,761 | 0.07 | 32,761 | |
| | Shin Kong Financial Holding Co., Ltd. preferred shares B | - | Financial asset at FVTOCI | 400 | 16,760 | 0.18 | 16,760 | |
| IBT Leasing Co., Ltd. | <u>Closed type beneficiary certificate</u> O-Bank Real Estate Investment Trust “Successful One” | - | Financial asset at FVTOCI | 12,260 | 117,083 | 4.09 | 117,083 | |
| | <u>Stocks</u> IBT International Leasing Corp. | Subsidiaries | Investments accounted for using the equity method | - | 2,666,432 | 95.00 | 2,666,432 | |
| | IBT VII Venture Capital Co., Ltd. | Subsidiaries | Investments accounted for using the equity method | 65,000 | 551,763 | 100.00 | 551,763 | |
| | Shihlian China Holdings Corp. | - | Financial asset at FVTOCI | 32,500 | 150,980 | 0.75 | 150,980 | Note 1 |
| | Shin Kong Financial Holding Co., Ltd. preferred shares B | - | Financial asset at FVTOCI | 1,700 | 71,230 | 0.77 | 71,230 | |
| IBT VII Venture Capital Co., Ltd. | <u>Closed type beneficiary certificate</u> O-Bank Real Estate Investment Trust “Successful One” | - | Financial asset at FVTOCI | 14,000 | 133,700 | 4.67 | 133,700 | |

(Continued)

| Holding Company Name | Type and Name of Marketable Securities | Relationship with the Holding Company | Financial Statement Account | March 31, 2021 | | | | Note |
|----------------------|--|---------------------------------------|---|--------------------------|-----------------|-----------------------------|------------|---------------|
| | | | | Stocks/Units (Thousands) | Carrying Amount | Percentage of Ownership (%) | Fair Value | |
| | <u>Stocks</u> | | | | | | | |
| | IBT International Leasing Corp. | Subsidiaries | Investments accounted for using the equity method | - | \$ 140,339 | 5.00 | \$ 140,339 | Note 3 |
| | TAIRX Corp. | - | Financial asset at FVTPL | 3,800 | 109,940 | 6.22 | 109,940 | Note 2 |
| | Meridigen Corp. | - | Financial asset at FVTPL | 500 | 11,180 | 0.55 | 11,180 | |
| | Femcosteel Tech Co., Ltd. | - | Financial asset at FVTPL | 1,298 | 33,424 | 3.10 | 33,424 | |
| | Shihlian China Holdings Corp. | - | Financial asset at FVTPL | 9,135 | 42,439 | 0.21 | 42,439 | Notes 1 and 2 |
| | New Applied Materials Co., Ltd. | - | Financial asset at FVTPL | 610 | 30,835 | 0.83 | 30,835 | Note 2 |
| | BioResource International, Inc. | - | Financial asset at FVTPL | 1,105 | 86,851 | 5.91 | 86,851 | Note 2 |
| | Chipwell tech corporation | - | Financial asset at FVTPL | 391 | 2,987 | 2.61 | 2,987 | Note 2 |
| | Biocontrol Gene Vaccine Co., Ltd. | - | Financial asset at FVTPL | 1,008 | 621 | 0.98 | 621 | Note 2 |
| | Reber Genetics Co., Ltd. | - | Financial asset at FVTPL | 461 | 7,265 | 2.20 | 7,265 | Note 2 |
| | Kaohsiung Rapid Transit Corporation All Rights Reserved. | - | Financial asset at FVTPL | 3,845 | 46,074 | 1.38 | 46,074 | |
| | Ta Chen Stainless Pipe Co. Ltd. | - | Financial asset at FVTPL | 1,350 | 42,323 | 0.08 | 42,323 | |
| | EVERGREEN STEEL CORPORATION | - | Financial asset at FVTPL | 51 | 3,087 | 0.01 | 3,087 | |
| | Shin Kong Financial Holding Co., Ltd. preferred shares B | - | Financial asset at FVTOCI | 125 | 5,238 | 0.06 | 5,238 | |

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.

Note 3: On April 22, 2021, the board of directors of IBT Leasing Co., Ltd. approved the proposed transfer of 5% of the shares of IBT International Leasing Corp. from IBT VII Venture Capital Co., Ltd., and the acceptance was processed after the completion of the necessary procedures of relevant cross-strait authorities.

