O-Bank and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2020 and 2019 and Independent Auditors' Report

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The Bank and its subsidiaries required to be included in the consolidated financial statements of affiliates in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" as of and for the year ended December 31, 2020 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as those included in International Financial Reporting Standard 10, "Consolidated Financial Statements". Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we do not prepare a separate set of consolidated financial statements of affiliates.

Company name: O-BANK
Chairman: Tina Y. C. Lo
Date: March 22, 2021

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
O-Bank

Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2020 and 2019, its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Publicly Held Bills Finance Companies and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The descriptions of the key audit matters of the consolidated financial statements for the year ended December 31, 2020 are as follows:

Allowance for Credit Losses of Loans

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

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

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

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

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

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

Assessment of Reserve for Losses on Guarantee Contracts

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

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

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

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

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

- We reviewed the assessment schedule of reserve for losses on credit-granting assets, which the management used to assess the reserve. We checked the completeness of amount of credit-granting assets in the schedule and rationality of classifications. We recalculated the amounts of reserve for losses on guarantee contracts in the schedule and checked whether the reserve meets the requirements of "Bills Finance Companies Regulations for Evaluating Bad Debt" or not.

Other Matter

We have also audited the parent company only financial statements of the Bank as of and for the years ended December 31, 2020 and 2019 on which we have issued an unmodified opinion.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 22, 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 audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

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

O-BANK AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars)

	2020		2019	
ASSETS	**Amount**	**%**	**Amount**	**%**
CASH AND CASH EQUIVALENTS (Note 6)	$ 9,621,739	2	$ 6,570,002	1
DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS (Note 7)	18,125,019	3	19,311,763	4
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 8 and 42)	162,494,696	28	172,913,193	31
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 9, 42 and 46)	172,509,235	30	142,112,770	25
BILLS AND BONDS PURCHASED UNDER RESELL AGREEMENTS (Note 10)	4,732,882	1	100,013	-
RECEIVABLES, NET (Notes 11 and 13)	14,952,859	3	16,483,174	3
CURRENT TAX ASSETS	362,328	-	422,886	-
DISCOUNTS AND LOANS, NET (Notes 12, 13, 41 and 42)	183,710,973	32	194,246,229	35
INVESTMENT ACCOUNTED FOR USING EQUITY METHOD, NET (Note 16)	789,863	-	-	-
OTHER FINANCIAL ASSETS (Notes 17 and 42)	858,462	-	1,229,503	-
PROPERTY AND EQUIPMENT, NET (Notes 18 and 43)	2,672,567	1	2,854,194	1
RIGHT-OF-USE ASSETS, NET (Note 19)	429,678	-	485,426	-
INTANGIBLE ASSETS, NET (Note 20)	2,207,244	-	2,319,547	-
DEFERRED TAX ASSETS (Note 39)	895,887	-	734,542	-
OTHER ASSETS (Notes 19 and 21)	1,050,198	-	916,774	-
TOTAL	$ 575,413,630	100	$ 560,700,016	100
LIABILITIES AND EQUITY				
LIABILITIES				
Deposits From the Central Bank and other banks (Note 22)	$ 28,479,755	5	$ 43,439,398	8
Financial liabilities at fair value through profit or loss (Note 8)	790,298	-	533,582	-
Bills and bonds sold under repurchase agreement (Note 23)	181,165,826	32	159,553,385	29
Payables (Note 24)	2,740,642	1	3,687,621	1
Current tax liabilities	172,428	-	46,361	-
Deposits and remittances (Notes 25 and 41)	267,719,672	47	265,731,824	47
Bank debentures payable (Note 26)	16,400,000	3	18,700,000	3
Other financial liabilities (Note 27)	18,102,763	3	12,909,259	2
Provisions (Notes 13, 28 and 29)	2,102,012	-	1,915,054	-
Lease liabilities (Note 19)	444,659	-	498,832	-
Deferred tax liabilities (Note 39)	793,255	-	451,572	-
Other liabilities (Note 30)	2,249,555	-	2,416,851	1
Total liabilities	521,160,865	91	509,883,739	91
EQUITY ATTRIBUTABLE TO OWNERS OF THE BANK				
Capital				
Common stock	27,330,063	5	24,130,063	4
Preferred stock	3,000,000	-	3,000,000	1
Total capital	30,330,063	5	27,130,063	5
Capital surplus	5,966	-	9,750	-
Retained earnings				
Legal reserve	3,697,811	1	3,367,681	1
Special reserve	1,396,353	-	1,631,335	-
Unappropriated earnings	106,262	-	1,187,851	-
Total retained earnings	5,200,426	1	6,186,867	1
Other equity	57,744	-	(67,477)	-
Treasury stock	(38,304)	-	-	-
Total equity attributable to owners of the Bank	35,555,895	6	33,259,203	6
NON-CONTROLLING INTERESTS	18,696,870	3	17,557,074	3
Total equity (Note 31)	54,252,765	9	50,816,277	9
TOTAL	$ 575,413,630	100	$ 560,700,016	100

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

O-BANK AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019		Percentage Increase (Decrease)
	Amount	**%**	**Amount**	**%**	**%**
INTEREST REVENUE (Notes 32 and 41)	$ 7,733,670	96	$ 9,559,209	115	(19)
INTEREST EXPENSE (Notes 32 and 41)	(3,709,021)	(46)	(5,674,337)	(68)	(35)
NET INTEREST	4,024,649	50	3,884,872	47	4
TOTAL NET REVENUE OTHER THAN INTEREST REVENUE					
Service fee income, net (Notes 33 and 41)	2,037,365	25	2,061,879	25	(1)
(Losses) gains on financial assets or liabilities measured at fair value through profit or loss (Note 34)	(199,950)	(3)	1,717,904	20	(112)
Realized gains on financial assets at fair value through other comprehensive income (Note 35)	418,865	5	262,716	3	59
Foreign exchange gain, net	1,734,406	22	256,353	3	577
Impairment loss on assets	(5,203)	-	(10,824)	-	(52)
Share of loss of associates accounted for using equity method (Note 16)	(82,766)	(1)	-	-	-
Other net revenue other than interest (Note 41)	129,125	2	139,051	2	(7)
Total net revenue other than interest revenue	4,031,842	50	4,427,079	53	(9)
NET REVENUE	8,056,491	100	8,311,951	100	(3)
BAD DEBTS EXPENSE, COMMITMENT AND GUARANTEE LIABILITY PROVISION (Notes 4 and 13)	(599,286)	(7)	(1,002,491)	(12)	(40)

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O-BANK AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019		Percentage Increase (Decrease)
	Amount	**%**	**Amount**	**%**	**%**
OPERATING EXPENSES					
Employee benefits expenses (Notes 36 and 41)	$ 2,609,229	32	$ 2,726,153	33	(4)
Depreciation and amortization expenses (Note 37)	628,777	8	617,433	7	2
Other general and administrative expenses (Notes 38 and 41)	1,119,902	14	1,253,639	15	(11)
Total operating expenses	4,357,908	54	4,597,225	55	(5)
PROFIT FROM CONTINUING OPERATIONS BEFORE TAX	3,099,297	39	2,712,235	33	14
INCOME TAX EXPENSE (Note 39)	785,791	10	681,601	8	15
INCOME FROM CONTINUING OPERATIONS	2,313,506	29	2,030,634	25	14
LOSS FROM DISCONTINUED OPERATIONS (Note 14)	(12,577)	-	(4,033)	-	212
NET PROFIT FOR THE YEAR	2,300,929	29	2,026,601	25	14
OTHER COMPREHENSIVE INCOME (LOSS)					
Components of other comprehensive income (loss) that will not be reclassified to profit or loss:					
(Losses) gains on remeasurements of defined benefit plans (Note 29)	(1,642)	-	58	-	(2,931)
Revaluation gains on investments in equity instruments measured at fair value through other comprehensive income	428,610	5	301,995	3	42
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (Note 39)	387	-	(94)	-	512
Components of other comprehensive income that will not be reclassified to profit or loss, net of tax	427,355	5	301,959	3	42

(Continued)

O-BANK AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019		Percentage Increase (Decrease)
	Amount	**%**	**Amount**	**%**	**%**
Components of other comprehensive income (loss) that will be reclassified to profit or loss:					
Exchange differences on translation of financial statements of foreign operations	$ (466,094)	(6)	$ (264,150)	(3)	76
Gains from investments in debt instruments measured at fair value through other comprehensive income	1,031,070	13	448,667	5	130
Income tax related to components of other comprehensive income that will be reclassified to profit or loss (Note 39)	(77,219)	(1)	(47,557)	-	62
Components of other comprehensive income that will be reclassified to profit or loss, net of tax	487,757	6	136,960	2	256
Other comprehensive income for the year, net of income tax	915,112	11	438,919	5	108
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 3,216,041	40	$ 2,465,520	30	30
NET PROFIT ATTRIBUTABLE TO:					
Owners of the Bank	$ 1,147,403	14	$ 1,100,433	14	4
Non-controlling interests	1,153,526	15	926,168	11	25
	$ 2,300,929	29	$ 2,026,601	25	14
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:					
Owners of the Bank	$ 1,384,692	17	$ 1,280,355	16	8
Non-controlling interests	1,831,349	23	1,185,165	14	55
	$ 3,216,041	40	$ 2,465,520	30	30

(Continued)

O-BANK AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019		Percentage Increase (Decrease)
	Amount	**%**	**Amount**	**%**	**%**
EARNINGS PER SHARE (Note 40)					
From continuing and discontinued operations					
Basic	$0.41		$0.45		
Diluted	$0.37		$0.45		
From continuing operations					
Basic	$0.42		$0.45		
Diluted	$0.37		$0.45		

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

O-BANK AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars)

	Equity Attributable Owners of the Bank (Notes 9 and 31)													
	Capital Stock				Retained Earnings				Other Equity					
	Common Stock	Preferred Stocks	Total	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on the Translation of Foreign Financial Statements of Foreign Operation	Unrealized Gains (Losses) on Financial Assets at Fair Value Through Other Comprehensive Income	Treasury Stock	Owner of the Bank	Non-controlling Interests (Note 31)	Total Equity
BALANCE AT JANUARY 1, 2019	$ 24,130,063	$ 3,000,000	$ 27,130,063	$ 8,503	$ 3,184,667	$ 1,215,831	$ 610,045	$ 5,010,543	$ (92,806)	$ (67,175)	$ -	$ 31,989,128	$ 17,129,584	$ 49,118,712
Appropriation and distribution of 2018 earnings														
Legal reserve	-	-	-	-	183,014	-	(183,014)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	415,504	(415,504)	-	-	-	-	-	-	-
Cash dividends of preferred stock distributed by the Bank	-	-	-	-	-	-	(11,527)	(11,527)	-	-	-	(11,527)	-	(11,527)
Unclaimed dividends	-	-	-	341	-	-	-	-	-	-	-	341	2,288	2,629
Changes in capital surplus from investments in subsidiaries accounted for using the equity method	-	-	-	906	-	-	-	-	-	-	-	906	-	906
Cash dividends distributed by subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	(759,963)	(759,963)
Net profit for the year ended December 31, 2019	-	-	-	-	-	-	1,100,433	1,100,433	-	-	-	1,100,433	926,168	2,026,601
Other comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	-	(305)	(305)	(214,667)	394,894	-	179,922	258,997	438,919
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	-	1,100,128	1,100,128	(214,667)	394,894	-	1,280,355	1,185,165	2,465,520
Disposals of investment in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	-	87,723	87,723	-	(87,723)	-	-	-	-
BALANCE AT DECEMBER 31, 2019	24,130,063	3,000,000	27,130,063	9,750	3,367,681	1,631,335	1,187,851	6,186,867	(307,473)	239,996	-	33,259,203	17,557,074	50,816,277
Reversal of special reserve	-	-	-	-	-	(234,982)	234,982	-	-	-	-	-	-	-
Appropriation and distribution of 2019 earnings														
Legal reserve appropriated	-	-	-	-	330,130	-	(330,130)	-	-	-	-	-	-	-
Cash dividends of common stock distributed by the Bank	-	-	-	-	-	-	(965,203)	(965,203)	-	-	-	(965,203)	-	(965,203)
Cash dividends of preferred stock distributed by the Bank	-	-	-	-	-	-	(127,500)	(127,500)	-	-	-	(127,500)	-	(127,500)
Unclaimed dividends	-	-	-	329	-	-	-	-	-	-	-	329	1,071	1,400
Changes in capital surplus from investments in subsidiaries accounted for using the equity method	-	-	-	424	-	-	-	-	-	-	-	424	-	424
Cash dividends of preferred stock distributed by subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	(692,624)	(692,624)
Net profit for the year ended December 31, 2020	-	-	-	-	-	-	1,147,403	1,147,403	-	-	-	1,147,403	1,153,526	2,300,929
Other comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	-	-	(147)	(147)	(390,081)	627,517	-	237,289	677,823	915,112
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	-	-	1,147,256	1,147,256	(390,081)	627,517	-	1,384,692	1,831,349	3,216,041
Capital increase	3,200,000	-	3,200,000	(4,537)	-	-	(1,153,209)	(1,153,209)	-	-	-	2,042,254	-	2,042,254
Purchase of treasury stock	-	-	-	-	-	-	-	-	-	-	(38,304)	(38,304)	-	(38,304)
Disposals of investment in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	-	112,215	112,215	-	(112,215)	-	-	-	-
BALANCE AT DECEMBER 31, 2020	$ 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

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

O-BANK AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit from continuing operations before tax	$ 3,099,297	$ 2,712,235
Loss from discontinued operations before tax	(12,577)	(4,033)
Adjustments to reconcile profit (loss):		
Depreciation expense	355,499	364,173
Amortization expense	273,972	254,094
Expect credit losses recognition of provisions	604,489	1,013,315
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	197,210	(1,725,560)
Interest expense	3,709,021	5,674,337
Interest income	(7,734,166)	(9,560,801)
Dividends income	(185,587)	(72,939)
Share of loss of associates and joint ventures accounted for using equity method	82,766	-
Loss on disposal of property and equipment	678	(426)
Gain on disposal of investments	(233,278)	(192,957)
Gain on lease modification	-	(22)
Changes in operating assets and liabilities:		
Due from the Central Bank and call loans to banks	(2,208,714)	(759,752)
Financial assets at fair value through profit or loss	9,879,510	(19,903,479)
Financial assets at fair value through other comprehensive income	(28,308,801)	8,860,725
Investments in debt instruments measured at amortized cost	-	500,000
Bills and bonds purchased under resell agreements	(4,632,869)	891,350
Receivables	708,504	4,040,545
Discounts and loans	10,148,245	2,168,123
Deposits From the Central Bank and other banks	(14,959,643)	(12,089,978)
Financial liabilities at fair value through profit or loss	256,716	(259,690)
Bills and bonds sold under repurchase agreements	21,612,441	8,106,485
Payable	(590,067)	(1,908,755)
Deposits and remittances	1,987,848	3,928,503
Net change in provisions	(24,656)	20,702
Net cash flows used in operations	(5,974,162)	(7,943,805)
Interest received	8,355,148	9,775,689
Interest paid	(4,043,442)	(5,664,500)
Dividends received	199,115	78,058
Income taxes paid	(418,828)	(646,230)
Net cash flows used in operating activities	(1,882,169)	(4,400,788)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of investments accounted for using equity method	(863,564)	-
Acquisition of property and equipment	(92,019)	(125,395)
Proceeds from disposal of property and equipment	1,472	7,796
Increase in refundable deposits	(191,817)	-

(Continued)

O-BANK AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars)

	2020	2019
Decrease in refundable deposits	$ -	$ 162,683
Acquisition of intangible assets	(156,053)	(122,345)
Decrease in other financial assets	69,934	401,522
Decrease in other assets	58,393	10,762
Net cash flows (used in) generated from investing activities	(1,173,654)	335,023
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	458,029	-
Decrease in short-term borrowings	-	(555,379)
Increase in commercial papers	4,762,000	-
Decrease in commercial papers	-	(500,000)
Proceeds from issue bank debentures	-	2,500,000
Repayments of bank debentures	(2,300,000)	(1,650,000)
Increase in long-term borrowings	4,811,895	3,458,343
Repayments of long-term borrowings	(4,258,439)	(3,675,596)
Payments of lease liabilities	(175,620)	(172,883)
Decrease in other financial liabilities	(620,641)	(852,642)
Decrease in other liabilities	(168,551)	(17,822)
Dividends paid to ownership of the Bank	(1,092,703)	(11,527)
Capital increase	2,032,000	-
Payments to acquire treasury shares	(38,304)	-
Dividends paid to non-controlling interest	(692,624)	(759,963)
Net cash flows generated from (used in) financing activities	2,717,042	(2,237,469)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(306,047)	(107,716)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(644,828)	(6,410,950)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	17,550,472	23,961,422
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 16,905,644	$ 17,550,472

(Continued)

O-BANK AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars)

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

	December 31	
	2020	2019
Cash and cash equivalents reported in the consolidated balance sheets	$ 9,621,739	$ 6,570,002
Due from the Central Bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	7,283,905	10,679,363
Other items qualifying for cash and cash equivalents under the definition of IAS 7	-	301,107
Cash and cash equivalents at end of the year	$ 16,905,644	$ 17,550,472

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

O-BANK AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

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

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

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

As of December 31, 2020, the Bank has eight main departments - Business Department, Principal Investment Department, Treasury Department, Securities Trading Department, Corporate and Institutional Banking Department, Corporate Finance Department, Consumer Lending Department and 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 December 31, 2020 and 2019, the Bank and its subsidiaries (the "Group") had 1,453 and 1,527 employees, respectively.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors and authorized for issue on March 22, 2021.

