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FSC™ C018015

CHINA BILLS FINANCE CORPORATION
2019 ANNUAL REPORT
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Stock Code: 2820
Taiwan Stock Exchange Market Observation Post System: http://mops.com.tw/
Chain Bills Finance Corp. Annual Report is available at: http://www.cbf.com.tw/

CHINA BILLS FINANCE CORPORATION

2019 ANNUAL REPORT

Printed on March 19 ,2020

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Chian Bills Finance Corporation(CBF) has operated since December 1, 1978.
The principal activities of CBF include：

1.Certifying and underwriting Short-Term Bills;

2.Certifying and underwriting Bank Debentures;

3.Brokering and trading Short-Term Bills;

4.Brokering and trading Bank Debentures;

5.Brokering and trading Government Bonds;

6.Guaranteeing and endorsing Short-Term bills;

7.Providing financial consulting services to enterprises;

8.Dealing Inter-bank call loan;

9.Proprietary trading of Corporate Bonds;

10.Equity Investment;

11.Fixed income securities trading;

12.Proprietary trading service of Foreign Bonds;

13.Investment of Foreign Currency Bonds;

14.Other business as authorized by the Competent Authority.

Through the end of 2019, total assets amounted to NT$197,540 million, and the net worth NT$23,855 million.

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I. Message to Shareholders

One. Performance Report of 2019

I. Domestic and foreign economic environment in 2019

The global economic growth momentum became sluggish in 2019. Based on the most updated forecast of IHS Markit in December 2019, the global economic growth rate in 2019 was 2.62%, lower than 3.17% in 2018.

According to the Economic Outlook released by OECD on November 21, 2019, in consideration of the continuing policy uncertainty and weak trade investment, the global economy has grown at the slowest rate since the financial crisis and the global economic growth rate was expected to be 2.9% in 2019. Following the stagnant economic growth, the global trading turnover growth rate was estimated as 1.2% in 2019 declining from 3.7% in 2018. The Outlook also indicated that there still was no sign for mitigation of the worsening global economic outlook, various countries' governments have not yet had the policy resolving the extreme climate shift issues, and the multilateral economic and trading order collapsed. All of these are the challenges to be dealt with by all of the countries in the world.

For the time being, the international economy still needs to deal with multiple risk variables to be noted, including the increasing trading conflict between China and the U.S.A., sluggish economic growth beyond the expectation in China, No-deal Brexit, geopolitical risk, and the trade protectionism. The international economic outlook varies depending on all of these variables.

The Directorate General of Budget, Accounting and Statistics of the Executive Yuan forecast that the economic growth rate was 2.64% in 2019. Besides, the increasingly amplified positive effects of Taiwanese businessmen 's return to home and production capacity expansion on the export benefited Taiwan's maintenance of its export momentum. Given the continued investment in semiconductors and the green energy, such as offshore wind power, foreign enterprises' active investment in Taiwan, and the government's efforts in optimizing the domestic investment environment, the private investment is expected to be driven stably.

II. Change of the Organizational Structure

Nil.

III. Performance Report

(I) Primary Market Transactions

1. Commercial Paper Certification and Underwriting

The Company had 10,328 commercial papers certified and underwritten in 2019, an increase of 812 commercial papers (or 8.53%) over the year 2018. The total transaction amount was NT$1,841,747 million, an increase of NT$122,609 million (or 7.13%) over the year 2018.

The outstanding balance of commercial paper certified and underwritten by the Company amounted to NT$255,420 million as of the end of 2019.

2. Outstanding Balance of Guarantee

As of December 31, 2019, the guaranteed balance of the Company's commercial paper amounted to NT$108,292 million, an increase of NT$3,857 million (or 3.69%) over the year 2018.

3. The initial Purchase of NTD Bills

The Company had the initial purchase of NTD bills of NT$192,036 million in 2019, a decrease of NT$53,866 million (or-21.91%) over the year 2018.

(II) Secondary Market Transactions

The bills traded in the secondary market amounted to NT$4,554,985 million in 2019, representing an increase of NT$416,292 million (or 10.06 %) over the year 2018.