(Concluded)

O-BANK AND SUBSIDIARIES

NON-PERFORMING LOANS AND ACCOUNTS RECEIVABLE

MARCH 31, 2021 AND 2020

(In Thousands of New Taiwan Dollars, %)

| Period | | March 31, 2021 | | | | | March 31, 2020 | | | | | |
|--|-----------------------------------|--|--------------------------------|---|-------------------------------|--|------------------------------|---|---------------------------------------|-------------------------------|-------------------------|---------|
| 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 | \$ 418,383 | \$ 73,343,670 | 0.57% | \$ 920,961 | 220.12% | \$ 1,025,124 | \$ 82,214,809 | 1.25% | \$ 1,024,503 | 99.94% | |
| | Unsecured | 256,309 | 58,764,920 | 0.44% | 849,263 | 331.34% | 396,189 | 75,515,121 | 0.52% | 1,102,709 | 278.33% | |
| Consumer banking | Housing mortgage (Note 4) | 7,544 | 14,821,354 | 0.05% | 222,513 | 2,949.54% | - | 14,399,201 | - | 216,070 | - | |
| | Cash card | - | - | - | - | - | - | - | - | - | - | |
| | Small-scale credit loans (Note 5) | 310 | 1,649,713 | 0.02% | 22,885 | 7,382.26% | 3,038 | 1,202,072 | 0.25% | 13,925 | 458.36% | |
| | Other (Note 6) | Secured | 999 | 5,790,725 | 0.02% | 58,095 | 5,815.32% | - | 5,090,462 | - | 50,916 | - |
| | | Unsecured | 11,741 | 5,318,681 | 0.22% | 110,336 | 939.75% | 7,418 | 4,119,353 | 0.18% | 68,151 | 918.72% |
| Total | | 695,286 | 159,689,063 | 0.44% | 2,184,053 | 314.12% | 1,431,769 | 182,541,018 | 0.78% | 2,476,274 | 172.95% | |
| | | Nonperforming Receivables | Outstanding Receivable Balance | Ratio of Nonperforming Receivables | Allowance for Possible Losses | Coverage Ratio | Nonperforming Receivables | Outstanding Receivable Balance | Ratio of Nonperforming Receivables | Allowance for Possible Losses | Coverage Ratio | |
| Credit cards | | - | - | - | - | - | - | - | - | - | - | |
| Factored accounts receivable without recourse (Note 7) | | - | 977,289 | - | 11,368 | - | - | 1,624,389 | - | 17,558 | - | |
| | | Exempt from Reporting the Total Balance of Overdue Loans | | Exempt from Reporting the Total Balance of Overdue Account Receivable | | Exempt from Reporting the Total Balance of Overdue Loans | | Exempt from Reporting the Total Balance of Overdue Account Receivable | | | | |
| Exempt amount - due to debt negotiation and performance (Note 8) | | \$ - | | \$ - | | \$ - | | \$ - | | | | |
| Debt settlement plan and rehabilitative program (Note 9) | | 82,622 | | - | | 721 | | - | | | | |
| Total | | 82,622 | | - | | 721 | | - | | | | |

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

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

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

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

Note 5: Small-amount pure credit loans that must be governed by the Bank of China Ref. No. 09440010950 dated December 19, 2005 and are not credit cards or cash cards.

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

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

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

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

O-BANK AND SUBSIDIARIES

INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE THREE MONTHS ENDED MARCH 31, 2021
(In Thousands of New Taiwan Dollars, Renminbi and U.S. Dollars)

O-Bank

| Investee Company Name | Main Businesses and Products | Total Amount of Paid-in Capital (Note 1) | Investment Type | Accumulated Outflow of Investment from Taiwan as of January 1, 2021 (Note 1) | Investment Flows (Note 1) | | Accumulated Outflow of Investment from Taiwan as of March 31, 2021 (Note 1) | % Ownership of Direct or Indirect Investment | Investment Gain (Loss) (Note 1) | Carrying Amount as of March 31, 2021 (Note 1) | Accumulated Inward Remittance of Earnings as of March 31, 2021 |
|---|------------------------------|--|-----------------|--|---------------------------|--------|---|--|---------------------------------|---|--|
| | | | | | Outflow | Inflow | | | | | |
| Suzhou Dio F&B Management Co., Ltd. | Coffee retailing | \$ 439,365 (US\$ 15,399) | Note 2 c. | \$ 57,064 (US\$ 2,000) | \$ - | \$ - | \$ 57,064 (US\$ 2,000) | 2.60 | \$ - | \$ 57,064 (US\$ 2,000) | \$ - |
| Ou Suomiluo Food Co., Ltd. | Coffee retailing | 43,529 (RMB 10,000) | Note 2 c. | 14,266 (US\$ 500) | - | - | 14,266 (US\$ 500) | 2.09 | - | 14,266 (US\$ 500) | - |
| Beijing Shengzhuang Co., Ltd. | Cosmetic OEM | 236,362 (RMB 54,300) | Note 2 c. | 57,064 (US\$ 2,000) | - | - | 57,064 (US\$ 2,000) | 2.175 | - | 57,064 (US\$ 2,000) | - |
| Beijing Sunshine Consumer Finance Co., Ltd. | Financing business | 4,352,890 (RMB 1,000,000) | Note 2 d. | 870,578 (RMB 200,000) | - | - | 870,578 (RMB 200,000) | 20.00 | (2,089) | 785,323 | - |