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

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

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

b. The IFRSs endorsed by the FSC for application starting from 2021

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”	Effective immediately upon promulgation by the IASB
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”	January 1, 2021
Amendment to IFRS 16 “Covid-19 - Related Rent Concessions”	June 1, 2020

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

  “Interest Rate Benchmark Reform - Phase 2” primarily amends IFRS 9, IFRS 7 and IFRS 16 to provide practical relief from the impact of the interest rate benchmark reform.

  Changes in the basis for determining contractual cash flows as a result of interest rate benchmark reform

  The changes in the basis for determining contractual cash flows of financial assets, financial liabilities or lease liabilities 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.

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.

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

New IFRSs	Effective Date Announced by IASB (Note)
"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.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

Statement of Compliance

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

Basis of Preparation

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

Since the operating cycle in the banking industry 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 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, Table 7 and Table 8 for the list of main business activities and ownership percentages of subsidiaries.

Foreign Currencies

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

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

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

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

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

Investments in Associates

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

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

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

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

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

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

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

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

Financial Instruments

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

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

<u>Financial assets</u>

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

a. Measurement categories

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

   1) Financial assets at FVTPL

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

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

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

2) Financial assets at amortized cost

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

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

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

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

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

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

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

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

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

b) Breach of contract, such as a default;

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

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

3) Investments in debt instruments at FVTOCI

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

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

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

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

4) Investments in equity instruments at FVTOCI

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

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

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

b. Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

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

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

c. Derecognition of financial assets

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

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

Equity instruments

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

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

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

Financial liabilities

a. Subsequent measurement

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

1) Financial liabilities at FVTPL

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

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

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

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

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

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

2) Financial guarantee contracts

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

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

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

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

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

b. Derecognition of financial liabilities

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

Derivative financial instruments

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

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

Non-performing Loans

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

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

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

Repurchase and Resale Transactions

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

Property and Equipment

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

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

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

Intangible Assets

a. Intangible assets acquired separately

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

b. Derecognition of intangible assets

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

Goodwill

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

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

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

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

Impairment of Property and Equipment, Right-of-use Assets and Intangible Assets Other than Goodwill

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

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

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

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

Provisions

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

Onerous contracts

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

Leases

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

The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.
Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

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

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

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

Employee Benefits

a. Short-term employee benefits

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

b. Retirement benefits

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

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

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

c. Staff preferential deposit

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

Share-based Payment Arrangements

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

Taxation

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

a. Current tax

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

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

b. Deferred tax

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

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

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

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

c. Current and deferred tax for the period

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

Revenue Recognition

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

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

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

Cash and Cash Equivalents

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The 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

	December 31	
	2020	2019
Cash on hand and petty cash	$ 70,930	$ 89,949
Checking for clearing	451,158	535,095
Due from banks	9,099,651	5,944,958
	$ 9,621,739	$ 6,570,002

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

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

	December 31	
	2020	2019
Reserves for deposits - Type A	$ 4,091,431	$ 2,573,579
Reserves for deposits - Type B	5,521,144	5,124,527
Due from Central Bank - Financial	1,200,031	900,268
Call loans to banks	7,283,905	10,679,363
Others	28,508	34,026
	$ 18,125,019	$ 19,311,763

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

8. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2020	2019
Financial assets mandatorily classified as at FVTPL		
Hybrid financial assets		
Convertible bonds - domestic (include assets swap contracts)	$ 9,793,156	$ 9,470,333
Structured debt	577,236	608,116
	10,370,392	10,078,449
Derivative financial assets		
Currency swap contracts	269,278	171,375
Forward contracts	30,816	7,189
Interest rate swap contracts	8,324	7,610
Currency option contracts - call	8,028	2,882
Promised purchase contracts	-	164
	316,446	189,220
Non-derivative financial assets		
Bills	106,494,789	91,656,052
Negotiable certificates of deposit	44,080,443	69,631,538
Stocks and beneficiary certificates	1,232,626	1,257,942
Government bonds	-	99,992
	151,807,858	162,645,524
	$ 162,494,696	$ 172,913,193

(Continued)

	December 31	
	2020	**2019**
<u>Held-for-trading financial liabilities</u>		
Derivative financial instruments		
Currency swap contracts	$ 682,233	$ 437,940
Forward contracts	42,719	15,830
Interest rate swap contracts	18,334	72,003
Currency option contracts - put	8,030	2,687
Others	37,022	660
	788,338	529,120
Non-derivative financial liabilities		
Commercial paper contracts	1,960	4,462
	$ 790,298	$ 533,582

(Concluded)

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

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

	December 31	
	2020	**2019**
Interest rate swap contracts	$ 13,219,615	$ 19,594,243
Currency swap contracts	58,701,818	54,299,506
Forward contracts	5,899,199	3,796,613
Currency option contracts		
Buy	368,196	851,940
Sell	368,196	586,190
Promised purchase contracts	12,800,000	750,000

As of December 31, 2020 and 2019, financial assets at fair value through profit and loss under agreement to repurchase were in the face amount of $73,379,700 thousand and $62,715,800 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

	December 31	
	2020	2019
Investments in equity instruments at FVTOCI	$ 6,118,890	$ 3,003,645
Investments in debt instruments at FVTOCI		
Government bonds	20,713,254	33,722,794
Bank debentures	38,028,140	34,814,733
Corporate bonds	74,779,579	64,389,574
Overseas government bonds	2,199,467	3,297,940
Mortgage backed securities	885,917	2,884,084
Negotiable certificates of deposit	29,783,988	-
	$ 172,509,235	$ 142,112,770

a. Investments in equity instruments at FVTOCI

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

The Group disposed stock classified as at FVTOCI for invested management purpose for the years ended December 31, 2020 and 2019. The fair value of stocks classified as at FVTOCI which had to be disposed of were $2,948,771 thousand and $2,240,868 thousand and the accumulated gain related to the sold assets of $112,215 thousand and $87,723 thousand, respectively, were transferred from other equity-unrealized valuation gain or loss on financial assets at FVTOCI to retained earnings.

Dividends income from FVTOCI of $185,587 thousand and $72,939 thousand were recognized in profit or loss for the years ended December 31, 2020 and 2019. The dividends related to investments held at the end of the reporting period were $180,810 thousand and $54,740 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) Investments in debt instruments at FVTOCI under agreement to repurchase were in the face amount of $98,234,855 thousand and $92,927,159 thousand as of on December 31, 2020 and 2019, respectively.

10. BILLS AND BONDS PURCHASED UNDER RESELL AGREEMENTS

The Group's bills and bonds purchased under resale agreements are all government bonds. As of December 31, 2020 and 2019, the bonds purchased under agreements to resell were in the amount of $4,734,256 thousand and $100,030 thousand, respectively. As of December 31, 2020 and 2019, bonds purchased under agreements to resell were sold under agreements to repurchase in the face amount of $4,726,100 thousand and $100,000 thousand, respectively.

11. RECEIVABLES, NET

	December 31	
	2020	2019
Lease payment receivable	$ 12,727,198	$ 12,236,876
Factored receivable	869,297	1,585,725
Interest receivable	1,098,072	1,719,054
Accounts receivable	1,077,159	1,064,051
Investment settlements receivable	92,502	29,993
Acceptances receivable	43,447	220,594
Settlement accounts receivable - trusteeship	82,227	118,092
Others	101,479	677,925
	16,091,381	17,652,310
Less: Unrealized interest revenue	707,317	688,852
Allowance for credit losses	431,205	480,284
Receivables, net	$ 14,952,859	$ 16,483,174

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

	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Total
Balance at January 1, 2020	$ 16,348,342	$ 190,010	$ 425,106	$ 16,963,458
Transfers				
To 12-month ECLs	8,417	(8,403)	(14)	-
To lifetime ECLs	(164,596)	164,596	-	-
To credit-impaired financial assets	(44,590)	(79,400)	123,990	-
New financial assets purchased or originated	14,544,657	18,043	11	14,562,711
Derecognition of financial assets	(15,665,790)	(199,108)	(228,769)	(16,093,667)
Write-offs	-	-	(93,384)	(93,384)
Exchange rate or other changes	44,406	1,200	(660)	44,946
Balance at December 31, 2020	$ 15,070,846	$ 86,938	$ 226,280	$ 15,384,064
Balance at January 1, 2019	$ 20,765,683	$ 304,253	$ 371,269	$ 21,441,205
Transfers				
To 12-month ECLs	2,578	(2,578)	-	-
To lifetime ECLs	(207,035)	207,035	-	-
To credit-impaired financial assets	(151,202)	(283,138)	434,340	-
New financial assets purchased or originated	15,516,047	98,251	1,739	15,616,037
Derecognition of financial assets	(19,222,046)	(128,383)	(196,719)	(19,547,148)
Write-offs	-	-	(191,134)	(191,134)
Exchange rate or other changes	(355,683)	(5,430)	5,611	(355,502)
Balance at December 31, 2019	$ 16,348,342	$ 190,010	$ 425,106	$ 16,963,458

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

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

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

12. DISCOUNTS AND LOANS, NET

	December 31	
	2020	2019
Short-term	$ 55,209,054	$ 52,637,640
Medium-term	102,429,234	117,968,744
Long-term	27,583,799	25,364,024
Accounts receivables financing	102,706	284,150
Export bill negotiated	1,222	-
Guaranteed overdraft	142,971	69
Overdue loans	704,710	703,831
	186,173,696	196,958,458
Less: Allowance for credit losses	2,462,723	2,712,229
	$ 183,710,973	$ 194,246,229

The changes in gross carrying amount on discounts and loans for the years ended December 31, 2020 and 2019 were as follows:

	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Total
Balance at January 1, 2020	$ 177,477,719	$ 16,398,011	$ 3,082,728	$ 196,958,458
Transfers				
To 12-month ECLs	229,306	(214,268)	(15,038)	-
To lifetime ECLs	(1,810,042)	1,810,042	-	-
To credit-impaired financial assets	(60,114)	(213,239)	273,353	-
New financial assets purchased or originated	87,813,038	10,943,398	389,554	99,145,990
Derecognition of financial assets	(94,749,782)	(10,895,101)	(1,508,333)	(107,153,216)
Write-offs	-	-	(617,019)	(617,019)
Exchange rate or other changes	(1,866,100)	(386,154)	91,737	(2,160,517)
Balance at December 31, 2020	$ 167,034,025	$ 17,442,689	$ 1,696,982	$ 186,173,696
Balance at January 1, 2019	$ 183,751,973	$ 15,147,609	$ 1,390,597	$ 200,290,179
Transfers				
To 12-month ECLs	1,979,229	(1,979,229)	-	-
To lifetime ECLs	(4,022,646)	4,022,646	-	-
To credit-impaired financial assets	(1,217,443)	(116,053)	1,333,496	-
New financial assets purchased	99,104,764	10,804,177	2,184,060	112,093,001
Derecognition of financial assets	(100,934,024)	(10,966,554)	(337,636)	(112,238,214)
Write-offs	-	-	(1,145,679)	(1,145,679)
Exchange rate or other changes	(1,184,134)	(514,585)	(342,110)	(2,040,829)
Balance at December 31, 2019	$ 177,477,719	$ 16,398,011	$ 3,082,728	$ 196,958,458

The balance of the overdue loans of the Group as of December 31, 2020 and 2019 no longer include the calculation of interest. The unrecognized interest revenue on the above loans amounted to $23,762 thousand and $11,150 thousand for the years ended December 31, 2020 and 2019, respectively. For the years ended December 31, 2020 and 2019, 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 change in allowance for credit loss and provisions for the years ended December 31, 2020 and 2019 were as follows:

Allowance for Receivables	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Accumulated Amount under IFRS 9	Difference Between IFRS 9 and Local Requirements	Total
Balance at January 1, 2020	$ 196,173	$ 35,928	$ 226,869	$ 458,970	$ 21,314	$ 480,284
Transfers						
To 12-month ECLs	2,714	(2,078)	(6)	-	-	-
To lifetime ECLs	(11,480)	11,480	-	-	-	-
To credit-impaired financial assets	(1)	(42,872)	42,873	-	-	-
New financial assets purchased or originated	33,282	23,932	400	57,614	-	57,614
Derecognition of financial assets	(1,749)	(116)	(43,121)	(44,986)	-	(44,986)
Change in model or risk parameters	(12)	4	84	76	-	76
Difference between IFRS 9 and local requirements	-	-	-	-	(12,043)	(12,043)
Write-offs	-	-	(93,384)	(93,384)	-	(93,384)
Withdrawal after write-offs	-	-	42,139	42,139	-	42,139
Exchange rate or other changes	1,807	137	(163)	1,781	(276)	1,505
Balance at December 31, 2020	$ 220,734	$ 25,785	$ 175,691	$ 422,210	$ 8,995	$ 431,205

Allowance for Discounts and Loans	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Accumulated Amount under IFRS 9	Difference Between IFRS 9 and Local Requirements	Total
Balance at January 1, 2020	$ 265,977	$ 77,304	$ 403,522	$ 746,803	$ 1,965,426	$ 2,712,229
Transfers						
To 12-month ECLs	7,704	(1,278)	(6,426)	-	-	-
To lifetime ECLs	(2,449)	2,449	-	-	-	-
To credit-impaired financial assets	(170)	(1,901)	2,071	-	-	-
New financial assets purchased or originated	279,649	83,320	348,907	711,876	-	711,876
Derecognition of financial assets	(113,769)	(16,615)	(184,184)	(314,568)	-	(314,568)
Change in model or risk parameters	100,097	53,160	375,301	528,558	-	528,558
Difference between IFRS 9 and local requirements	-	-	-	-	(538,855)	(538,855)
Write-offs	-	-	(617,019)	(617,019)	-	(617,019)
Withdrawal after write-offs	-	-	31,597	31,597	-	31,597
Exchange rate or other changes	(6,064)	(1,472)	(882)	(8,418)	(42,677)	(51,095)
Balance at December 31, 2020	$ 530,975	$ 194,967	$ 352,887	$ 1,078,829	$ 1,383,894	$ 2,462,723

Reserve for Losses on Guarantees and Financing Commitment	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	111	(111)	-	-	-	-
To lifetime ECLs	(413)	413	-	-	-	-
New financial assets purchased or originated	96,312	16,697	-	113,009	-	113,009
Derecognition of financial assets	(44,223)	(2,573)	-	(46,796)	-	(46,796)
Change in model or risk parameters	5,650	2,242	-	7,892	-	7,892
Difference between IFRS 9 and local requirements	-	-	-	-	137,509	137,509
Withdrawal after write-offs	-	-	-	-	18,125	18,125
Exchange rate or other changes	(773)	(22)	-	(795)	(450)	(1,245)
Balance at December 31, 2020	$ 131,948	$ 21,026	$ -	$ 152,974	$ 1,686,303	$ 1,839,277