(III) NTD Government Bonds

The Company's government bonds trading amounted to NT$860,006 million in 2019, a decrease of NT$53,090 million (or -5.81%) over the year 2018.

Regarding trading types, the Repo trading amounted to NT$842,706 million, accounting for 97.99% of the total trades and representing a decrease of NT$32,090 million (or-3.67%) over the year 2018. The Outright purchases/sales amounted to NT$17,300 million, accounting for 3.01% of the total trades and representing a decrease of NT$21,000 million (or -54.83%) over the year 2018.

(IV) NTD Bank Debentures

The Company's bank debentures trading totaled to NT$293,202 million in 2019, an increase of NT$73,630million (or 33.53%) over the year 2018.

Regarding trading types, the Repo trading amounted to NT$290,702million, accounting for 99.15% of the total trades and representing an increase of NT$77,530 million (or 36.37%) over the year 2018. The Outright purchases/sales amounted to NT$2,500 million, accounting for 0.85% of the total trades and representing a decrease of 3,900 million (or -60.94%) over the year 2018.

(V) NTD Corporate Bonds

The Company's corporate bonds trading totaled NT$1,613,968 million in 2019, an increase of NT$97,207 million (or 6.41%) over the year 2018.

In terms of trading types, the Repo trading amount was NT$1,583,346 million, accounting for 98.10% of the total trades and representing an increase of NT$97,958 million (or 6.59%) over the year 2018. The Outright purchases/sales amount was NT$30,622 million, accounting for 1.90% of the total trades and representing a decrease of NT$751 million (or -2.39%) over the year 2018.

(VI) NTD Securitized Special Purpose Trust Beneficiary Securities Market

The Company's securitized special purpose trust beneficiary securities trading amounted to NT$500 million in total in 2019, increasing by NT$500 million from 2018.

By the trading type, the outright purchase and sell trading amounted to NT$500 million, i.e. 100.00%, increasing by NT$500 million from 2018.

(VII) Foreign Currency Bonds

The Company’s foreign bonds trading total was US$11,269 million in 2019, representing an increase of US$2,860 million(or 34.01%) over the year 2018.

Regarding trading types, the Repo trading of international bonds amounted to US$846 million, accounting for 92.86% of the total trades and representing an increase of US$582 million (or 220.45%) over the year 2018. The Outright purchases/sales of international bonds amounted to US$65 million, accounting for 7.14% of the total trades and representing an increase of US$49 million (or 306.25%) over the year 2018. The Repo trading of foreign bond amounted to US$9,924 million, accounting for 95.81% of the total trades and representing an increase of US$2,079 million (or 26.5%) over the year 2018. The Outright purchases/sales of foreign bonds trading amounted to US$434 million, accounting for 4.19% of the total trades and representing an increase of US$150 million (or 52.82%) over the year 2018.

IV. Budget Implementation, Financial Income and Expenditures, and Profitability Analysis

In terms of the income, the revenue was NT$2,014,768 thousand in 2019: the net interest income NT$855,974 thousand, the commissions and fee revenue NT$983,401 thousand, the net income from financial assets and liabilities at fair value through profit or loss NT$97,309 thousand, the revenue from realization of other comprehensive financial assets at fair value through profit or loss NT$111,783 thousand, and the non-interest net income NT$33,699 thousand.

Considering that the whole staff used their best efforts to develop customers in 2019, the main business lines including underwriting of promissory notes and balance of guaranteed commercial paper sustain growth, and the performance of bonds and stocks position operations has improved significantly as well. Therefore, the net income after tax for the year achieved the budget target successfully.

In terms of provision of reserve, the various reserves were NT$4,476 thousand in 2019, primarily due to the increase of the provision of guarantee responsibility for real estate credit in accordance with the regulations of the competent authority. The operating expenses were 478,583 thousand. Under the strict control, the expenditure was less than the budget.