| Accumulated Investment in Mainland China as of March 31, 2021 (Note 1) | Investment Amounts Authorized by Investment Commission, MOEA (Note 1) | Upper Limit on Investment |
|--|---|---------------------------|
| \$128,394 (US\$4,500) \$870,578 (RMB200,000) | \$128,394 (US\$4,500) \$870,578 (RMB200,000) | Note 4 |

IBT Leasing Co., Ltd.

| Investee Company Name | Main Businesses and Products | Total Amount of Paid-in Capital (Note 1) | Investment Type | Accumulated Outflow of Investment from Taiwan as of January 1, 2021 (Note 1) | Investment Flows (Note 1) | | Accumulated Outflow of Investment from Taiwan as of March 31, 2021 (Note 1) | % Ownership of Direct or Indirect Investment | Investment Gain (Loss) (Note 1) | Carrying Amount as of March 31, 2021 (Note 1) | Accumulated Inward Remittance of Earnings as of March 31, 2021 |
|--|-------------------------------|--|-----------------|--|---------------------------|--------|---|--|---------------------------------|---|--|
| | | | | | Outflow | Inflow | | | | | |
| IBT International Leasing Corp. | Leasing | \$ 1,854,584 (US\$ 65,000) | Note 2 d. | \$ 1,506,943 (US\$ 52,800) | \$ - | \$ - | \$ 1,506,493 (US\$ 52,800) | 100.00 (Note 6) | \$ 108,393 (Notes 3 and 7) | \$ 2,666,432 (Note 7) | \$ - |
| Shinlien Chemical Industrial Jiangsu Co. | Production of glass materials | 22,825,648 (US\$ 800,000) | Note 2 c. | 127,167 (US\$ 4,457) | - | - | 127,167 (US\$ 4,457) | 0.75 | - | 127,167 (US\$ 4,457) | - |
| Shinlien Brine Huaian Co. | Production of glass materials | 913,026 (US\$ 32,000) | Note 2 c. | 10,814 (US\$ 379) | - | - | 10,814 (US\$ 379) | 0.75 | - | 10,814 (US\$ 379) | - |

| Accumulated Investment in Mainland China as of March 31, 2021 | Investment Amounts Authorized by Investment Commission, MOEA | Upper Limit on Investment |
|---|--|---------------------------|
| \$1,644,474 (US\$57,636) | \$1,644,474 (US\$57,636) | Note 5 |

(Continued)

IBT Management Corp.

| Investee Company Name | Main Businesses and Products | Total Amount of Paid-in Capital (Note 1) | Investment Type | Accumulated Outflow of Investment from Taiwan as of January 1, 2021 (Notes 1 and 9) | Investment Flows (Note 1) | | Accumulated Outflow of Investment from Taiwan as of March 31, 2021 (Note 1) | % Ownership of Direct or Indirect Investment | Investment Gain (Loss) (Note 1) | Carrying Amount as of March 31, 2021 (Note 1) | Accumulated Inward Remittance of Earnings as of March 31, 2021 |
|---|---|--|-----------------|---|---------------------------|--------|---|--|---------------------------------|---|--|
| | | | | | Outflow | Inflow | | | | | |
| Shanghai Douniushi F&B Management Co., Ltd. | Restaurant retailing | \$ 123,544 (US\$ 4,330) | Note 2 c. | \$ 2,054 (US\$ 72) | \$ - | \$ - | \$ 2,054 (US\$ 72) | 2.17 | \$ - | \$ 2,054 (US\$ 72) | \$ - |
| Topping Cuisine International Holding, Ltd. | Food retailing | 148,367 (US\$ 5,200) | Note 2 c. | 12,098 (US\$ 424) | - | - | 12,098 (US\$ 424) | 2.17 | - | 12,098 (US\$ 424) | - |
| Shanghai Dou Mao Food Management Co., Ltd. | Trading | 5,706 (US\$ 200) | Note 2 c. | 200 (US\$ 7) | - | - | 200 (US\$ 7) | 2.17 | - | 200 (US\$ 7) | - |
| Beauty Essential International, Ltd. | Cosmetic retailing | 85,596 (US\$ 3,000) | Note 2 c. | 19,630 (US\$ 688) | - | - | 19,630 (US\$ 688) | 2.41 | - | 19,630 (US\$ 688) | - |
| Meike information technology | Cosmetic retailing information technology | 48,505 (US\$ 1,700) | Note 2 c. | 827 (US\$ 29) | - | - | 827 (US\$ 29) | 0.93 | - | 827 (US\$ 29) | - |
| Shinlien Chemical Industrial Jiangsu Co. | Production of glass materials | 22,825,648 (US\$ 800,000) | Note 2 c. | 77,008 (US\$ 2,699) | - | - | 77,008 (US\$ 2,699) | 0.46 | - | 77,008 (US\$ 2,699) | - |
| Shinlien Brine Huaian Co. | Production of glass materials | 913,026 (US\$ 32,000) | Note 2 c. | 6,534 (US\$ 229) | - | - | 6,534 (US\$ 229) | 0.46 | - | 6,534 (US\$ 229) | - |