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

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

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

14. DISCONTINUED OPERATIONS

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

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

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

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

	For the Year Ended December 31	
	2020	**2019**
Interest revenue	$ 1,717	$ 4,507
Interest expenses	-	-
Net interest	1,717	4,507
Net revenue other than interest		
Service fee income, net	-	45
Gain on financial assets and liabilities measured at fair value through profit or loss	-	3,180
Gain on financial assets and liabilities at fair value through other comprehensive income	2,740	7,655
Foreign exchange gain (loss), net	11	(23)
Other net revenue other than interest	(203)	2,713
Total net revenue other than interest	2,548	13,570
Net revenue	4,265	18,077
Operating expenses		
Employee benefits expenses	7,063	8,027
Depreciation and amortization expense	694	834
Others general and administrative expenses	8,549	11,043
Total operating expenses	16,306	19,904
Income tax expense	-	-
Loss from discontinued operations before elimination	(12,041)	(1,827)
Elimination of transactions with related parties	(536)	(2,206)
Loss from discontinued operations	$ (12,577)	$ (4,033)
Loss from discontinued operations attributable to:		
Owners of the Bank	$ (12,545)	$ (4,023)
Non-controlling interests	(32)	(10)
	$ (12,577)	$ (4,033)
Net cash flows (used in) generated from operating activities	$ (24,295)	$ 13,177
Net cash flows generated from investing activities	208	55
Net cash flows generated from (used in) financing activities	-	-
Effects of exchange rate changes on cash and cash equivalents	9,588	1,962
Net cash (outflow) inflow	$ (14,499)	$ 15,194

15. SUBSIDIARIES

a. Subsidiary included in consolidated financial statements:

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

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

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

The summarized financial information below represents amounts before intragroup eliminations:

	December 31 2020	2019
CBF		
Equity attributable to:		
Owners of CBF	$ 7,219,701	$ 6,767,508
Non-controlling interests of CBF	18,229,741	17,087,954
	$ 25,449,442	$ 23,855,462

	For the Year Ended December 31	
	2020	2019
Net revenue	$ 2,507,171	$ 2,014,768
Net profit from continuing operations	$ 1,578,242	$ 1,244,653
Other comprehensive income for the year	981,173	370,059
Total comprehensive income for the year	$ 2,559,415	$ 1,614,712
Profit attributable to:		
Owners of CBF	$ 447,728	$ 353,093
Non-controlling interests of CBF	1,130,514	891,560
	$ 1,578,242	$ 1,244,653
Total comprehensive income attributable to:		
Owners of CBF	$ 726,075	$ 458,074
Non-controlling interests of CBF	1,833,340	1,156,638
	$ 2,559,415	$ 1,614,712
Net cash inflow (outflow) from:		
Operating activities	$ 4,856,260	$ 13,618,146
Investing activities	(5,100)	(14,369)
Financing activities	(4,831,171)	(13,620,878)
Net cash inflow (outflow)	$ 19,989	$ (17,101)
Dividends paid to non-controlling interests of CBF	$ 692,624	$ 759,963

16. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD, NET

Investments in Associates

	December 31, 2020
Associates - Beijing Sunshine Consumer Finance Co., Ltd.	$ 789,863

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.

Refer to Table 7 “Name, locations and other information of investees on which the Group exercises significant influence” and Table 8 “Information on Investments in Mainland China” for the nature of activities, principal place of business and country of incorporation of the associate.

The financial information of the bank's affiliates is as follows:

	December 31, 2020
Total assets	$ 13,752,736
Total liabilities	$ 9,803,422

	For the Year Ended December 31, 2020
Net loss for the year	$ 413,832
Total other comprehensive loss for the year	$ 413,832

17. OTHER FINANCIAL ASSETS

	December 31	
	2020	2019
Time deposits with original maturities more than 3 months	$ 57,843	$ 46,371
Pledged time deposits	744,108	741,091
Compensation account for payment	15,500	116,258
Call loans to securities firms	-	301,107
Others	41,011	24,676
	$ 858,462	$ 1,229,503

18. PROPERTY AND EQUIPMENT

	December 31	
	2020	2019
Carrying amounts of each class of		
Land	$ 781,970	$ 781,970
Buildings	1,284,858	1,324,482
Machinery and computer equipment	326,010	349,605
Transportation equipment	31,574	35,942
Office and other equipment	65,234	83,386
Lease improvement	161,712	187,479
Construction in progress and prepayments for equipment	21,209	91,330
	$ 2,672,567	$ 2,854,194

The movements of property and equipment for the years ended December 31, 2020 and 2019 are summarized as follows:

	Land	Buildings	Machinery and Computer Equipment	Transportation Equipment	Office and Other Equipment	Lease Improvement	Construction in Progress and Prepayments for Equipment	Total
Cost								
Balance at January 1, 2020	$ 781,970	$ 1,898,849	$ 809,120	$ 78,739	$ 280,283	$ 373,783	$ 91,330	$ 4,314,074
Additions	-	6,580	37,986	7,041	5,654	5,796	28,962	92,019
Disposals and scrapped	-	-	(14,306)	(5,561)	(875)	-	-	(20,742)
Reclassification	-	-	9,851	800	(244)	22,162	(98,819)	(66,250)
Effect of foreign currency exchange differences	-	-	(648)	(336)	(2,788)	(7,919)	(264)	(11,955)
Balance at December 31, 2020	$ 781,970	$ 1,905,429	$ 842,003	$ 80,683	$ 282,030	$ 393,822	$ 21,209	$ 4,307,146
Accumulated depreciation and impairment								
Balance at January 1, 2020	$ -	$ 574,367	$ 459,515	$ 42,797	$ 196,897	$ 186,304	$ -	$ 1,459,880
Disposals and scrapped	-	-	(13,112)	(4,616)	(864)	-	-	(18,592)
Depreciation expense	-	46,204	69,727	11,054	23,495	51,547	-	202,027
Reclassification	-	-	550	-	(748)	(1,403)	-	(1,601)
Effect of foreign currency exchange differences	-	-	(687)	(126)	(1,984)	(4,338)	-	(7,135)
Balance at December 31, 2020	$ -	$ 620,571	$ 515,993	$ 49,109	$ 216,796	$ 232,110	$ -	$ 1,634,579
Carrying amounts								
Balance at December 31, 2020	$ 781,970	$ 1,284,858	$ 326,010	$ 31,574	$ 65,234	$ 161,712	$ 21,209	$ 2,672,567
Cost								
Balance at January 1, 2019	$ 781,970	$ 1,898,675	$ 747,969	$ 77,088	$ 282,253	$ 385,137	$ 87,501	$ 4,260,593
Additions	-	1,025	37,682	12,628	2,557	4,391	67,112	125,395
Disposals and scrapped	-	(2,429)	(14,800)	(10,556)	(6,020)	(17,249)	-	(51,054)
Reclassification	-	1,578	39,998	-	2,637	4,828	(63,291)	(14,250)
Net exchange differences	-	-	(1,729)	(421)	(1,144)	(3,324)	8	(6,610)
Balance at December 31, 2019	$ 781,970	$ 1,898,849	$ 809,120	$ 78,739	$ 280,283	$ 373,783	$ 91,330	$ 4,314,074
Accumulated depreciation								
Balance at January 1, 2019	$ -	$ 529,300	$ 409,143	$ 40,373	$ 178,807	$ 151,310	$ -	$ 1,308,933
Disposals and scrapped	-	(960)	(14,555)	(9,381)	(5,956)	(12,832)	-	(43,684)
Depreciation expense	-	46,027	66,224	12,011	24,810	48,953	-	198,025
Reclassification	-	-	-	-	-	427	-	427
Net exchange differences	-	-	(1,297)	(206)	(764)	(1,554)	-	(3,821)
Balance at December 31, 2019	$ -	$ 574,367	$ 459,515	$ 42,797	$ 196,897	$ 186,304	$ -	$ 1,459,880
Carrying amounts								
Balance at December 31, 2019	$ 781,970	$ 1,324,482	$ 349,605	$ 35,942	$ 83,386	$ 187,479	$ 91,330	$ 2,854,194

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

	December 31 2020	December 31 2019
Carrying amounts		
Buildings	$ 418,692	$ 477,885
Transportation equipment	8,369	7,541
Office equipment	2,617	-
	$ 429,678	$ 485,426

	For the Year Ended December 31 2020	For the Year Ended December 31 2019
Additions to right-of-use assets	$ 52,701	$ 166,337
Depreciation charge for right-of-use assets		
Buildings	$ 144,500	$ 159,530
Transportation equipment	7,806	6,618
Office equipment	1,166	-
	$ 153,472	$ 166,148

Except for the aforementioned addition and recognized depreciation, the Group did not have significant sublease or impairment of right-of-use assets during the years ended December 31, 2020 and 2019.

b. Lease liabilities

	December 31 2020	December 31 2019
Carrying amounts	$ 444,659	$ 498,832

Range of discount rate for lease liabilities was as follows:

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

c. Material lease-in activities

Due to the rental of buildings, the Group had entered into various leasehold contracts with others, respectively. These contracts are gradually expiring before the end of October 2028. As of December 31, 2020 and 2019, refundable deposits paid under operating lease amounted to $37,809 thousand and $31,523 thousand, respectively.

d. Other lease information

	For the Year Ended December 31	
	2020	**2019**
Expenses relating to short-term leases	$ 20,194	$ 24,165
Expenses relating to low-value asset leases	$ 3,399	$ 3,256
Total cash outflow for leases	$ (199,213)	$ (200,304)

20. INTANGIBLE ASSETS

	December 31	
	2020	**2019**
Carrying amounts of each class of		
Computer software	$ 1,124,681	$ 1,176,120
Goodwill	1,082,563	1,142,865
Others	-	562
	$ 2,207,244	$ 2,319,547

The changes in of intangible assets for the years ended December 31, 2020 and 2019 are summarized as follows:

	Computer Software	Goodwill	Others	Total
Cost				
Balance at January 1, 2020	$ 2,157,522	$ 1,142,865	$ 7,351	$ 3,307,738
Additions	156,053	-	-	156,053
Disposals	(273)	-	-	(273)
Reclassification	65,702	-	-	65,702
Effect of foreign currency exchange differences	(2,183)	(60,302)	(391)	(62,876)
Balance at December 31, 2020	$ 2,376,821	$ 1,082,563	$ 6,960	$ 3,466,344
Accumulated amortization and impairment				
Balance at January 1, 2020	$ 981,402	$ -	$ 6,789	$ 988,191
Amortization	273,420	-	552	273,972
Disposals	(273)	-	-	(273)
Effect of foreign currency exchange differences	(2,409)	-	(381)	(2,790)
Balance at December 31, 2020	$ 1,252,140	$ -	$ 6,960	$ 1,259,100
Carrying amounts				
Balance at December 31, 2020	$ 1,124,681	$ 1,082,563	$ -	$ 2,207,244

(Continued)

	Computer Software	Goodwill	Others	Total
Cost				
Balance at January 1, 2019	$ 2,120,054	$ 1,166,769	$ 7,506	$ 3,294,329
Additions	122,345	-	-	122,345
Disposals	(408)	-	-	(408)
Reclassification	(83,111)	-	-	(83,111)
Effect of foreign currency exchange differences	(1,358)	(23,904)	(155)	(25,417)
Balance at December 31, 2019	$ 2,157,522	$ 1,142,865	$ 7,351	$ 3,307,738
Accumulated amortization and impairment loss				
Balance at January 1, 2019	$ 832,353	$ -	$ 4,676	$ 837,029
Amortization	251,824	-	2,270	254,094
Disposals	(408)	-	-	(408)
Reclassification	(101,317)	-	-	(101,317)
Effect of foreign currency exchange differences	(1,050)	-	(157)	(1,207)
Balance at December 31, 2019	$ 981,402	$ -	$ 6,789	$ 988,191
Carrying amounts				
Balance at December 31, 2019	$ 1,176,120	$ 1,142,865	$ 562	$ 2,319,547

(Concluded)

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

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

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

21. OTHER ASSETS

	December 31	
	2020	2019
Refundable deposits	$ 462,289	$ 270,472
Life insurance cash surrender value	327,517	340,513
Prepayments	84,754	106,004
Others	175,638	199,785
	$ 1,050,198	$ 916,774

22. DEPOSITS FROM THE CENTRAL BANK AND OTHER BANKS

	December 31	
	2020	2019
Call loans from banks	$ 18,628,924	$ 34,030,540
Deposits from Chunghwa Post Co., Ltd.	7,000,000	7,000,000
Call loans from the Central Bank	2,850,831	2,408,858
	$ 28,479,755	$ 43,439,398

23. BILLS AND BONDS SOLD UNDER REPURCHASE AGREEMENTS

	December 31	
	2020	2019
Bills	$ 73,092,529	$ 61,873,869
Government bonds	24,707,835	27,297,780
Corporate bonds	62,377,074	51,926,418
Bank debentures	20,988,388	18,455,318
	$ 181,165,826	$ 159,553,385
Date of agreements to repurchase	Before December 2021	Before December 2020
Amount of agreements to repurchase	$ 181,233,857	$ 159,673,835

24. PAYABLES

	December 31	
	2020	2019
Investment settlements payable	$ 202,014	$ 418,947
Settlement accounts payable - trusteeship	82,226	129,703
Acceptances	43,447	220,594
Accrued interest	545,613	891,220
Accrued expenses	1,020,850	979,218
Collections payable	95,555	117,230
Factored payables	79,059	252,912
Checks for clearing	451,158	535,095
Others	220,720	142,702
	$ 2,740,642	$ 3,687,621

25. DEPOSITS AND REMITTANCES

	December 31	
	2020	2019
Deposits		
Checking	$ 6,534,134	$ 4,553,278
Demand	51,119,498	41,890,065
Time	193,289,924	202,575,243
Savings deposits	16,729,084	16,649,521
Export remittances	47,032	63,717
	$ 267,719,672	$ 265,731,824

26. BANK DEBENTURES PAYABLE

	December 31	
	2020	2019
Subordinate bonds first issued in 2013; fixed 1.95% interest rate; maturity: May 30, 2020; interest paid annually and repay the principal at maturity	$ -	$ 2,300,000
Subordinate bonds first issued in 2014; fixed 1.95% interest rate; maturity: March 27, 2021; interest paid annually and repay the principal at maturity	1,300,000	1,300,000
Subordinate bonds second issued in 2014; fixed 1.85% interest rate; maturity: June 26, 2021; interest paid annually and repay the principal at maturity	1,000,000	1,000,000
Subordinate bonds third issued in 2014; fixed 1.95% interest rate; maturity: September 26, 2021; interest paid annually and repay the principal at maturity	600,000	600,000
Subordinate bonds forth issued in 2014; fixed 2.2% interest rate; maturity: May 5, 2022; interest paid annually and repay the principal at maturity	1,500,000	1,500,000
Subordinate bonds first issued in 2015; fixed 1.85% interest rate; maturity: December 29, 2022; interest paid annually and repay the principal at maturity	1,000,000	1,000,000
Subordinate bonds A first issued in 2016; fixed 1.70% interest rate; maturity: June 29, 2023; interest paid annually and repay the principal at maturity	1,500,000	1,500,000
Subordinate bonds B first issued in 2016; fixed 1.80% interest rate; maturity: June 29, 2024; interest paid annually and repay the principal at maturity	1,500,000	1,500,000
Subordinate bonds first issued in 2017; fixed 1.97% interest rate; maturity: September 5, 2027; interest paid annually and repay the principal at maturity	2,000,000	2,000,000
Subordinate bonds A second issued in 2017; fixed 4% interest rate; no maturity, interest paid annually	750,000	750,000
Subordinate bonds B second issued in 2017; fixed 1.82% interest rate; maturity: December 27, 2027; interest paid annually and repay the principal at maturity	1,000,000	1,000,000
Subordinate bonds A first issued in 2018; fixed 4% interest rate; no maturity, interest paid annually	700,000	700,000

(Continued)

	December 31	
	2020	2019
Subordinate bonds B first issued in 2018; fixed 1.75% interest rate; maturity: June 29, 2028; interest paid annually and repay the principal at maturity	$ 1,050,000	$ 1,050,000
Subordinate bonds first issued in 2019; fixed 1.5% interest rate; maturity: June 6, 2026; interest paid annually and repay the principal at maturity	2,500,000	2,500,000
	$ 16,400,000	$ 18,700,000

(Concluded)

27. OTHER FINANCIAL LIABILITIES

	December 31	
	2020	2019
Bank borrowings	$ 9,993,528	$ 8,940,610
Commercial papers payable	5,261,227	500,000
Principal of structured products	25,939	517,749
Funds obtained from the government - intended for specific types of loans	2,822,069	2,950,900
	$ 18,102,763	$ 12,909,259

a. Bank borrowings

	December 31	
	2020	2019
Short-term borrowings	$ 4,971,524	$ 4,513,495
Long-term borrowings	5,022,004	4,427,115
	$ 9,993,528	$ 8,940,610
Interest rate interval		
New Taiwan dollars	1.00%-1.60%	1.00%-1.55%
U.S. dollars	0.95%-1.93%	3.14%-3.40%
Renminbi	4.69%-5.50%	4.69%-5.94%

b. Commercial papers payable

	December 31	
	2020	2019
Commercial papers payable	$ 5,262,000	$ 500,000
Less: Unamortized discount	(773)	-
	$ 5,261,227	$ 500,000
Interest rate interval	0.27%-1.14%	1.19%-1.3%

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

	December 31	
	2020	**2019**
Funds obtained from the government - intended for specific types of loans	$ 2,822,069	$ 2,950,900

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

	December 31	
	2020	**2019**
Provisions for employee benefits	$ 262,735	$ 304,271
Provisions for losses on guarantees contracts	1,747,556	1,543,817
Provisions for losses on financing commitment	91,721	66,966
	$ 2,102,012	$ 1,915,054

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

29. RETIREMENT BENEFIT PLANS

Defined Contribution Plan

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

The amount to be paid in accordance with the percentage specified in the proposed plan for the years ended December 31, 2020 and 2019 was recognized in the consolidated statements of comprehensive income in the total amounts of $72,427 thousand and $69,962 thousand, respectively.