In terms of earnings, the earnings before tax were NT$1,553,478 thousand, net earnings after tax NT$1,244,653 thousand, and EPS NT$0.93 in 2019. The budget achievement rate was 102%. Further, with the gains from disposition of the “equity instrument at fair value through other comprehensive income”, NT$95,645 thousand, the budget achievement rate became 108%.

V. Research and Development

In response to the fintech trend, various innovated financial instruments have been emerging in the recent years. This year, the Company joined the “Financial Blockchain Confirmation Service” to cut the labor cost and postage to be spent by the CPA firms in confirmation letters and avoid the possibility for loss, forgery and alteration of confirmation letters at the same time, so as to upgrade the entire operational efficiency and data safety. Meanwhile, the Company continues to research the feasibility of the bond and bill trading platform and CP2CP, in hopes of releasing the innovative financial services which may satisfy customer needs.

For the employees’ training, the Company invites experts and scholars to provide keynote speech for all staff periodically, and also retains the professionals in the industry to teach the finance-related courses.

Meanwhile, the Company also encourages its employees to obtain finance certificates/licenses and attend various courses offered by the entities and institutions, such as Taiwan Academy of Banking and Finance, hoping to upgrade the employees’ expertise and work efficiency. At the end of 2019, the Company had a total of 149 employees. The employees’ training totaled 3,318 person-times (6,421 hours). Averagely, each employee was sent to attend training for 22 times (43 hours).

Two. Outline of 2020 Business Plan

I. Business Policy

- To develop syndicated loan projects and enhance the real estate loans to increase the overall profit.
- To expand the bond yielding positions, continue escalating fixed rate bonds to respond to the interest cutting cycle, and increase the investment portfolio yield.
- To adopt flexible strategies for the facility, enhance credit risk management, and continue adjusting the position structure to increase the convertible bond yield.
- To seek the individual stocks with high dividend and yield, stable profit and underestimated stock price to establish the stock position at fair value through other comprehensive income; to seek the industries and individual stocks with underestimated stock price or growing outlook for trading position, and intervene in the operation timely.
- To control the liability cost effectively to strengthen the promotion of secondary transactions between consumer banking accounts and corporate banking accounts.

II. Business Target

Operating targets of the main businesses in 2020 are based on domestic and foreign economic situation and industrial environment estimates:

- Daily average outstanding of guaranteed commercial papers issuance amounted to NT$106.8 billion.
- Annual average short-term bills underwriting and initial purchase amounted to NT$263.5 billion.
- Annual average repo trading amounted to NT$184.4 billion.
- Capital adequacy ratio will be not less than 12.5%.

III. Significant Operating Policy and Future Development Strategies

Please refer to Page 125~126 of this annual report for the long-term and short-term business development plan.

Three. The Impact from Competition, Regulation, and Macro-economic Environments

Domestically, the long-term monetary easing policy remains. Since the valued customers are a minority in quantity to strive for, it is expected the financial market will maintain intensive competition.

In order to keep in line with the international trend, the competent authority has successively implemented the new policies for personal information protection, anti-money laundering and countering of terrorism financing, and common reporting standards in the recent years. Besides, the competent authority focused on the legal compliance and corporate governance. Accordingly, the Company constructed and optimized various legal compliance mechanisms, and also invested additional resources, in order to upgrade the performance of legal compliance.

The global economic growth became sluggish in 2019. Notwithstanding, supported by the effect of order transfer derived from the trade war between China and the USA, Taiwan's performance in foreign trade appears to be better than the market’s expectation. Therefore, the economic growth stayed stable in Taiwan. Looking forward to 2020, the USA and mainland China have reached the preliminary trading agreement. Notwithstanding, the uncertain factors, such as the stagnant economic growth in the developed economies, geopolitical conflict, and outbreak of COVID 19 in mainland China, render impact to the global economy adversely. Accordingly, the international organizations tend to adjust the global economic growth outlook downward successively.

The Company will further its effort in its core business and will work even harder in earnest to bolster risk management and efficiency of capital use so as to upgrade its competitive power and operation performance and mitigate the impact from the external environment. For information on the assessment of influence in various forms, refer to Page 120~122 of this report.