| Accumulated Investment in Mainland China as of March 31, 2021 (Note 1) | Investment Amounts Authorized by Investment Commission, MOEA (Note 1) | Upper Limit on Investment |
|--|---|---------------------------|
| \$118,351 (US\$4,148) | \$118,351 (US\$4,148) | \$149,151 (Note 8) |

IBT VII Venture Capital Co., Ltd.

| Investee Company Name | Main Businesses and Products | Total Amount of Paid-in Capital (Note 1) | Investment Type | Accumulated Outflow of Investment from Taiwan as of January 1, 2021 (Note 1) | Investment Flows (Note 1) | | Accumulated Outflow of Investment from Taiwan as of March 31, 2021 (Note 1) | % Ownership of Direct or Indirect Investment | Investment Gain (Loss) (Note 1) | Carrying Amount as of March 31, 2021 (Note 1) | Accumulated Inward Remittance of Earnings as of March 31, 2021 |
|---------------------------------|------------------------------|--|-----------------|--|---------------------------|--------|---|--|---------------------------------|---|--|
| | | | | | Outflow | Inflow | | | | | |
| IBT International Leasing Corp. | Leasing | \$ 1,854,584 (US\$ 65,000) | Note 2 d. | \$ 348,091 (US\$ 12,200) | \$ - | \$ - | \$ 348,091 (US\$ 12,200) | 5.00 | \$ 5,705 (Notes 3 and 7) | \$ 140,339 (Note 7) | \$ - |

| Accumulated Investment in Mainland China as of March 31, 2021 (Note 1) | Investment Amounts Authorized by Investment Commission, MOEA (Note 1) | Upper Limit on Investment |
|--|---|---------------------------|
| \$348,091 (US\$12,200) | \$348,091 (US\$12,200) | \$331,058 (Note 8) |

Note 1: The amount is after the exchange rate adjustment for the year ended March 31, 2021.

Note 2: There were five investment approaches stated as follows.

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

(Continued)

Note 3: From financial statements audited by other CPA.

Note 4: The Bank got the recognition from the Industrial Development Bureau, Industry of Economic Affairs in April 2020, so the Bank is not under “the regulation of investing or technology-cooperation in China”.

Note 5: IBT Leasing Co., Ltd. obtained the documents issued by the Industrial Development Bureau of the Ministry of Economic Affairs in line with the operational headquarters in September 2018, so it is not under “the regulation of investing or technology-cooperation in China”.

Note 6: IBT Tianjin International Leasing Corp. was merged by IBT Leasing Co., Ltd. on January 1, 2019. IBT Leasing Co., Ltd. holds 95% stock of IBT International Leasing Corp. directly and 5% indirectly through IBT VII Venture Capital Co., Ltd.

Note 7: The accumulated investment amount of IBT Tianjin International Leasing Corp., which included the investment profit and loss and the book value of the investment at the end of the period, is composed of 95% directly held by IBT Leasing Co., Ltd. and 5% indirectly through IBT VII Venture Capital Co., Ltd.

Note 8: The original investment is within the limit.

Note 9: IBT Management Corp. has obtained the verification letter of part of investment from the Investment Review Committee of the Ministry of Economic Affairs, and the remittance amount is mainly based on the verification letter.