Defined Benefit Plan

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

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

	December 31	
	2020	2019
Present value of defined benefit obligation	$ 566,114	$ 601,193
Fair value of plan assets	(303,379)	(296,922)
Net defined benefit liabilities	$ 262,735	$ 304,271

Movement in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2019	$ 565,026	$ (271,381)	$ 293,645
Service cost			
Current service cost	11,961	-	11,961
Net interest expense (income)	4,452	(2,779)	1,673
Recognized in profit or loss	16,413	(2,779)	13,634
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(9,385)	(9,385)
Changes in demographic assumptions	6,057	-	6,057
Changes in financial assumptions	4,614	-	4,614
Experience adjustments	(1,344)	-	(1,344)
Recognized in other comprehensive income	9,327	(9,385)	(58)
Employer contributions	-	(15,690)	(15,690)
Benefits paid	(5,243)	5,243	-
Other	15,670	(2,930)	12,740
Balance at December 31, 2019	$ 601,193	$ (296,922)	$ 304,271
Balance at January 1, 2020	$ 601,193	$ (296,922)	$ 304,271
Service cost			
Current service cost	9,797	-	9,797
Past service cost and liquidity loss	611	-	611
Net interest expense (income)	3,359	(2,174)	1,185
Recognized in profit or loss	13,767	(2,174)	11,593
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(9,392)	(9,392)
Changes in demographic assumptions	230	-	230
Changes in financial assumptions	9,454	-	9,454
Experience adjustments	1,461	-	1,461
Other	-	(111)	(111)
Recognized in other comprehensive income	11,145	(9,503)	1,642
Employer contributions	-	(15,382)	(15,382)
Benefits paid	(20,602)	20,602	-
Business paid	(32,133)	-	(32,133)
Other	(7,256)	-	(7,256)
Balance at December 31, 2020	$ 566,114	$ (303,379)	$ 262,735

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

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

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

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

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

	December 31	
	2020	**2019**
Discount rate(s)	0.50%	0.75%
Expected rate(s) of salary increase	2.50%	2.50%

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

	December 31	
	2020	**2019**
Discount rate(s)		
0.25% increase	$ (9,454)	$ (10,271)
0.25% decrease	$ 9,775	$ 10,632
Expected rate(s) of salary increase		
0.25% increase	$ 9,415	$ 10,272
0.25% decrease	$ (9,156)	$ (9,978)

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

	December 31	
	2020	**2019**
Expected contributions to the plans for the next year	$ 15,667	$ 7,243
Average duration of the defined benefit obligation	8.7-9.6 years	9-9.4 years

30. OTHER LIABILITIES

	December 31	
	2020	2019
Guarantee deposits received	$ 1,929,469	$ 1,838,707
Advance revenue	47,999	28,691
Payable for custody	39,403	56,585
Others	232,684	492,868
	$ 2,249,555	$ 2,416,851

31. EQUITY

a. Capital stock

	December 31	
	2020	2019
Number of stock authorized (in thousands)	3,500,000	3,500,000
Amount of capital stock authorized	$ 35,000,000	$ 35,000,000
Number of stocks issued and fully paid (in thousands)		
Common stock	2,733,006	2,413,006
Preferred stock	300,000	300,000
Amount of stocks issued	$ 30,330,063	$ 27,130,063

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

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

1) The interest rate of Series A preferred stock shall be based on the 5-year Interest Rate Swap (IRS) rate on the pricing date and the interest shall be calculated on the issue price per share; the interest rate is initially set at 0.94375% plus 3.30625% (total 4.25%) per annum. The interest Rate Swap issued price per share. Interest rate per annum will be reset on the day after the 5.5-year anniversary of the issue date and the day after each subsequent period of 5.5 years thereafter. Dividends for the Series A preferred stock shall be declared once 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 and plans to issued at $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.

b. Capital surplus

	December 31	
	2020	**2019**
May be used to offset a deficit, distributed as dividends, or transferred to capital stock (Note)		
Treasury share transactions	$ 3,193	$ 3,193
Share-based payments	-	4,537
Must be used to offset a deficit		
Unclaimed dividends	978	649
May not be used for any purpose		
Share of changes in capital surplus of subsidiaries, associates or joint ventures	1,795	1,371
	$ 5,966	$ 9,750

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

	December 31	
	2020	2019
Trading loss and default loss reserve	$ 133,955	$ 133,955
Employee transfer or placement expenditure related to financial technology development	17,181	18,353
Other equity deductions special reserves	67,477	159,981
According to the Bank's policy	1,177,740	1,319,046
	$ 1,396,353	$ 1,631,335

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.

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

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

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

The appropriation of earnings for 2020 had been proposed by the Board on March 22, 2021. The appropriation were as follows:

	Appropriation of Earnings
Legal reserve	$ 31,879
Special reserve reversed	(598,570)
Cash dividends - common stock	545,454
Cash dividends - preferred stock	127,500

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

e. Other equity items

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

	For the Year Ended December 31	
	2020	**2019**
Balance at January 1	$ (307,473)	$ (92,806)
Exchange differences arising on translating the financial statements of foreign operations	(446,246)	(237,382)
Income tax related to gains arising on translating the financial statements of foreign operations	56,165	22,715
Balance at December 31	$ (697,554)	$ (307,473)

2) Unrealized gains (losses) on financial assets at FVOCI

	For the Year Ended December 31	
	2020	**2019**
Balance at January 1	$ 239,996	$ (67,175)
Recognized during the year		
Unrealized gain - debt instruments	284,191	223,138
Unrealized gain - equity instruments	339,439	169,681
Loss allowance of debt instruments	3,887	2,075
Other comprehensive income recognized in the period	627,517	394,894
Cumulative unrealized loss of equity instruments transferred to retained earnings due to disposal	(112,215)	(87,723)
Balance at December 31	$ 755,298	$ 239,996

f. Non-controlling interests

	For the Year Ended December 31	
	2020	**2019**
Balance at January 1	$ 17,557,074	$ 17,129,584
Attribute to non-controlling interests		
Shares of profit for the year	1,153,526	926,168
Capital surplus	1,071	2,288
Exchange differences arising on translation of foreign entities	(25,777)	(10,018)
Unrealized gains and losses on FVTOCI	704,708	268,746
Actuarial profit and loss of defined benefit plans	(1,108)	269
Cash dividends distributed by subsidiary	(692,624)	(759,963)
Balance at December 31	$ 18,696,870	$ 17,557,074

g. Treasury stock

Unit: In Thousands of Shares

	For the Year Ended December 31, 2020
Number of shares at January 1, 2020	-
Increase during the year	5,737
Number of shares at December 31, 2020	5,737

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

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

32. NET INTEREST

	For the Year Ended December 31	
	2020	2019
Interest revenue		
Discounts and loans	$ 4,800,133	$ 5,993,123
Investments in securities	1,822,032	2,099,291
Installment sales and leases	910,524	1,018,484
Due from the Central Bank and call loans to banks	105,792	335,540
Others	95,189	112,771
	7,733,670	9,559,209
Interest expense		
Deposits	2,134,139	3,278,193
Deposits from the Central Bank and other banks	218,024	588,082
Bank debentures	349,741	378,508
Bills and bonds sold under repurchase agreements	724,181	1,042,612
Others	282,936	386,942
	3,709,021	5,674,337
	$ 4,024,649	$ 3,884,872

33. SERVICE FEE INCOME, NET

	For the Year Ended December 31	
	2020	2019
Service fee income		
Guarantee business	$ 1,006,850	$ 872,632
Loan business	126,503	257,632
Underwrite business	435,730	287,245
Trust business	32,751	20,188
Lease business	241,158	253,271
Credit examine business	149,797	275,176
Import and export business	11,705	23,219
Factoring business	16,066	41,598
Insurance agent business	70,527	119,129
Others	58,130	54,499
	2,149,217	2,204,589
Service charge		
Others	111,852	142,710
	$ 2,037,365	$ 2,061,879

34. GAINS (LOSSES) ON FINANCIAL ASSETS OR LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	For the Year Ended December 31	
	2020	2019
Realized gains or losses		
Bills	$ 125,873	$ 43,460
Stocks and beneficiary certificates	105,616	104,661
Bonds	12,147	30,523
Derivatives	(1,374,722)	777,391
	(1,131,086)	956,035
Gains (losses) on valuation		
Bills	20,864	7,071
Stocks and beneficiary certificates	103,592	24,481
Bonds	15,236	7,512
Derivatives	(120,875)	(373,181)
	18,817	(334,117)
Interest revenue	912,319	1,095,986
	$ (199,950)	$ 1,717,904

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

	For the Year Ended December 31	
	2020	2019
Realized income - debt instruments	$ 233,278	$ 192,957
Dividend revenue	185,587	69,759
	$ 418,865	$ 262,716

36. EMPLOYEE BENEFITS EXPENSES

	For the Year Ended December 31	
	2020	2019
Short-term employee benefits		
Salaries and wages	$ 2,193,281	$ 2,251,173
Labor insurance and national health insurance	135,325	154,133
Others	195,712	237,939
Post-employment benefits		
Pension expenses	83,496	82,903
Pension benefits	1,415	5
	$ 2,609,229	$ 2,726,153

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

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

Accrual rate

	For the Year Ended December 31	
	2020	2019
Employees' compensation	1.25%	1.25%
Remuneration of directors	2.50%	2.50%

Amount

	For the Year Ended December 31	
	2020	2019
Employees' compensation	$ 16,056	$ 15,715
Remuneration of directors	$ 32,111	$ 31,430

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

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

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

There are no differences between the 2019 and 2018 actual amounts of employees' compensation and remuneration of directors paid and the 2019 and 2018 amount recognized in the annual financial statements.

The Board approved employees' compensation and remuneration of directors for the years ended December 31, 2020 on March 22, 2021, were as follows:

	For the Year Ended December 31, 2020
Employees' compensation - cash	$ 16,056
Remuneration of directors	$ 32,111

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

37. DEPRECIATION AND AMORTIZATION EXPENSES

	For the Year Ended December 31	
	2020	2019
Property and equipment	$ 201,333	$ 197,191
Right-of-use assets	153,472	166,148
Intangible assets	273,972	254,094
	$ 628,777	$ 617,433

38. OTHER GENERAL AND ADMINISTRATIVE EXPENSE

	For the Year Ended December 31	
	2020	2019
Taxation	$ 227,391	$ 253,958
Rental fees	19,876	23,561
Management fees	42,043	41,266
Computer operating and consulting fees	297,724	283,840
Entertainment fees	44,711	56,368
Professional services fees	94,998	88,506
Advertisement fees	47,562	133,173
Others fees	345,597	372,967
	$ 1,119,902	$ 1,253,639

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 Year Ended December 31	
	2020	2019
Current tax		
In respect of the current year	$ 694,146	$ 668,068
Income tax on unappropriated earnings	-	12,537
Adjustment of prior years	(1,054)	10,561
	693,092	691,166
Deferred tax		
In respect of the current year	92,699	(9,565)
Income tax expense recognized in profit or loss	$ 785,791	$ 681,601

A reconciliation of accounting profit and income tax expense for the years ended December 31, 2020 and 2019 were as follows:

	For the Year Ended December 31	
	2020	2019
Profit before tax from continuing operations	$ 3,099,297	$ 2,712,235
Income tax expense calculated at the statutory rate	$ 981,354	$ 916,043
Realized gain on investment in equity instruments measured at fair value through other comprehensive income	36,348	17,545
Endorsee/Guarantee calculated interest income	1,323	-
Nondeductible expenses and tax-exempt income in determining taxable income	(293,951)	(297,481)
Unrecognized unused loss carryforwards	(13,178)	3,739
Unrecognized deductible temporary differences	(21,316)	(35,830)
Current loss deduction	-	(7,594)
Deductible tax amount of overseas income tax	-	(77,388)
Additional income tax under the Alternative Minimum Tax Act	24,824	6,289
Income tax on unappropriated earnings	-	12,537
Unrecognized deductible temporary differences	71,441	133,180
Adjustments for prior years' tax	(1,054)	10,561
Income tax expense recognized in profit or loss	$ 785,791	$ 681,601

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2020	2019
Deferred tax		
Translation of foreign operations	$ 50,238	$ 39,466
Actual gains (loss) on defined benefit plans	387	(94)
Unrealized gains on financial assets at FVTOCI	(127,457)	(87,023)
Income tax expense recognized in other comprehensive income	$ (76,832)	$ (47,651)

c. Deferred tax assets and liabilities

For the year ended December 31, 2020

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre-hensive Income	Other	Closing Balance
Deferred tax assets					
Temporary differences					
FVTPL financial instruments	$ 52,952	$ 25,940	$ -	$ 491	$ 79,383
Property and equipment	9,492	2,618	-	(566)	11,544
Exchange differences on translating the financial statements of foreign operations	57,159	-	50,237	-	107,396
Defined benefit retirement benefit plans	51,372	(1,806)	387	(1,962)	47,991
Allowance for bad debts	470,696	(20,351)	-	(3,998)	446,347
Provisions	50,215	8,253	-	-	58,468
Impairment of assets	5,729	(383)	-	(60)	5,286
Other	36,927	(8,509)	(5,663)	(4,712)	18,043
Unused loss carryforwards	-	88,573	-	-	88,573
Allowance for bad debts	-	32,856	-	-	32,856
	$ 734,542	$ 127,191	$ 44,961	$ (10,807)	$ 895,887
Deferred tax liabilities					
Temporary differences					
FVTPL financial instruments	$ 10,335	$ 2,368	$ -	$ -	$ 12,703
FVTOCI financial instruments	40,692	-	121,793	-	162,485
Share of profit of associates and joint ventures accounted for using equity method	400,545	217,522	-	-	618,067
	$ 451,572	$ 219,890	$ 121,793	$ -	$ 793,255