Four. The Updated Rating

Fitch Ratings, Ltd., Taiwan Branch affirmed on July 5, 2019 the Company’s ratings as follow: National long-term rating “A+(twn)”, National short-term rating “F1(twn)” and the long-term outlook “Stable” .

Last but not least, we look forward to your continued support and encouragement for CBF and its employees.

Sincerely yours,

Cheng-Ching Wu
Chairman

Gwo-Cheng Tu
Acting President

II. Company and Business Profile

One. Company Profile

By the Corporation Law and the Regulations Governing Short Term Bills Dealers as promulgated by the Ministry of Finance (MOF), the Company was duly incorporated in October 1978 to assist the government in establishing a monetary market, helping businesses with short-term financing needs and facilitating the transactions of bills and bonds in the economy. The Company has operated since December 1, 1978, and listed on Taiwan Stock Exchange (TSE) since October 1994.

The principal activities of CBF include:

1.Certifying and underwriting Short-Term Bills;

2.Certifying and underwriting Bank Debentures;

3.Brokering and trading Short-Term Bills;

4.Brokering and trading Bank Debentures;

5.Brokering and trading Government Bonds;

6.Guaranteeing and endorsing Short-Term bills;

7.Providing financial consulting services to enterprises;

8.Dealing Inter-bank call loan;

9.Proprietary trading of Corporate Bonds;

10.Equity Investment;

11.Fixed income securities trading;

12.Proprietary trading service of Foreign Bonds;

13.Investment of Foreign Currency Bonds;

14.Other business as authorized by the Competent Authority.

Two. Corporate Milestones

1976

• In February, the Ministry of Finance sent a letter to Bank of Communications asking the Bank to found Bills Finance Corporation.

1978

• On April 10, the Founding Taskforce Committee convened by the Bank of Communications applied with Ministry of Finance for founding Bills Finance Corporation.

• On July 13, the Ministry of Finance authorized in writing that the shareholders should consist of the 7 entities including Bank of Communications, Central Investment Holding, Taiwan Power Company, CPC Corporation, CHB, Cathay United Bank, and National Bank of Detroit, a US-based company, and also authorized said shareholders' share subscription percentages. The paid-in capital was NT$200 million.

• On September 6, the Company was named as "China Bills Finance Corporation" officially upon written authorization by Ministry of Finance. After the paid-in capital was fully paid, the Company held a shareholders' meeting to elect the directors and supervisors of 1st term. Mr. Hui-Fu Chen was elected as the Chairman and Mr. Zong-Han Zhang was elected as the President. Meanwhile, the company registration and business registration were completed.

• On December 1, start business officially.

1980

• On September 11, cash capital increase by NT$75 million, recapitalization from earnings by NT$25 million, and paid-in capital amounting to NT$300 million.

1981

• On March 10, cash capital increase by NT$50 million, and paid-in capital amounting to NT$350 million.

• In July, cash capital increase by NT$50 million, and paid-in capital amounting to NT$400 million.

• On October 24, Kaohsiung Branch started business officially.

• In December, cash capital increase by NT$50 million, and paid-in capital amounting to NT$450 million.

1982

• On March 26, the authorized capital stock adjusted as NT$800 million, recapitalization from 1981 earnings by NT$134.75 million, and paid-in capital amounting to NT$584.75 million.

• On September 25, Taichung Branch started business officially.

• On November 15, Headquarters moved to the new premises at 6&7F of Taipei Financial Center, No. 64, Dunhua N. Rd., Taipei City

1983

• On March 23, recapitalization from 1982 earnings by NT$115.25 million, and paid-in capital amounting to NT$700 million.

• On June 18, Tainan Branch started business officially.

1984

• On February 1, the new Chairman, Mr. Song-Gao Gu, assumed the office.

1985

• On January 1, the new President, Mr. Tong-De Xu, assumed the office.

1986

• On March 25, recapitalization from 1985 earnings by NT$48 million, and paid-in capital amounting to NT$748 million.