(Concluded)

O-BANK AND SUBSIDIARIES

**BUSINESS RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS AMONG THE BANK AND SUBSIDIARIES
FOR THE THREE MONTHS ENDED MARCH 31, 2021
(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, IBTVC7 and IBTS | a | Deposits | \$ 290,654 | Note 3 | 0.05 |
| 0 | The Bank | Chun Teng New Century, IBTS Financial (HK) Limited, IBTS Asia (HK) Limited, IBT Leasing and IBTS | a | Interest expense | 114 | Note 3 | - |
| 0 | The Bank | Chun Teng New Century, IBTS Financial (HK) Limited, IBTS Asia (HK) Limited, IBT Leasing and IBTS | a | Payables | 98 | Note 3 | - |
| 0 | The Bank | CBF, IBTM and IBT Leasing | a | Other net revenue other than interest | 5,656 | Note 3 | 0.25 |
| 1 | Chun Teng New Century | The Bank | b | Cash and cash equivalents | 42,239 | Note 3 | 0.01 |
| 1 | Chun Teng New Century | The Bank | b | Discontinued operations - interest revenue | 20 | Note 3 | - |
| 1 | Chun Teng New Century | The Bank | b | Accounts receivable | 20 | Note 3 | - |
| 1 | Chun Teng New Century | IBT Leasing | c | Discontinued operations -other operating and administrative expenses | 171 | Note 3 | 0.01 |
| 2 | IBTM | The Bank | b | Cash and cash equivalents | 1,492 | Note 3 | - |
| 2 | IBTM | The Bank | b | Other operating and administrative expenses | 193 | Note 3 | 0.01 |
| 2 | IBTM | The Bank | b | Lease interest expense | 5 | Note 3 | - |
| 2 | IBTM | IBTVC7 | c | Consultancy service income | 1,514 | Note 3 | 0.07 |
| 3 | CBF | The Bank | b | Other operating and administrative expenses | 3,558 | Note 3 | 0.15 |
| 4 | IBTS Financial (HK) Limited | The Bank | b | Cash and cash equivalents | 41,420 | Note 3 | 0.01 |
| 4 | IBTS Financial (HK) Limited | The Bank | b | Discontinued operations - interest revenue | 25 | Note 3 | - |
| 4 | IBTS Financial (HK) Limited | The Bank | b | Accounts receivable | 22 | 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 |
| 5 | IBTS Asia (HK) Limited | The Bank | b | Cash and cash equivalents | \$ 74,584 | Note 3 | 0.01 |
| 5 | IBTS Asia (HK) Limited | The Bank | b | Discontinued operations - interest revenue | 21 | Note 3 | 0.01 |
| 5 | IBTS Asia (HK) Limited | The Bank | b | Accounts receivable | 9 | Note 3 | - |
| 6 | IBTL | The Bank | b | Cash and cash equivalents | 16,065 | Note 3 | - |
| 6 | IBTL | The Bank | b | Interest revenue | 1 | Note 3 | - |
| 6 | IBTL | The Bank | b | Lease interest expense | 84 | Note 3 | - |
| 6 | IBTL | The Bank | b | Other operating and administrative expenses | 1,861 | Note 3 | 0.08 |
| 6 | IBTL | Chun Teng New Century | c | Other net revenue other than interest | 171 | Note 3 | 0.01 |
| 7 | IBTVC7 | The Bank | b | Cash and cash equivalents | 4,492 | Note 3 | - |
| 7 | IBTVC7 | IBTM | c | Other operating and administrative expenses | 1,514 | Note 3 | 0.07 |
| 8 | IBTS | The Bank | b | Cash and cash equivalents | 110,362 | Note 3 | 0.02 |
| 8 | IBTS | The Bank | b | Accounts receivable | 47 | Note 3 | - |
| 8 | IBTS | The Bank | b | Discontinued operations - interest revenue | 47 | Note 3 | - |

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

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

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

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

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

(Concluded)

TABLE 7**O-BANK AND SUBSIDIARIES****INFORMATION OF MAJOR SHAREHOLDERS
MARCH 31, 2021**

| Name of Major Shareholders | Shares | |
|--------------------------------|------------------|-----------------------------|
| | Number of Shares | Percentage of Ownership (%) |
| Ming Shan Investment Co., Ltd. | 386,271,554 | 12.74 |
| Yi Chang Investment Co., Ltd. | 289,007,997 | 9.53 |
| Taixuan Investment Co., Ltd. | 287,135,501 | 9.47 |

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

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

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

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