For the year ended December 31, 2019

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre-hensive Income	Other	Closing Balance
Deferred tax assets					
Temporary differences					
FVTPL financial instruments	$ 42,091	$ 10,930	$ -	$ (69)	$ 52,952
Property and equipment	7,365	2,328	-	(201)	9,492
Exchange differences on translating the financial statements of foreign operations	28,433	-	28,726	-	57,159
FVTOCI financial instruments	38,346	-	(48,468)	2,106	(8,016)
Defined benefit retirement benefit plans	49,249	3,026	(94)	(809)	51,372
Allowance for bad debts	403,218	75,036	-	(7,558)	470,696
Provisions	54,929	(4,714)	-	-	50,215
Impairment of assets	6,046	(290)	-	(27)	5,729
Other	42,979	5,978	-	(4,014)	44,943
	$ 672,656	$ 92,294	$ (19,836)	$ (10,572)	$ 734,542
Deferred tax liabilities					
Temporary differences					
FVTPL financial instruments	$ 4,805	$ 5,530	$ -	$ -	$ 10,335
FVTOCI financial instruments	2,124	-	38,555	13	40,692
Share of profit of associates and joint ventures accounted for using equity method	323,346	77,199	-	-	400,545
Exchange differences on translating the financial statements of foreign operations	10,740	-	(10,740)	-	-
	$ 341,015	$ 82,729	$ 27,815	$ 13	$ 451,572

d. 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 Year Ended December 31	
	2020	**2019**
Basic earnings per share		
From continuing operations	$ 0.42	$ 0.45
From discontinued operations	(0.01)	-
Total basic earnings per share	$ 0.41	$ 0.45
Diluted earnings per share		
From continuing operations	$ 0.37	$ 0.45
From discontinued operations	-	-
Total diluted earnings per share	$ 0.37	$ 0.45

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

Net Profit for the Year

	For the Year Ended December 31	
	2020	**2019**
Profit for the period attributable to owners of the Bank	$ 1,147,403	$ 1,100,433
Less: Declared preferred stock dividend	127,500	11,527
Earnings used in the computation of basic earnings per share	1,019,903	1,088,906
Less: Loss for the period from discontinued operations used in the computation of basic earnings per share from discontinued operations	(12,545)	(4,023)
Earnings used in the computation of basic and diluted earnings per share from continuing operations	$ 1,032,448	$ 1,092,929

Stock (In Thousand Shares)

	For the Year Ended December 31	
	2020	**2019**
Weighted average number of common stocks in computation of basic earnings per share	2,471,797	2,413,006
Effect of potentially dilutive common stocks:		
Employees' compensation issued to employees	2,886	2,302
Convertible preferred stock	300,000	27,123
	302,886	29,425
Weighted average number of common stocks in the computation of diluted earnings per share	2,774,683	2,442,431

If the Bank offered to settle compensation paid to employees in cash or stocks, then the Bank will assume the entire amount of the compensation 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 Group 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)	Associates
Beijing Sunshine Consumer Finance Co., Ltd.	Associates
IBT Education Foundation (IBTEF)	The Group is the major donor of the foundation
Taiwan Cement Corporation	The Bank’s legal director
Yi Chang Investment Co., Ltd.	The Bank’s legal director
Ming Shan Investment Co., Ltd.	The Group’s legal director
TCC Chemical Corporation (TCC)	Other relatives
Others	The Group’s management and their other related party

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

1) Deposits (part of deposits and remittances)

	Ending Balance	Interest Expense	Rate (%)
For the year ended December 31, 2020			
Associates	$ 1,977	$ 1	0.03
Others	4,809,246	48,140	0.00-6.315
	$ 4,811,223	$ 48,141	
For the year ended December 31, 2019			
Associates	$ 2,298	$ 33	0.00-0.33
Others	3,670,509	63,622	0.00-6.56
	$ 3,672,807	$ 63,655	

2) Loan

	Maximum Balance	Ending Balance	Interest Income	Rate (%)
For the year ended December 31, 2020				
Others	$ 430,000	$ 430,000	$ 5,317	1.179
For the year ended December 31, 2019				
Others	$ 430,000	$ 430,000	$ 6,204	1.443

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
Other loans	TCC	$ 430,000	$ 430,000	$ 430,000	$ -	Real estate	None

December 31, 2019

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

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

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

	For the Year Ended December 31	
	2020	2019
Others	$ 33	$ 21

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

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

	For the Year Ended December 31	
	2020	2019
Others	$ 5,720	$ 4,800

Other expenses are donations.

5) Rental income and others (part of other net revenue other than interest)

	For the Year Ended December 31	
	2020	2019
Others	$ 552	$ 552

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

c. Compensation of key management personnel

The remuneration of directors and other members of key management personnel for the years ended December 31, 2020 and 2019 were as follows:

	For the Year Ended December 31	
	2020	2019
Short-term employee benefits	$ 317,456	$ 408,070
Post-employment benefits	9,459	9,919
Stock-based payments	761	335
	$ 327,676	$ 418,324

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

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

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

42. PLEDGED ASSETS

	December 31	
	2020	2019
Financial assets at FVTPL	$ 9,100,504	$ 19,061,425
Financial assets at FVTOCI	8,470,589	2,394,458
Discounts and loans	6,065,517	5,760,047
Pledged time deposits	744,108	741,091
Compensation account for payment	15,500	116,258
	$ 24,396,218	$ 28,073,279

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 December 31, 2020 and 2019, the Group had commitments as follows:

	December 31	
	2020	**2019**
Office decorating and contracts of computer software		
Amount of contracts	$ 31,836	$ 126,642
Payments for construction in progress and prepayments for equipment	21,209	91,330

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 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

	December 31	
	2020	**2019**
Trust assets		
Petty cash	$ 100	$ 100
Bank deposits	2,404,446	1,665,135
Financial assets	3,285,615	2,875,818
Receivables	18	35
Prepayments	1,374	1,578
Real estate	8,544,916	8,238,959
Other assets	21,329	26,705
Total trust assets	$ 14,257,798	$ 12,808,330

(Continued)

	December 31	
	2020	2019
Trust liabilities and capital		
Payables	$ 1,188	$ 2,204
Unearned receipts	1,201	1,266
Taxes payable	4,256	4,297
Guarantee deposits received	51,530	64,658
Other liabilities	955	1,024
Trust capital	14,022,448	12,572,930
Provisions and accumulated profit and loss	176,220	161,951
Total trust liabilities and capital	$ 14,257,798	$ 12,808,330

(Concluded)

Income Statements of Trust Accounts

	For the Year Ended December 31	
	2020	2019
Trust revenue		
Interest revenue	$ 3,182	$ 15,513
Rent revenue	113,034	115,855
Other revenue	1,427	1,798
	117,643	133,166
Trust expenses		
Management fees	(3,340)	(1,164)
Service charge	(5,169)	(106)
Tax	(14,347)	(14,433)
Other expenses	(13,263)	(13,015)
Income tax expense	(210)	(1,456)
	(36,329)	(30,174)
	$ 81,314	$ 102,992

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

Trust Property List

	December 31	
	2020	2019
Petty cash	$ 100	$ 100
Bank deposits	2,404,446	1,665,135
Stocks	228,378	228,378
Funds	2,839,148	2,647,440
Bonds	218,089	-
Land	7,704,221	7,398,368
Buildings	840,695	840,591
Receivables	18	35
Prepayments	1,374	1,578
Other	21,329	26,705
	$ 14,257,798	$ 12,808,330

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 considers that the carrying amounts of financial assets and financial liabilities recognized in the condensed consolidated financial statements approximate their fair values cannot be reliably measured.

	December 31			
	2020		2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial liabilities				
Bank debentures payable	$ 16,400,000	$ 16,574,644	$ 18,700,000	$ 18,808,992

2) The fair value hierarchy

Financial Instrument Items at Fair Value	December 31, 2020			
	Total	Level 1	Level 2	Level 3
Financial liabilities				
Bank debentures payable	$ 16,574,644	$ -	$ 16,574,644	$ -

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

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 measured at fair value on a recurring basis

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

Item	December 31, 2020			
	Total	Level 1	Level 2	Level 3
Non-derivative financial instruments				
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	-
Derivative financial instruments				
Assets				
Financial assets at FVTPL	316,446	-	316,446	-
Liabilities				
Financial liabilities at FVTPL	788,338	-	788,338	-

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

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

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

   a) Marking-to-market

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

      i. Ensure the consistency and completeness of market data.

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

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

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

   b) Marking-to-model

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

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

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

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

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

3) Reconciliation of the financial instruments classified in Level 3

For the year ended December 31, 2020

Financial Assets	Financial Assets at Fair Value Through Profit or Loss		Financial Assets at Fair Value Through Other Compre-hensive Income Equity Instruments	Total
	Hybrid Financial Assets	Equity Instruments		
Beginning balance	$ 8,623,449	$ 203,543	$ 854,704	$ 9,681,696
Recognition in profit or loss - gains (losses) on financial assets or liabilities measured at fair value through profit or loss	12,301	(31,305)	-	(19,004)
Recognition in other comprehensive income - unrealized gains (losses) on financial assets at fair value through other comprehensive income	-	-	54,804	54,804
Purchases	10,349,800	89,352	147,544	10,586,696
Disposals	(9,888,900)	(3,032)	(232,528)	(10,124,460)
Other	-	(126,100)	-	(126,100)
Ending balance	$ 9,096,650	$ 132,458	$ 824,524	$ 10,053,632

For the year ended December 31, 2019

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

The assets held at the balance sheet date, which were included in the profit and loss and the unrealized gains and losses for the years ended December 31, 2020 and 2019, were consisted of $36,186 thousand and $24,586 thousand in profit, respectively.

Some of the Group’s investment targets were withdrawn for the year ended December 31, 2019. After evaluation, there is no fair market price for reference, so they have been transferred from Level 1 to Level 3. The Group had no significant transfers for December 31 2020.

4) Transfers between Level 1 and Level 2

The Group had no significant transfers between Level 1 and Level 2 for the years ended December 31, 2020 and 2019.

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

The fair value measurement of financial instruments is reasonable, although the use of different valuation models or parameters may lead to different evaluation results. For the fair value measurements of structured bonds which fall under Level 3 of the fair value hierarchy, they are evaluated according to counterparty quotes; for bonds and convertible 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 years ended December 31, 2020 and 2019 periods would be as follows:

For the year ended December 31, 2020

Item	Movement: Upward/ Downward	Effect on Profit and Loss		Effect on Other Comprehensive Income	
		Favorable	Unfavorable	Favorable	Unfavorable
Convertible bond	1BP	$ 1,379	$ (1,379)	$ -	$ -
Equity instruments	10%	13,246	(13,246)	91,274	(91,274)

For the year ended December 31, 2019

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

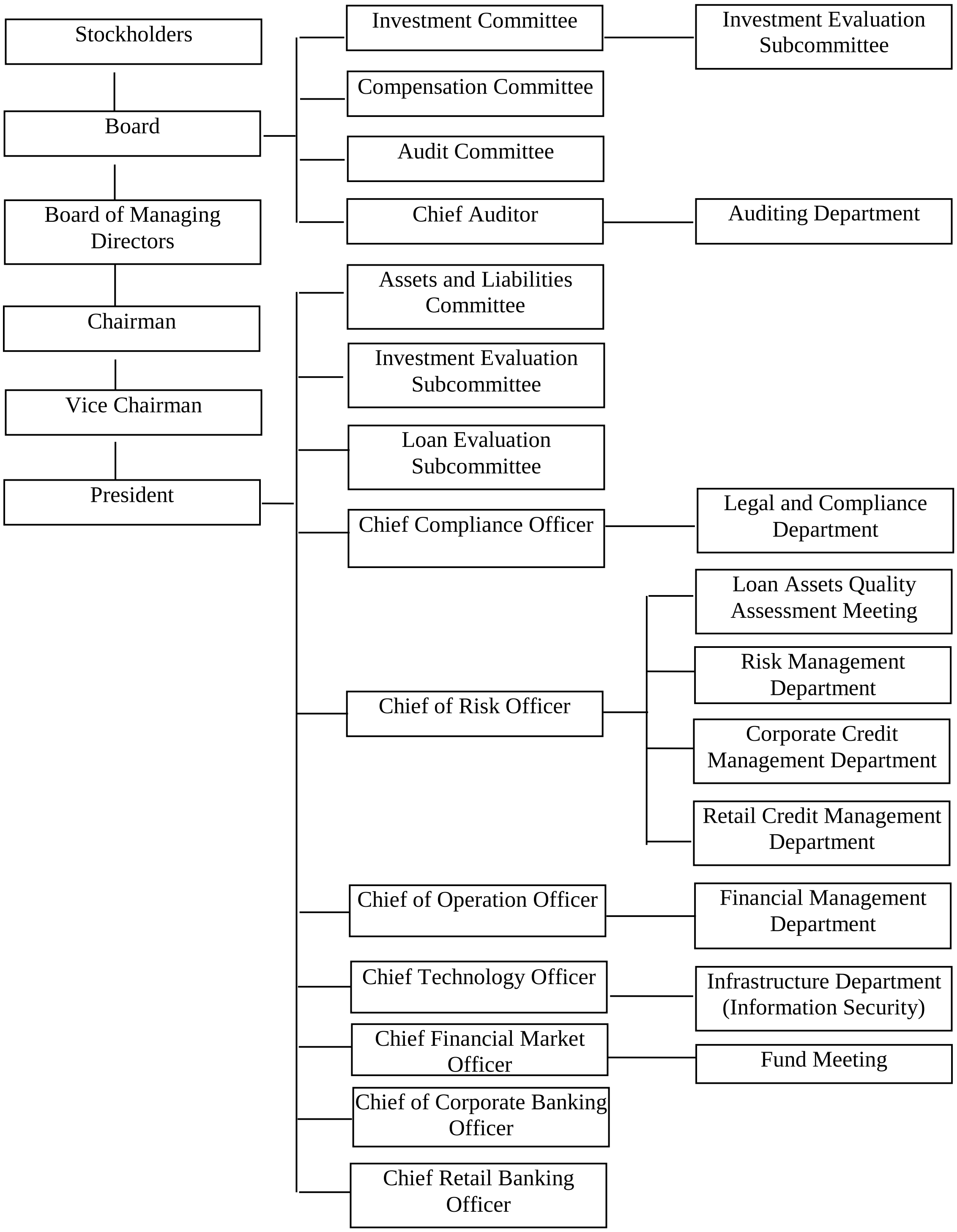
46. FINANCIAL RISK MANAGEMENT

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

b. Risk management framework

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



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

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

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

4) Loan and investment assets held for various businesses:

   a) Loan assets quality assessment meeting

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

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

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

   b) Investment assets quality assessment meeting

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

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

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

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

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

c. Credit risk

1) Sources and definition of credit risk

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

2) Strategy/objectives/policies and procedures

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

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

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

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

d) Credit risk management process:

i. Risk identification

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

ii. Risk measurement

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

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

ii) Portfolio management:

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

iii. Risk communication

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

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

iv. Risk monitoring

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

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

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

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

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

3) Credit risk management and framework

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

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

c) 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, supervise and review credit, market, operations, liquidity, information security, AML, personal data protection, emergencies and other risk management, improve 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	
	December 31, 2020	**December 31, 2019**
Financial guarantees and irrevocable documentary letter of credit		
Contract amounts	$ 145,888,269	$ 129,913,751
Maximum exposure amounts	145,888,269	129,913,751
Loan commitments	42,770,934	52,430,535

7) Concentrations of credit risk exposure

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

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

a) By industry

Credit Risk Profile by Industry Sector	December 31, 2020		December 31, 2019	
	Amount	%	Amount	%
Financial intermediary	$ 78,116,172	26	$ 80,703,164	26
Real estate	56,497,428	19	59,667,556	20
Manufacturing	63,281,714	21	66,421,881	22

b) By counterparty

Credit Risk Profile by Industry Sector	December 31, 2020		December 31, 2019	
	Amount	%	Amount	%
Private sector	$ 150,712,058	81	$ 168,455,809	86
Natural person	35,461,639	19	28,502,648	14

c) By geographical area

Credit Risk Profile by Industry Sector	December 31, 2020		December 31, 2019	
	Amount	%	Amount	%
Domestic	$ 122,417,279	66	$ 123,721,500	63
America	31,854,819	17	37,043,347	19
Other Asia area	25,203,739	14	27,253,098	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 resell agreements, refundable deposits, operating deposits and settlement fund are regarded as very low credit risk owing to the good credit rating of counterparties.