1987

• On April 14, recapitalization from 1986 earnings by NT$52 million, and paid-in capital amounting to NT$800 million.

1988

• On April 12, the authorized capital stock adjusted as NT$1.2 billion, recapitalization from 1987 earnings by NT$100 million, and paid-in capital amounting to NT$900 million.

• On October 26, the equity of National Bank of Detroit was transferred to Mr. Wan-Cai Cai and Shen Yuan Investment Co., Ltd. wholly. The equity represented by Director Jui-Zhi Jan was transferred wholly. Therefore, he was discharged from the position as director pursuant to laws.

1989

• On April 1, the former Chairman, Mr. Song-Gao Gu, retired compulsorily. On the same day, the new Chairman, Mr. Long-Tao Qian, assumed the office.

• On April 17, recapitalization from 1988 earnings and special reserve by NT$215 million in total, and paid-in capital amounting to NT$1.115 billion.

• On June 17, Taoyuan Branch started business officially.

• On July 22, the Company rented 5F of Taipei Financial Center additionally to expand its business.

1990

• On May 4, Director Wan-Cai Cai transferred his equity to Zhong Xing Investment Co., Ltd. and Fubon Investment Co., Ltd. wholly. Therefore, he was discharged from the position as director pursuant to laws.

• On June 16, the authorized capital stock adjusted as NT$2.4 billion, recapitalization from 1989 earnings and special reserve by NT$385 million in total, and paid-in capital amounting to NT$1.5 billion.

• On July 25, Banqiao Branch started business officially.

1991

• On March 30, recapitalization from 1990 earnings by NT$500 million, and paid-in capital amounting to NT$2 billion.

• On May 1, the former President, Mr. Tong-De Xu, retired compulsorily. On the same day, Vice President, Mr. Run-Sun Fu, was promoted to assume the office of President. On August 1, Changhua Branch started business officially.

1992

• In February, in order to meet the operational needs and take care of the shareholders' equity, the Company appointed Grand Cathay Securities Corporation as the leading underwriter responsible for the pre-listing tutorship for the Company.

• On March 28, the authorized capital stock adjusted as NT$3.6 billion, recapitalization from 1991 earnings and special reserve by NT$700 million in total, and paid-in capital amounting to NT$2.7 billion.

• In July, the Company acquired the whole building situated at No. 14, Sec. 2, Dunhua S. Rd., Daan District, Taipei City as the Headquarters' new business place.

1993

• On April 28, recapitalization from 1992 earnings and special reserve by NT$700 million in total, and paid-in capital amounting to NT$3.4 billion.

• On September 1, the former Chairman, Mr. Long-Tao Qian, retired compulsorily. On the same day, Central Investment Holding reappointed Wei-Zhong Xue, Jun Zhang, Da-Hou Lin and Liang Zhang as its corporate shareholders' representatives, and nominated Mr. Wei-Zhong Xue as the candidate for managing director and Chairman of the Board. On the same day, the Board of Directors of 5th term held the first special directors'/supervisors' meeting to reelect the directors, Mr. Wei-Zhong Xue and Mr. Jun, Zhang as the managing directors, and held the managing directors' meeting to elect the managing director, Mr. Wei-Zhong Xue, to succeed to the position as Chairman.

1994

• On March 28, Headquarters moved to the China Bills Finance Corporation Building at No. 14, Sec. 2, Dunhua S. Rd., Taipei City to continue carrying out business.

• On April 23, recapitalization from 1993 earnings and special reserve by NT$650 million in total, and paid-in capital amounting to NT$4.05 billion.

• On May 24, TWSE Securities Listing Review Committee approved the Company's listing on TWSE.

• On October 24, the Company held the special shareholders'meeting to reelect directors/ supervisors. In order to satisfy the need for listing, the directors representing CP Corporation and Taiwan Power Company (TPC) offered a majority of their equity for public underwriting and, therefore, the directors were discharged from the position pursuant to laws. Mr. Ming-Xin Cai and Mr. Chuan-Jiong Zheng were reelected to succeed to the office. Meanwhile, the Company's largest shareholder, Development Fund Management Committee of Executive Yuan, redeemed the equity which the Central Investment Holding was initially appointed to invest in the Company in whole. As a result, the directors and supervisors representing the Central Investment Holding were re-appointed to represent the Development Fund Management Committee of Executive Yuan. Upon the election, all of them were also elected as directors and supervisors, and Mr. Wei-Zhong Xue and Mr. Jun Zhang were still elected as the managing directors. Managing Director Wei-Zhong Xue was elected by and among the directors as the Chairman of Board, and Mr. Da-Hou Lin as the standing supervisor. In other words, the entire management responsible for decision making remained with no material changes.

• On October 26, the Company started to trade on TWSE officially.

1995

• On April 17, recapitalization from 1994 earnings and capital surplus by NT$850 million in total, cash capital increase by NT$1 billion, and paid-in capital amounting to NT$5.9 billion.

1996

• On April 30, recapitalization from 1995 earnings and capital surplus by NT$1.1 billion in total, cash capital increase by NT$2 billion, and paid-in capital amounting to NT$9 billion.

1997

• On May 1, Bond Dept. was established and dedicated to the proprietary operations of government bonds.

• On May 28, recapitalization from 1996 earnings and capital surplus by NT$1.5 billion in total, cash capital increase by NT$2 billion, and paid-in capital amounting to NT$12.5 billion.

• On July 12, the Company was held qualified for participating in the tender submission for government bonds directly as a trader of Central Government Bonds (CGBs).

1998

• On March 12, Taiwan Ratings granted the Company's long-term credit rating as “twA”, and short-term credit rating as “twA-2”. The Company was the first bills financing corporation receiving the credit ratings from the credit ratings organization in Taiwan.

• On April 29, recapitalization from 1997 earnings and capital surplus by NT$1.95 billion in total, and paid-in capital amounting to NT$14.45 billion.

• On July 14, Ministry of Finance permitted the Company to engage in the hedging transactions against NTD IRS and NTD FRA. As a result, the Company held additional hedging tool and also became the first bills finance company permitted to engage in such operations in Taiwan.

• On December 1, the Company organized its 20th anniversary celebration party at Grand Hyatt, and published the “China Bills Finance Special Edition for 20th Anniversary” available to the various sectors by upholding the management philosophy for “Gratitude, Cherishment and Improvement”.

1999

• On April 23, Taiwan Ratings announced its annual credit rating reports. The Company’s long-term ratings remained as “twA” and short-term credit ratings as “twA-2”.

• On May 20, recapitalization from 1998 earnings and capital surplus by NT$2.07 billion in total, and paid-in capital amounting to NT$16.52 billion.

2000

• On March 22, the former President, Mr. Run-Sun Fu, retired. The Vice President, Mr. Gao-Ming Cai, was promoted to assume the office as President.

• On May 8, Taiwan Ratings announced its annual credit rating reports. The Company's long-term ratings remained as "twA" and short-term credit ratings as "twA-2".

• On July 27, the Company adjusted its organizational structure and added Planning Department, Information Technology Department and Legal & Compliance Department.

• On September 7, recapitalization from 1999 earnings and capital surplus by NT$680 million in total, and paid-in capital amounting to NT$17.2 billion.

2001

• On February 1, Changhua Branch was terminated and consolidated to Taichung Branch.

• On March 14, treasury stock totaling 41,300,000 was annulled, and the capital decreased by NT$413 million in total. After that, the paid-in capital became NT$16.787 billion. The registration of changes was approved by Ministry of Economic Affairs via its letter under (99) Shang-Zi No. 09001083080, and the company license was re-issued accordingly.

• On June 5, Taiwan Ratings announced its annual credit rating reports. The Company's long-term ratings remained as "twA" and short-term credit ratings as "twA-2".

• On June 12, Mr. Guo-Xiong Zhuang, who was appointed as the Company's corporate shareholder's representative on behalf of the Bank of Communications and also the Company's director concurrently, was succeeded by Mr. Feng-Yi Huang. On June 14, he was elected as the managing director at the 1st special meeting of the Board of Directors of 8th term.