The related financial asset impairment valuation is as follows:

a) Credit business (including loan commitments and guarantees)

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

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

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

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

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

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

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

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

b) Credit risk management for investments in debt instruments

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

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

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

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

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

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

	December 31	
Category	**2020**	**2019**
Performing	$ 163,611,133	$ 136,955,987
Doubtful	1,000,025	1,400,040
In default	-	-

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

	Credit Rating		
	Performing (12-month ECLs)	**Doubtful (Lifetime ECLs - Not Credit-impaired)**	**Total**
Balance at January 1, 2020	$ 38,272	$ 8,136	$ 46,408
New financial assets purchased or originated	8,544	685	9,229
Derecognition of financial assets	(3,772)	-	(3,772)
Change in model or risk parameters	(254)	-	(254)
Exchange rates or others	(242)	-	(242)
Balance at December 31, 2020	$ 42,548	$ 8,821	$ 51,369

	Credit Rating		
	Performing (12-month ECLs)	Doubtful (Lifetime ECLs - Not Credit-impaired)	Total
Balance at January 1, 2019	$ 35,671	$ -	$ 35,671
Transfers			
Performing to doubtful	(923)	923	-
New financial assets purchased or originated	7,651	7,213	14,864
Derecognition of financial assets	(3,167)	-	(3,167)
Change in model or risk parameters	(873)	-	(873)
Exchange rates or others	(87)	-	(87)
Balance at December 31, 2019	$ 38,272	$ 8,136	$ 46,408

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

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	$ 14,850,112	$ 61,153	$ 50,589	$ (8,995)	$ 14,952,859

	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Difference of Impairment Loss Under Regulations	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	$ 166,503,050	$ 17,247,722	$ 1,344,095	$ (1,383,894)	$ 183,710,973

December 31, 2019

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

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

b) Credit analysis for marketable securities

December 31, 2020

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

December 31, 2019

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

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

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

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

d. Liquidity risk

1) Source and definition of liquidity risk

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

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

2) Management strategy and principles of liquidity risk

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

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

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

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

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

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

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

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

As of December 31, 2020 and 2019, the liquidity reserve ratio was 46.39% and 45.89%, respectively.

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

December 31, 2020	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	More Than 1 Year	Total
Deposits from 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
Bills 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
	$ 218,782,557	$ 128,029,140	$ 42,292,819	$ 53,615,738	$ 72,393,864	$ 515,114,118

December 31, 2019	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	More Than 1 Year	Total
Deposits from the Central Bank and other banks	$ 33,236,111	$ 3,203,287	$ -	$ -	$ 7,000,000	$ 43,439,398
Financial liabilities at fair value through profit or loss	4,462	-	-	-	-	4,462
Bills and bonds sold under repurchase agreements	120,253,258	38,101,977	1,019,705	298,895	-	159,673,835
Payables	1,917,900	223,488	655,705	801,963	82,460	3,681,516
Deposits and remittances	59,938,891	87,304,453	35,541,433	51,156,436	31,790,611	265,731,824
Bank debentures payable	-	-	2,300,000	-	16,400,000	18,700,000
Other financial liabilities	2,254,831	2,475,778	824,186	2,906,201	4,448,263	12,909,259
Lease liabilities	13,625	26,616	38,988	75,071	398,865	553,165
	$ 217,619,078	$ 131,335,599	$ 40,380,017	$ 55,238,566	$ 60,120,199	$ 504,693,459

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

December 31, 2020	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	More Than 1 Year	Total
Deliverable						
Forward contracts	$ 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
	227,050	292,171	120,040	94,233	36,510	770,004
Non-deliverable						
Interest rate swap contracts	-	-	2,992	1,158	14,184	18,334
	$ 227,050	$ 292,171	$ 123,032	$ 95,391	$ 50,694	$ 788,338
Deliverable						
Forward contracts	$ 6,694	$ 5,392	$ 2,743	$ 1,001	$ -	$ 15,830
Currency swap contracts	134,012	220,821	59,724	23,383	-	437,940
Others	2,191	78	972	106	-	3,347
	142,897	226,291	63,439	24,490	-	457,117
Non-deliverable						
Interest rate swap contracts	-	-	-	16,182	55,821	72,003
	$ 142,897	$ 226,291	$ 63,439	$ 40,672	$ 55,821	$ 529,120

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 consolidated balance sheet.

December 31, 2020	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	More Than 1 Year	Total
Unused letters of credit	$ 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	3,614,999	7,229,999	10,844,998	21,080,938	-	42,770,934
	$ 55,087,398	$ 85,696,671	$ 22,138,049	$ 25,707,787	$ 29,298	$ 188,659,203

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

e. Market risk

1) Source and definition of market risk

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

2) Market risk management strategy and process

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

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

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

3) Market risk management organization and framework

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

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

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

4) Market risk report and evaluation system

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

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

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

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

5) Value at Risk

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

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

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	December 31					
	2020			2019		
	Average	**High**	**Low**	**Average**	**High**	**Low**
Currency exchange rate risk	$ 2,701	$ 5,282	$ 352	$ 1,507	$ 4,271	$ 20
Fair value risk resulting from interest rate	4,043	6,925	1,243	1,421	5,410	121
Fair value resulting from stock price	9,019	16,652	1,526	5,999	14,831	812

6) Foreign currency rate risk information

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

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

	December 31, 2020		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
Financial assets			
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 the equity method			
RMB	180,891	4.3665	789,863

(Continued)

	December 31, 2020		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
Financial liabilities			
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

(Concluded)

	December 31, 2019		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
Financial assets			
Monetary item			
USD	$ 2,739,381	30.1107	$ 82,484,755
JPY	2,524,040	0.2770	699,261
HKD	7,807,860	3.8680	30,200,802
EUR	25,308	33.7536	854,220
AUD	1,652	21.0967	34,842
RMB	2,516,282	4.3218/4.3231	10,874,917
Financial liabilities			
Monetary item			
USD	3,567,802	30.1107	107,429,113
JPY	1,483,011	0.2770	410,853
HKD	4,926,752	3.8680	19,056,676
EUR	14,796	33.7536	499,413
AUD	7,009	21.0967	147,871
RMB	1,811,762	4.3218	7,830,108

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 Year Ended December 31			
	2020		2019	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
Interest-earning assets				
Due from banks (part of cash and cash equivalents and other financial assets)	$ 963,688	1.19	$ 1,083,859	2.69
Call loans to other banks	9,081,872	0.76	14,720,683	1.56
Due from the Central Bank	5,315,272	0.46	5,087,055	0.63
Financial assets at FVTPL	66,571,088	0.52	66,204,070	0.64
Bills and bonds purchased under resell agreements	13,156	0.13	34,904	0.16
Discounts and loans	172,849,123	2.17	178,218,274	2.65
Financial assets at FVTOCI	51,321,095	0.93	37,853,046	1.89
Investments in debt instruments at amortized costs	-	-	271,215	1.15
Receivables	1,218,615	1.61	1,232,168	2.45
Interest-bearing liabilities				
Deposits from the Central Bank and other banks	32,330,827	0.68	25,504,367	1.94
Demand deposits	50,459,872	0.33	46,431,809	0.48
Time deposits	192,091,535	0.88	193,697,613	1.37
Bills and bonds sold under repurchase agreements	2,256,438	0.32	4,082,774	0.50
Bank debentures payable	17,355,191	2.02	18,671,233	2.03

China Bills Finance Corporation (CBF)

	For the Year Ended December 31			
	2020		2019	
	Average Balance	**Average Rate (%)**	**Average Balance**	**Average Rate (%)**
Interest-earning assets				
Cash and cash equivalents (including certificate of deposits)	$ 765,369	0.06	$ 818,427	0.12
Call loans to banks	67,757	0.20	35,342	0.20
Financial assets at fair value through profit or loss - bonds and bills	88,593,970	0.49	92,696,926	0.61
FTVOCI - debt instruments	99,597,371	1.31	97,982,784	1.35
Financial instruments at fair value through profit or loss - hybrid financial assets	9,704,665	1.47	7,691,212	1.55
Securities purchased under resell agreements	4,300,649	0.22	1,197,135	0.34
Interest-bearing liabilities				
Deposits from other banks	13,971,217	0.41	16,404,175	0.77
Bank overdraft	1,308	1.59	2,046	1.78
Securities sold under repurchase agreements	163,287,187	0.44	159,903,209	0.64
Commercial paper payable	1,885,246	0.43	865,753	0.62

47. CAPITAL MANAGEMENT

a. Strategies to maintain capital adequacy

The Groups' 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 is subject to the competent authorities. The calculation of the ratio mentioned above by competent authority regulations.

b. Capital assessment program

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

c. Capital adequacy ratio

O-Bank

Items			December 31, 2020 Standalone Capital Adequacy Ratio	December 31, 2020 Consolidated Capital Adequacy Ratio
Eligible capital	Common equity		$ 26,668,441	$ 26,668,441
	Other Tier 1 capital		300,001	300,001
	Tier 2 capital		2,843,868	2,843,868
	Eligible capital		29,812,310	29,812,310
Risk-weighted assets	Credit risk	Standardized approach	204,697,317	204,697,317
		Internal rating based approach	-	-
		Securitization	-	-
	Operational risk	Basic indicator approach	9,020,363	9,020,363
		Standardized/alternative standardized approach	-	-
		Advanced measurement approach	-	-
	Market risk	Standardized approach	21,536,500	21,536,500
		Internal model approach	-	-
	Total risk-weighted assets		235,254,180	235,254,180
Capital adequacy ratio			12.67%	12.67%
Ratio of common equity to risk-weighted assets			11.34%	11.34%
Ratio of Tier 1 capital to risk-weighted assets			11.46%	11.46%
Leverage ratio			7.49%	7.49%

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

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

Note 2: Formulas used were as follows:

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

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

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

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

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

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

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

China Bills Finance Corporation

Items \ Year		December 31, 2020	December 31, 2019
Eligible capital	Tier 1 capital	$ 23,899,222	$ 23,198,939
	Tier 2 capital	172,840	108,144
	Tier 3 capital	753,504	295,820
	Eligible capital	24,825,566	23,602,903
Risk-weighted assets	Credit risk	125,949,038	120,219,765
	Operational risk	3,807,116	3,993,818
	Market risk	64,163,236	61,676,900
	Total risk-weighted assets	193,919,390	185,890,483
Capital adequacy ratio (Note)		12.80%	12.70%
Ratio of Tier 1 capital to risk-weighted assets (Note)		12.32%	12.48%
Ratio of Tier 2 capital to risk-weighted assets (Note)		0.09%	0.06%
Ratio of Tier 3 capital to risk-weighted assets (Note)		0.39%	0.16%
Ratio of common shareholders' equity to total assets (Note)		6.15%	6.80%

Note: Formulas used were as follows:

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

2) The amount of total assets used in the calculation refers to all assets in the balance sheets.

3) The capital adequacy ratios (CARs) should be computed at the end of June and December. In the reports of the first-quarter and the third-quarter the CARs disclosed are based on the data of the last preceding period, i.e., the end of December and the end of June, respectively.

4) Eligible capital and risk-weighted assets are calculated under the "Regulations Governing the Capital Adequacy Ratio of Bills Finance Companies" and "Explanation of Methods for Calculating the Eligible Capital and Risk-weighted Assets of Bills Finance Companies."

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

O-Bank

a. Credit risk

1) Asset quality of loans: See Table 6.

2) Concentration of credit extensions

December 31, 2020

Rank	Industry of Group Enterprise	Credit Extensions Balance	% of Net Asset Value
1	A Group (real estate development)	$ 6,070,402	17.07
2	B Group (unclassified other financial service)	5,000,000	14.06
3	C Group (real estate development)	3,948,600	11.11
4	D Group (real estate development)	3,463,866	9.74
5	E Group (glass and glass made products manufacturing)	2,867,564	8.06
6	F Group (retail sale of other food, beverages and tobacco in specialized stores)	2,694,711	7.58
7	G Group (non-hazardous waste treatment industry)	2,565,020	7.21
8	H Group (short-term accommodation activities)	2,506,680	7.05
9	I Group (mixed concrete development)	2,378,896	6.69
10	J Group (ocean transportation)	2,288,233	6.44

December 31, 2019

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

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)
December 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	$ 166,617,648	$ 27,109,896	$ 19,442,085	$ 13,240,863	$ 226,410,492
Interest rate-sensitive liabilities	86,971,113	53,710,041	46,607,835	31,028,330	218,317,319
Interest rate-sensitive gap	79,646,535	(26,600,145)	(27,165,750)	(17,787,467)	8,093,173
Net worth					31,587,200
Ratio of interest rate-sensitive assets to liabilities					103.71%
Ratio of interest rate sensitivity gap to net worth					25.62%

December 31, 2019

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

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

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

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

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

Interest Rate Sensitivity Balance Sheet (U.S. Dollars)
December 31, 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	$ 1,386,743	$ 45,633	$ 14,858	$ 838,439	$ 2,285,673
Interest rate-sensitive liabilities	1,142,565	874,559	148,455	40	2,165,619
Interest rate-sensitive gap	244,178	(828,926)	(133,597)	838,399	120,054
Net worth					120,088
Ratio of interest rate-sensitive assets to liabilities					105.54%
Ratio of interest rate sensitivity gap to net worth					99.97%

December 31, 2019

(In Thousands of U.S. Dollars)

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

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

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

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

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

c. Liquidity risk

1) Profitability

(In %)

Items		For the Year Ended December 31, 2020	For the Year Ended December 31, 2019
Return on total assets	Before income tax	0.37	0.36
	After income tax	0.35	0.33
Return on equity	Before income tax	3.59	3.71
	After income tax	3.33	3.37
Net income ratio		24.67	20.74

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

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

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

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

2) Maturity analysis of assets and liabilities

Maturity Analysis of Assets and Liabilities (New Taiwan Dollars)
December 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	$ 262,332,096	$ 64,095,871	$ 20,700,615	$ 22,974,910	$ 23,836,815	$ 30,968,773	$ 99,755,112
Main capital outflow on maturity	295,589,959	18,721,529	26,002,566	72,207,928	33,181,228	67,024,836	78,451,872
Gap	(33,257,863)	45,374,342	(5,301,951)	(49,233,018)	(9,344,413)	(36,056,063)	21,303,240

December 31, 2019

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

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

Maturity Analysis of Assets and Liabilities (U.S. Dollars)
December 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	$ 3,300,572	$ 989,563	$ 742,797	$ 349,232	$ 248,629	$ 970,351
Main capital outflow on maturity	3,381,571	1,122,743	933,356	429,820	268,086	627,566
Gap	(80,999)	(133,180)	(190,559)	(80,588)	(19,457)	342,785

December 31, 2019

(In Thousands of U.S. Dollars)

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

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 Branch's Assets and Liabilities (U.S. Dollars)
December 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	$ 1,189,456	$ 646,460	$ 127,635	$ 52,502	$ 45,992	$ 316,867
Main capital outflow on maturity	1,169,148	328,887	276,564	143,306	114,680	305,711
Gap	20,308	317,573	(148,929)	(90,804)	(68,688)	11,156

December 31, 2019

(In Thousands of U.S. Dollars)

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

China Bills Finance Corporation

a. Asset quality

Item \ Period	December 31, 2020	December 31, 2019
Balance of guarantees and endorsement credits overdue within 3 months	$ -	$ -
Nonperforming debts (include overdue receivables)	-	-
Credits under observation	-	-
Overdue receivables	-	-
Ratio of non-performing debts	0.00%	0.00%
Ratio of non-performing debts and credits under observation	0.00%	0.00%
Required provision for credit losses and reserve for losses on guarantees	1,196,691	1,207,848
Actual provision for credit losses and reserve for losses on guarantees	1,375,077	1,325,077

b. The principal operation

Item \ Period	December 31, 2020	December 31, 2019
Balance of guarantees and endorsement securities	$ 109,165,300	$ 108,292,200
Multiple of guarantees and endorsement securities to net worth	4.84	4.94
Short-term bills and bonds sold under repurchase agreement	$ 179,794,171	$ 156,809,643
Multiple of short-term bills and bonds sold under repurchase agreement to net worth	7.98	7.15

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

d. Concentrations of credit extensions

(In %)