• On July 25, Mr. Wei-Zhong Xue, who was appointed to act as the Company's corporate shareholder's representative on behalf of the Development Fund Management Committee of Executive Yuan and also the Company's director concurrently, was succeeded by Mr. Jian-Cheng Zeng. On the same day, he was elected as the managing director and also Chairman of Board at the 2nd special meeting of the Board of Directors of 8th term and 1st special meeting of the Board of Managing Directors of 8th term.

• On July 25, Mr. Gwo-Cheng Tu, who was appointed to act as the Company's corporate

shareholder's representative on behalf of National Development Fund of Executive Yuan and also the Company's supervisor concurrently, was discharged from the position, and his successor would be re-appointed in writing separately.

• On July 25, the former President, Mr. Gao-Ming Cai, and the former Vice President, Mr. Huang Jin-Dui, resigned. Then, Mr. Ji-Cun Li and Mr. Gwo-Cheng Tu were appointed as the successors.

• On August 13, the Company's director, Mr. Jin-Dui Huang, resigned. On October 20, Mr. Gwo-Cheng Tu, who was appointed to act as the Company's corporate shareholder’s representative on behalf of the Development Fund Management Committee of Executive Yuan and also the Company’s supervisor concurrently, was succeeded by Mr. Qing-Qi Lai.

• On December 19, the Company's director, Mr. Gao-Ming Cai, resigned.

• On December 28, Mr. Han-Liang Wu, who was appointed to act as the Company’s corporate shareholders’ representative on behalf of Cathay United Bank and also the Company’s director, was succeeded by Mr. Qian-Zhi Chen.

2002

• On March 6, the Company adjusted its organizational framework, added Operations Dept., and consolidated Accounting Department and Planning Department into Administration Department and Sales Department respectively.

• On April 3, Mr. Feng-Yi Huang and Ms. Zi-Fang Liu Yang, the Company's corporate shareholders’ representative on behalf of the Bank of Communications and also the Company’s directors, and Ms. Qing-Hui Cheng, the Company's corporate shareholder's representative on behalf of the Bank of Communications and also the Company's supervisor, were succeeded by Mr. Guo-Xiong Zhuang, Ms. Xiang-Li Yang and Mr. Zi-Ping Ren. On April 10, Mr. Guo-Xiong Zhuang was elected as the managing director at the 4th special meeting of the Board of Directors of 8th term.

• On April 24, Mr. Qian-Zhi Chen, who was appointed to act as the Company’s corporate shareholders’ representative on behalf of Cathay United Bank and also the Company’s director, resigned, and no successor was appointed for him.

• On April 25, Taiwan Ratings announced its annual credit rating reports. The Company’s long-term ratings were adjusted as “twA-” and short-term credit ratings remained as “twA-2”.

• On June 1, Mr. Teng-Cheng Liu, who was appointed to act as the Company's corporate

shareholder’s representative on behalf of the Development Fund Management Committee of Executive Yuan and also the Company’s director concurrently, was succeeded by Mr. Jun-Hui He.

• On June 20, Mr. Qing-Qi Lai, who was appointed to act as the Company's corporate shareholder’s representative on behalf of the Development Fund Management Committee of Executive Yuan and also the Company’s supervisor concurrently, was succeeded by Ms. Jiao-Ying Yang.

2003

• On April 1, Mr. Jun-Hui He, who was appointed to act as the Company's corporate shareholder’s representative on behalf of the Development Fund Management Committee of Executive Yuan and also the Company’s director concurrently, was succeeded by Mr. Zhong-Ying Hu.

• On April 23, Mr. Guo-Xiong Zhuang, who was appointed as the Company's corporate shareholder's representative on behalf of the Bank of Communications, Administration Division and also the Company's director concurrently, was succeeded by Mr. Wen-Xiong Sun. On the same day, he was elected as the managing director at the 37th meeting of the Board of Directors of 8th term.