<table>
<tr><th>Period / Item</th><th colspan="2">December 31, 2020</th><th colspan="2">December 31, 2019</th></tr>
<tr><td>Credit of the common interested party</td><td colspan="2">$ -</td><td colspan="2">$ -</td></tr>
<tr><td>Ratio of credit extensions to common interest parties</td><td colspan="2">-</td><td colspan="2">-</td></tr>
<tr><td>Ratio of credit extensions secured by pledged share</td><td colspan="2">22.68</td><td colspan="2">23.02</td></tr>
<tr><td rowspan="4">Loan concentration by industry (ratio of top three industries to which credit line issued to credit extension balance)</td><td>Type of Industry</td><td>%</td><td>Type of Industry</td><td>%</td></tr>
<tr><td>Finance and insurance industry</td><td>32.73</td><td>Finance and insurance industry</td><td>33.51</td></tr>
<tr><td>Manufacturing industry</td><td>21.57</td><td>Manufacturing industry</td><td>22.00</td></tr>
<tr><td>Real estate industry</td><td>26.38</td><td>Real estate industry</td><td>24.02</td></tr>
</table>

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

December 31, 2020

(In Millions of New Taiwan Dollars)

Items	0 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest rate-sensitive assets	$ 101,567	$ 8,343	$ 7,059	$ 97,571	$ 214,540
Interest rate-sensitive liabilities	187,907	2,447	12	-	190,366
Interest rate-sensitive gap	(86,340)	5,896	7,047	97,571	24,174
Net worth					25,449
Ratio of interest rate-sensitive assets to liabilities (%)					112.70
Ratio of interest rate sensitivity gap to net worth (%)					94.99

December 31, 2019

(In Millions of New Taiwan Dollars)

Items	0 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest rate-sensitive assets	$ 82,919	$ 8,734	$ 7,245	$ 94,970	$ 193,868
Interest rate-sensitive liabilities	169,877	1,017	297	-	171,191
Interest rate-sensitive gap	(86,958)	7,717	6,948	94,970	22,677
Net worth					23,855
Ratio of interest rate-sensitive assets to liabilities (%)					113.25
Ratio of interest rate sensitivity gap to net worth (%)					95.06

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

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

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

f. The use of funding sources table

December 31, 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	$ 55,095	$ 37,074	$ 3,944	$ 101	$ -
	Bonds	1,599	2,801	4,399	6,958	97,571
	Due from banks	265	-	-	-	-
	Call loans	-	-	-	-	-
	Securities purchased under resell agreements	4,162	571	-	-	-
	Total	61,121	40,446	8,343	7,059	97,571
Cash provided by	Borrowing	10,639	-	-	-	-
	Securities sold under repurchase agreements	138,066	39,202	2,447	12	-
	Eligible capital	-	-	-	-	25,449
	Total	148,705	39,202	2,447	12	25,449
Net cash flows		(87,584)	1,244	5,896	7,047	72,122
Accumulated cash flows		(87,584)	(86,340)	(80,444)	(73,397)	(1,275)

December 31, 2019

(In Millions of New Taiwan Dollars)

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

g. Matters requiring special notation

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

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

49. CASH FLOWS INFORMATION

Changes in Liabilities from Financing Activities

For the year ended December 31, 2020

	January 1, 2020	Cash Inflow (Outflow)	None-cash Change		December 31, 2020
			Add Leasing	Other	
Bank debentures payable	$ 18,700,000	$ (2,300,000)	$ -	$ -	$ 16,400,000
Lease liabilities	498,832	(175,620)	52,701	68,746	444,659
Other financial liabilities	12,909,259	5,152,844	-	40,660	18,102,763
Other liabilities	2,416,851	(168,551)	-	1,255	2,249,555
	$ 34,524,942	$ 2,508,673	$ 52,701	$ 110,661	$ 37,196,977

For the year ended December 31, 2019

	January 1, 2019	Cash Inflow (Outflow)	None-cash Change		December 31, 2019
			Add Leasing	Other	
Bank debentures payable	$ 17,850,000	$ 850,000	$ -	$ -	$ 18,700,000
Lease liabilities	542,298	(172,883)	166,337	(36,920)	498,832
Other financial liabilities	15,034,414	(2,125,274)	-	119	12,909,259
Other liabilities	2,434,637	(17,822)	-	36	2,416,851
	$ 35,861,349	$ (1,465,979)	$ 166,337	$ (36,765)	$ 34,524,942

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 - Table 4 (attached)

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

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

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

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

9) Sale of non-performing loans - Table 5 (attached)

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

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

12) Related information and total stockholding circumstances of "Name, locations and other information of investees on which the Group exercises significant influence." Exempt from disclosure. - Table 7 (attached)

13) Derivative instrument transactions: Note 8

c. Investment in mainland China: Table 8 (attached)

d. Business relationships and significant transactions among the Group: Table 9 (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 10 (attached)

52. OPERATING SEGMENT FINANCIAL INFORMATION

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

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

b. Overseas: Overseas banking business.

c. Leasing: Leasing business.

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

e. Others: Other non-core businesses.

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

	Bank	Overseas	Leasing	Bills	Others	Eliminations	Consolidated
For the year ended December 31, 2020							
Net interest							
From unaffiliated segment	$ 1,915,840	$ 872,908	$ 692,110	$ 543,548	$ (149)	$ 417	$ 4,024,674
From other segment	(1,257)	-	4	-	6	1,222	(25)
	$ 1,914,583	$ 872,908	$ 692,114	$ 543,548	$ (143)	$ 1,639	$ 4,024,649
Net revenue other than interest							
From unaffiliated segment	$ 2,710,187	$ 82,805	$ 362,766	$ 1,990,326	$ 15,321	$ -	$ 5,161,405
From other segment	26,705	-,	(5,370)	(26,703)	6,065	(1,130,260)	(1,129,563)
	$ 2,736,892	$ 82,805	$ 357,396	$ 1,963,623	$ 21,386	$ (1,130,260)	$ 4,031,842
Income from continuing operation	$ 1,147,403	$ 279,881	$ 389,218	$ 1,578,242	$ 6,442	$ (1,087,680)	$ 2,313,506
Identifiable assets	$ 313,101,403	$ 28,660,049	$ 15,061,923	$ 218,284,001	$ 272,563	$ 33,691	$ 575,413,630
Depreciation and amortization	$ 526,662	$ 52,230	$ 43,757	$ 13,370	$ 922	$ (8,164)	$ 628,777
Capital expenditures	$ 63,432	$ 288	$ 20,478	$ 7,618	$ 4	$ 199	$ 92,019
For the year ended December 31, 2019							
Net interest							
From unaffiliated segment	$ 1,960,682	$ 1,043,047	$ 704,638	$ 176,315	$ (33)	$ 333	$ 3,884,982
From other segment	(3,232)	-	4	-	203	2,915	(110)
	$ 1,957,450	$ 1,043,047	$ 704,642	$ 176,315	$ 170	$ 3,248	$ 3,884,872
Net revenue other than interest							
From unaffiliated segment	$ 3,311,854	$ 47,300	$ 329,474	$ 1,873,418	$ 11,210	$ -	$ 5,573,256
From other segment	35,911	-	(5,347)	(34,965)	5,220	(1,146,996)	(1,146,177)
	$ 3,347,765	$ 47,300	$ 324,127	$ 1,838,453	$ 16,430	$ (1,146,996)	$ 4,427,079
Income from continuing operation	$ 1,100,433	$ 420,604	$ 369,377	$ 1,244,653	$ 1,014	$ (1,105,447)	$ 2,030,634
Identifiable assets	$ 320,332,662	$ 28,636,176	$ 13,854,997	$ 197,539,559	$ 232,563	$ 104,059	$ 560,700,016
Depreciation and amortization	$ 512,931	$ 56,471	$ 39,459	$ 24,484	$ 1,075	$ (16,987)	$ 617,433
Capital expenditures	$ 97,152	$ 1,655	$ 16,472	$ 10,116	$ -	$ -	$ 125,395

O-BANK AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate	Nature of Financing (Note 2)	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Notes 3 and 5)	Aggregate Financing Limits (Notes 4 and 5)	Note
													Item	Value			
1	IBT Leasing	Lei Xin Construction	Account receivable - short-term accommodations	No	$ 54,380	$ -	$ -	2-8	2	$ -	Working capital turnover	$ -	Real estate	$ -	$ 278,418	$ 1,113,674	
		Kuang Ming shipping Corp.	Account receivable - short-term accommodations	No	120,000	-	-	2-8	2	-	Working capital turnover	-	-	-	278,418	1,113,674	
		Inhon Communication Co., Ltd.	Account receivable - short-term accommodations	No	64,912	29,904	29,904	2-8	2	-	Working capital turnover	358	Margin	12,982	278,418	1,113,674	
		Huimin Environmental Tech. Corp.	Account receivable - short-term accommodations	No	2,882	-	-	2-8	2	-	Working capital turnover	-	-	-	278,418	1,113,674	
		Power Home Construction	Account receivable - short-term accommodations	No	58,644	-	-	2-8	2	-	Working capital turnover	-	-	-	278,418	1,113,674	
		United Renewable Energy Co.	Account receivable - short-term accommodations	No	15,089	-	-	2-8	1	77,159	-	-	-	-	278,418	2,784,184	
		An Chieh Bao Corp.	Account receivable - short-term accommodations	No	53,745	29,679	29,679	2-8	2	-	Working capital turnover	308	Margin	6,000	278,418	1,113,674	
		Advanced Wireless and Antenna Inc.	Account receivable - short-term accommodations	No	7,403	-	-	2-8	2	-	Working capital turnover	-	-	-	278,418	1,113,674	
		Yuan Mao Construction Co., Ltd.	Account receivable - short-term accommodations	No	130,000	106,600	106,600	2-8	2	-	Working capital turnover	1,386	Stock	61,600	278,418	1,113,674	
		Taroko Entertainment Co., Ltd.	Account receivable - short-term accommodations	No	64,205	38,907	38,907	2-8	2	-	Working capital turnover	700	Stock	-	278,418	1,113,674	
		Dingyang Industrial Co., Ltd.	Account receivable - short-term accommodations	No	30,000	-	-	2-8	2	-	Working capital turnover	-	-	-	278,418	1,113,674	
		Priority International Finance	Account receivable - short-term accommodations	No	24,000	24,000	2,499	2-8	2	-	Working capital turnover	45	Certificate of deposit	2,400	278,418	1,113,674	
		TRK Corporation	Account receivable - short-term accommodations	No	70,000	-	-	2-8	2	-	Working capital turnover	-	-	-	278,418	1,113,674	
		Qiaoding Investment Co., Ltd.	Account receivable - short-term accommodations	No	100,000	96,000	96,000	2-8	2	-	Working capital turnover	1,728	Stock/real estate	51,830	278,418	1,113,674	
		Taiwan Star Telecom Corporation Limited	Account receivable - short-term accommodations	No	150,000	150,000	150,000	2-8	1	150,000	-	750	Equipment	33,152	278,418	2,784,184	
2	IBT International Leasing Corp.	Zhangjiajie Zhongjun Real Estate Co., Ltd.	Entrusted loans	No	33,622	-	-	6-16	2	-	Working capital turnover	-	Real estate	39,243	270,183	1,080,733	
		Suzhou Dong Sheng Machine Co., Ltd.	Entrusted loans	No	19,468	-	-	6-16	2	-	Working capital turnover	-	Real estate	34,522	270,183	1,080,733	
		Suzhou Leading Car Service Co., Ltd.	Entrusted loans	No	40,132	15,128	15,128	6-16	2	-	Working capital turnover	34	Margin	6,550	270,183	1,080,733	
		Nanjing Forland automobile leasing Co., Ltd.	Entrusted loans	No	40,132	15,128	15,128	6-16	2	-	Working capital turnover	34	Margin	6,550	270,183	1,080,733	

Note 1: Explanation:

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

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

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

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

O-BANK AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Endorser/ Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note 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	$ 22,273,474	$ 12,084,350	$ 6,393,987	$ 4,307,577	$ -	229.65	$ 33,410,211	No	No	Yes
		IBT VII Venture Capital Co., Ltd.	b	22,273,474	80,000	80,000	80,000	-	2.87	33,410,211	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 and indirectly owns over 50% of the common stocks of the subsidiary.
c. Companies that directly and indirectly hold more than 50% of the voting rights of the company.
d. The company directly or indirectly holds more than 90% of the voting shares.
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
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars and U.S. dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2020				Note
				Stocks/Units (Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value	
IBT Holdings	Stocks							
	EverTrust Bank	Subsidiaries	Investments accounted for using the equity method	10,714	US$ 183,689	91.78	US$ 183,689	
IBT Management Corp.	Closed type beneficiary certificate							
	O-Bank Real Estate Investment Trust "Successful One"	-	Financial asset at FVTOCI	3,059	29,672	1.02	29,672	
	Stocks							
	Thunder Tiger Biotechnology Co., Ltd	-	Financial asset at FVTPL	1,773	38,567	7.38	38,567	Note 2
	TaiRx Co., Ltd	-	Financial asset at FVTPL	511	14,794	0.57	14,794	Note 2
	Beauty Essentials International Ltd. (Samoa)	-	Financial asset at FVTPL	25,974	13,303	2.41	13,303	Note 2
	Houdou Pinshan (Cayman) Co., Ltd.	-	Financial asset at FVTPL	500	13,446	2.17	13,446	Note 2
	Shihlien China Holding Corp.	-	Financial asset at FVTPL	19,682	100,055	0.46	100,055	Notes 1, 2
	Ta Chen Stainless Pipe Co. Ltd.	-	Financial asset at FVTPL	1,150	35,995	0.07	35,995	
	Shin Kong Financial Holding Co., Ltd. preferred shares B	-	Financial asset at FVTOCI	400	16,940	0.18	16,940	
IBT Leasing Co., Ltd.	Closed type beneficiary certificate							
	O-Bank Real Estate Investment Trust "Successful One"	-	Financial asset at FVTOCI	12,260	118,922	4.09	118,922	
	Stocks							
	IBT International Leasing Corp.	Subsidiaries	Investments accounted for using the equity method	-	2,566,740	95.00	2,566,740	
	IBT VII Venture Capital Co., Ltd.	Subsidiaries	Investments accounted for using the equity method	65,000	531,982	100.00	531,982	
	Shihlien China Holding Corp.	-	Financial asset at FVTOCI	32,500	165,216	0.75	165,216	Note 1
	Shin Kong Financial Holding Co., Ltd. preferred shares B	-	Financial asset at FVTOCI	1,700	71,995	0.77	71,995	
IBT VII Venture Capital Co., Ltd.	Closed type beneficiary certificate							
	O-Bank Real Estate Investment Trust "Successful One"	-	Financial asset at FVTOCI	14,000	135,800	4.67	135,800	

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2020 Stocks/Units (Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value	Note
	Stocks							
	IBT International Leasing Corp.	Subsidiaries	Investments accounted for using the equity method	-	$ 135,092	5.00	$ 135,092	
	TAIRX Corp.	-	Financial asset at FVTPL	3,800	110,054	6.22	110,054	Note 2
	Meridigen Corp.	-	Financial asset at FVTPL	500	11,334	0.55	11,334	
	Femcosteel Tech Co., Ltd.	-	Financial asset at FVTPL	1,298	38,330	3.10	38,330	
	Shihlian China Holdings Corp.	-	Financial asset at FVTPL	9,135	46,441	0.21	46,441	Notes 1, 2
	New Applied Materials Co., Ltd.	-	Financial asset at FVTPL	610	15,775	0.83	15,775	Note 2
	Polaris Co., Ltd.	-	Financial asset at FVTPL	140	2,304	0.02	2,304	
	BioResource International, Inc.	-	Financial asset at FVTPL	1,105	82,530	5.91	82,530	Note 2
	Chipwell tech corporation	-	Financial asset at FVTPL	391	2,994	2.61	2,994	Note 2
	Biocontrol Gene Vaccine Co., Ltd.	-	Financial asset at FVTPL	1,008	1,019	0.98	1,019	Note 2
	Reber Genetics Co., Ltd.	-	Financial asset at FVTPL	461	6,179	2.20	6,179	Note 2
	Kaohsiung Rapid Transit Corporation All Rights Reserved.	-	Financial asset at FVTPL	3,845	42,806	1.38	42,806	
	Shihlien China Holding Corp.	-	Financial asset at FVTPL	1,350	42,255	0.08	42,255	
	Shin Kong Financial Holding Co., Ltd. preferred shares B	-	Financial asset at FVTOCI	125	5,294	0.06	5,294	

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

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

(Concluded)

O-BANK AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT$300 MILLION OR 10% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares/Units (In Thousands)	Amount	Shares/Units (In Thousands)	Amount	Shares/Units (In Thousands)	Amount	Carrying Amount	Gain (Loss) on Disposal	Shares/Units (In Thousands)	Amount
The Bank	Stock Beijing Sunshine Consumer Finance Co., Ltd.	Investments accounted for using the equity method	Beijing Sunshine Consumer Finance Co., Ltd.	-	-	$ -	200,000	$ 863,564 (Note 1)	-	$ -	$ 91,831 (Note 2)	$ -	200,000	$ 789,863 (Note 2)

Note 1: It is the original investment cost.

Note 2: Exchange differences on translating the financial statements of foreign operations were $9,065 thousand and investment loss were $82,766 thousand.

O-BANK AND SUBSIDIARIES

SALES OF NONPERFORMING LOANS
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. Sales of nonperforming loans

Trade Date	Trade Name	Creditor Composition Content	Book Value	Price	Dispose of Profit and Loss	With Agreed Conditions	The Relationship Between the Transaction Object and The Bank
December 14, 2020	Bridging Wealth Capital Management Limited	Six industrial plants and one parking space mortgage debt	$ 52,780 (Note)	$ 75,898	$ 23,118	None	None

Note: Book value equals the amount of the original loan minus the allowance for bad debts.

2. The sale of a batch of nonperforming loans totaling over NT$1 billion (excluding those sold to related parties): None.

TABLE 6

O-BANK AND SUBSIDIARIES

NONPERFORMING LOANS AND ACCOUNTS RECEIVABLE
DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars or in %)

Period			December 31, 2020					December 31, 2019				
Items			Nonperforming Loans (Note 1)	Outstanding Loan Balance	Ratio of Nonperforming Loans (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)	Nonperforming Loans (Note 1)	Outstanding Loan Balance	Ratio of Nonperforming Loans (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)
Corporate banking	Secured		$ 418,641	$ 74,359,778	0.56%	$ 910,746	217.55%	$ 934,247	$ 82,539,697	1.13%	$ 1,035,910	110.88%
	Unsecured		268,279	64,041,050	0.42%	860,294	320.67%	379,818	71,471,813	0.53%	1,078,036	283.83%
Consumer banking	Housing mortgage (Note 4)		7,544	15,334,873	0.05%	230,205	3,051.50%	-	13,266,726	-	199,076	-
	Cash card		-	-	-	-	-	-	-	-	-	-
	Small-scale credit loans (Note 5)		310	1,537,037	0.02%	19,537	6,302.26%	2,221	1,072,040	0.21%	11,016	495.99%
	Other (Note 6)	Secured	999	5,941,536	0.02%	59,492	5,955.16%	-	4,199,768	-	41,998	-
		Unsecured	9,246	4,886,019	0.19%	103,155	1,115.67%	9,113	3,856,708	0.24%	59,538	653.33%
Total lending business			705,019	166,100,293	0.42%	2,183,429	309.70%	1,325,399	176,406,752	0.75%	2,425,574	183.01%
			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)			-	869,297	-	9,380	-	-	1,585,725	-	17,004	-

	December 31, 2020: Exempt from Reporting the Total Balance of Overdue Loans	December 31, 2020: Exempt from Reporting the Total Balance of Overdue Account Receivable	December 31, 2019: Exempt from Reporting the Total Balance of Overdue Loans	December 31, 2019: 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)	79,994	-	734	-
Total	79,994	-	734	-

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

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

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

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

Note 5: 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 date September 20, 2016 regarding the "Consumer Debt Clearance Regulations" for pre-negotiation, rehabilitation and liquidation cases, credit reporting and the information disclosure requirements should include supplemental disclosures of related matters

O-BANK CO., LTD.

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEES OVER WHICH THE BANK EXERCISES SIGNIFICANT INFLUENCE
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Investee Company	Location	Main Business	Percentage of Ownership (%)	Carrying Amount	Investment Gain (Loss)	Consolidated Investment				Note
						Stocks (Thousands)	Pro-forma Share of Ownership	Total		
								Stocks (Thousands)	Percentage of Ownership (%)	
Investments accounted for using the equity method										
Beijing Sunshine Consumer Finance Co., Ltd.	Beijing City, China	Financing business	20.00	$ 789,863	$ (82,766)	200,000	-	200,000	20.00	
China Bills Finance Corp.	Taipei City, Taiwan	Bonds underwriting, dealing and brokerage of securities	28.37	7,152,692	447,728	382,532	-	382,532	28.48	
IBT Holdings Corp.	California, America	Holding company	100.00	5,269,068	256,838	10,869	-	10,869	100.00	
IBT Leasing Co., Ltd.	Taipei City, Taiwan	Leasing company	100.00	2,784,548	364,120	264,300	-	264,300	100.00	
IBT Management Corp.	Taipei City, Taiwan	Investment consulting	100.00	231,911	16,248	13,400	-	13,400	100.00	
<u>Non-financial institution</u>										
Investments accounted for using the equity method										
Chun Teng New Century Co., Ltd.	Taipei City, Taiwan	Securities investment consulting	99.75	314,026	(12,010)	318,281	-	318,281	99.75	
Financial assets at FVTOCI										
Taiwan Mobile Payment Co., Ltd.	Taipei City, Taiwan	Information Software Services Industry	0.50	1,622	-	300	-	300	0.50	
Dio Investment Ltd.	Cayman Island	Coffee retail	8.82	44,812	-	6,997	-	6,997	8.82	
Shengzhuang Holdings Limited	Cayman Island	Chemical material manufacturing	2.18	13,074	-	244	-	244	2.18	

TABLE 8

O-BANK AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2020
(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, 2020 (Note 1)	Investment Flows (Note 1)		Accumulated Outflow of Investment from Taiwan as of December 31, 2020 (Note 1)	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 1)	Carrying Amount as of December 31, 2020 (Note 1)	Accumulated Inward Remittance of Earnings as of December 31, 2020
					Outflow	Inflow					
Shihlien Chemical Industrial Jiangsu Co.	Production of glass materials	$ 22,806,648 (US$ 800,000)	Note 2 c.	$ 196,650 (US$ 6,898)	$ -	$ 196,650 (US$ 6,898)	$ -	-	$ -	$ -	$ -
Shihlien Brine Huaian Co.	Production of glass materials	912,266 (US$ 32,000)	Note 2 c.	9,493 (US$ 333)	-	9,493 (US$ 333)	-	-	-	-	-
Suzhou Dio F&B Management Co., Ltd.	Coffee retailing	438,999 (US$ 15,399)	Note 2 c.	57,017 (US$ 2,000)	-	-	57,017 (US$ 2,000)	2.60	-	57,017 (US$ 2,000)	-
Ou Suomiluo Food Co., Ltd.	Coffee retailing	43,822 (RMB 10,000)	Note 2 c.	14,254 (US$ 500)	-	-	14,254 (US$ 500)	2.09	-	14,254 (US$ 500)	-
Beijing Shengzhuang Co., Ltd.	Cosmetic OEM	237,951 (RMB 54,300)	Note 2 c.	57,017 (US$ 2,000)	-	-	57,017 (US$ 2,000)	2.175	-	57,017 (US$ 2,000)	-
Beijing Sunshine Consumer Finance Co., Ltd.	Financing business	4,382,150 (RMB 1,000,000)	Note 2 d.	-	876,430 (US$ 200,000)	-	876,430 (RMB 200,000)	20.00	(82,766)	789,863	-

Accumulated Investment in Mainland China as of December 31, 2020 (Note 1)	Investment Amounts Authorized by Investment Commission, MOEA (Note 1)	Upper Limit on Investment
$128,288 (US$4,500) $876,430 (RMB200,000)	$128,288 (US$4,500) $876,430 (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, 2020 (Note 1)	Investment Flows (Note 1)		Accumulated Outflow of Investment from Taiwan as of December 31, 2020 (Note 1)	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 1)	Carrying Amount as of December 31, 2020 (Note 1)	Accumulated Inward Remittance of Earnings as of December 31, 2020
					Outflow	Inflow					
IBT International Leasing Corp.	Leasing	$ 1,853,040 (US$ 65,000)	Note 2 d.	$ 1,505,239 (US$ 52,800)	$ -	$ -	$ 1,505,239 (US$ 52,800)	100.00	$ 326,688 (Notes 3 and 7)	$ 2,566,740 (Note 7)	$ -
Shihlien Chemical Industrial Jiangsu Co.	Production of glass materials	22,806,648 (US$ 800,000)	Note 2 c.	-	127,062 (US$ 4,457)	-	127,062 (US$ 4,457)	0.75	-	127,062 (US$ 4,457)	-
Shihlien Brine Huaian Co.	Production of glass materials	912,266 (US$ 32,000)	Note 2 c.	-	10,805 (US$ 379)	-	10,805 (US$ 379)	0.75	-	10,805 (US$ 379)	-

(Continued)

Accumulated Investment in Mainland China as of December 31, 2020 (Note 1)	Investment Amounts Authorized by Investment Commission, MOEA (Note 1)	Upper Limit on Investment
$1,643,106 (US$57,636)	$1,643,106 (US$57,636)	Note 5

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, 2020 (Notes 1 and 9)	Investment Flows (Note 1)		Accumulated Outflow of Investment from Taiwan as of December 31, 2020 (Note 1)	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 1)	Carrying Amount as of December 31, 2020 (Note 1)	Accumulated Inward Remittance of Earnings as of December 31, 2020
					Outflow	Inflow					
Shanghai Douniushi F&B Management Co., Ltd.	Restaurant retailing	$ 123,441 (US$ 4,330)	Note 2 c.	$ 2,053 (US$ 72)	$ -	$ -	$ 2,053 (US$ 72)	2.17	$ -	$ 2,053 (US$ 72)	$ -
Topping Cuisine International Holding, Ltd.	Food retailing	148,243 (US$ 5,200)	Note 2 c.	12,088 (US$ 424)	-	-	12,088 (US$ 424)	2.17	-	12,088 (US$ 424)	-
Shanghai Dou Mao Food Management Co., Ltd.	Trading	5,702 (US$ 200)	Note 2 c.	200 (US$ 7)	-	-	200 (US$ 7)	2.17	-	200 (US$ 7)	-
Beauty Essential International, Ltd.	Cosmetic retailing	85,525 (US$ 3,000)	Note 2 c.	19,614 (US$ 688)	-	-	19,614 (US$ 688)	2.41	-	19,614 (US$ 688)	-
Meike information technology	Cosmetic retailing information technology	48,464 (US$ 1,700)	Note 2 c.	827 (US$ 29)	-	-	827 (US$ 29)	2.41	-	827 (US$ 29)	-
Shihlien Chemical Industrial Jiangsu Co.	Production of glass materials	22,806,648 (US$ 800,000)	Note 2 c.	-	76,944 (US$ 2,699)	-	76,944 (US$ 2,699)	0.46	-	76,944 (US$ 2,699)	-
Shihlien Brine Huaian Co.	Production of glass materials	912,266 (US$ 32,000)	Note 2 c.	-	6,528 (US$ 229)	-	6,528 (US$ 229)	0.46	-	6,528 (US$ 229)	-

Accumulated Investment in Mainland China as of December 31, 2020 (Note 1)	Investment Amounts Authorized by Investment Commission, MOEA (Note 1)	Upper Limit on Investment
$118,254 (US$4,148)	$118,254 (US$4,148)	$139,136 (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, 2020 (Note 1)	Investment Flows (Note 1)		Accumulated Outflow of Investment from Taiwan as of December 31, 2020 (Note 1)	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 1)	Carrying Amount as of December 31, 2020 (Note 1)	Accumulated Inward Remittance of Earnings as of December 31, 2020
					Outflow	Inflow					
IBT International Leasing Corp.	Leasing	$ 1,853,040 (US$ 65,000)	Note 2 d.	$ 347,801 (US$ 12,200)	$ -	$ -	$ 347,801 (US$ 12,200)	5.00	$ 17,194 (Notes 3 and 7)	$ 135,092 (Note 7)	$ -

Accumulated Investment in Mainland China as of December 31, 2020 (Note 1)	Investment Amounts Authorized by Investment Commission, MOEA (Note 1)	Upper Limit on Investment
$347,801 (US$12,200)	$347,801 (US$12,200)	$319,189 (Note 8)

(Continued)

Note 1: The amount is after the exchange rate adjustment for the year ended December 31, 2020.

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

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

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

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

d. Direct investment in mainland China.

e. Others.

Note 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 YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

No. (Note 1)	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	$ 279,290	Note 3	0.05
0	The Bank	Chun Teng New Century, IBTM, IBTS Asia (HK) Limited, IBT Leasing, IBTS Financial (HK) Limited and IBTS	a	Interest expense	1,231	Note 3	0.02
0	The Bank	Chun Teng New Century, IBTS Asia (HK) Limited, IBTS Financial (HK) Limited and IBTS	a	Payables	173	Note 3	-
0	The Bank	CBF, IBTM and IBT Leasing	a	Other net revenue other than interest	35,060	Note 3	0.44
1	Chun Teng New Century	The Bank	b	Cash and cash equivalents	43,182	Note 3	0.01
1	Chun Teng New Century	The Bank	b	Discontinued operations - interest revenue	138	Note 3	-
1	Chun Teng New Century	The Bank	b	Accounts receivable	14	Note 3	-
1	Chun Teng New Century	IBT Leasing	c	Discontinued operations - other operating and administrative expenses	686	Note 3	0.01
2	IBTM	The Bank	b	Cash and cash equivalents	3,262	Note 3	-
2	IBTM	The Bank	b	Interest revenue	5	Note 3	-
2	IBTM	The Bank	b	Other operating and administrative expenses	775	Note 3	0.01
2	IBTM	The Bank	b	Lease interest expense	26	Note 3	-
2	IBTM	IBTVC7	c	Consultancy service income	6,056	Note 3	0.08
3	CBF	The Bank	b	Other operating and administrative expenses	26,703	Note 3	0.33

(Continued)

No. (Note 1)	Transaction Corporation	Counterparty	Nature of Relationship (Note 2)	Description of Transactions			
				Financial Statement Account	Amounts	Trading Terms	Percentage of Total Revenue or Total Assets
4	IBTS Financial (HK) Limited	The Bank	b	Cash and cash equivalents	$ 38,000	Note 3	0.01
4	IBTS Financial (HK) Limited	The Bank	b	Discontinued operations - interest revenue	403	Note 3	0.01
4	IBTS Financial (HK) Limited	The Bank	b	Accounts receivable	41	Note 3	-
5	IBTS Asia (HK) Limited	The Bank	b	Cash and cash equivalents	74,806	Note 3	0.01
5	IBTS Asia (HK) Limited	The Bank	b	Discontinued operations - interest revenue	577	Note 3	0.01
5	IBTS Asia (HK) Limited	The Bank	b	Accounts receivable	14	Note 3	-
6	IBTL	The Bank	b	Cash and cash equivalents	9,058	Note 3	-
6	IBTL	The Bank	b	Interest revenue	4	Note 3	-
6	IBTL	The Bank	b	Lease interest expense	391	Note 3	-
6	IBTL	The Bank	b	Other operating and administrative expenses	7,408	Note 3	0.09
6	IBTL	Chun Teng New Century	c	Other net revenue other than interest	686	Note 3	0.01
7	IBTVC7	The Bank	b	Cash and cash equivalents	130	Note 3	-
7	IBTVC7	IBTM	c	Other operating and administrative expenses	6,056	Note 3	0.08
8	IBTS	The Bank	b	Cash and cash equivalents	110,852	Note 3	0.02
8	IBTS	The Bank	b	Accounts receivable	104	Note 3	-
8	IBTS	The Bank	b	Discontinued operations - interest revenue	104	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 10

O-BANK AND SUBSIDIARIES

INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2020

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.