• On May 29, Taiwan Ratings announced its annual credit rating reports. The Company’s long-term ratings remained as “twA-”, short-term credit ratings as “twA-2”, and the outlook rating changed from “negative” to “stable”.

• On June 6, the Company held the general shareholders’ meeting to elect 9 directors and 3 supervisors of 9th term.

• On September 19, the Central Bank announced the selection results for “Main Traders of Central Government Bonds (CGBs)”. As a result, the Company was selected as one of the nine major traders

2004

• On March 12, Ms. Yi Xi, who was appointed to act as the Company's corporate shareholder's representative on behalf of E-Li Trade Co., Ltd. and also the Company's director, was succeeded by Mr. Bing-Huang He.

• On April 19, Taiwan Ratings announced its annual credit rating reports. The Company’s long-term ratings remained as “twA-”, short-term credit ratings as “twA-2”, and the outlook rating remained as “stable”.

• On October 15, the Central Bank announced the additional selection results for “Main Traders of Central Government Bonds (CGBs)”. As a result, the Company was still selected as one of the 11 major traders

• On October 26, Mr. Wen-Xiong Sun, who was appointed as the Company's corporate shareholder's representative on behalf of the Bank of Communications, Administration Division and also the Company's director concurrently, was succeeded by Mr. Feng-Yi Huang.

2005

• On April 13, Fitch Ratings, Taiwan announced its annual credit rating reports. It granted the Company’s international long-term foreign currency ratings as “BBB”, international short-term foreign currency ratings as “F3”, domestic long-term rating as “A+(twn)”, foreign short-term ratings as “F1(twn)”, and long-term outlook ratings as “stable”.

• On May 1, Ms. Jiao-Ying Yang, who was appointed to act as the Company's corporate shareholder’s representative on behalf of the Development Fund Management Committee of Executive Yuan and also the Company’s supervisor concurrently, was succeeded by Mr. Cheng-Zhang Yuan.

• On September 20, FSC approved that the Company was allowed to invest in equity products.

• On November 18, the Central Bank announced the additional selection results for “Main Traders of Central Government Bonds (CGBs)”. As a result, the Company was still selected as one of the 13 major traders

2006

• On May 11, Fitch Ratings, Taiwan announced its annual credit rating reports. It granted the Company’s international long-term foreign currency ratings as “BBB”, international short-term foreign currency ratings as “F3”, domestic long-term rating as “A+(twn)”, foreign short-term ratings as “F1(twn)”, and long-term outlook ratings as “stable”.

• On June 9, the Company held the general shareholders’ meeting to elect 9 directors of 10th term (including 2 independent directors) and 3 supervisors, including 3 directors from Industrial Bank of Taiwan, and 3 directors and 1 supervisor from the Management Committee of National Development Fund, Executive Yuan. Meanwhile, Mr. Ming-Ji Li, who was appointed to act as the Company's corporate shareholders’ representative on behalf of Industrial Bank of Taiwan as the Chairman of Board.

• On October 1, Mr. Zun-Hua Shi, who was appointed to act as the Company's corporate shareholder’s representative on behalf of the Management Committee of National Development Fund, Executive Yuan and also the Company’s director concurrently, was succeeded by Mr. Zong-Da Yan.

• On December 8, Ms. De-Pei Yu, who was appointed to act as the Company's corporate shareholder's representative on behalf of Industrial Bank of Taiwan and also the Company's director, was succeeded by Mr. Tian-Wang Cai.

2007

• On January 1, Mr. Wen-Xian Lai, who was appointed to act as the Company's corporate shareholder’s representative on behalf of the Management Committee of National Development Fund, Executive Yuan and also the Company’s director concurrently, was succeeded by Mr. Jun-Hui He.

• On February 6, FSC approved that the Company was allowed to trade securitized products at its own business locations.

• On March 1, Ms. Man-Jin Guo, who was appointed to act as the Company's corporate shareholder’s representative on behalf of the Management Committee of National Development Fund, Executive Yuan and also the Company’s director concurrently, was succeeded by Mr. Fan-Guan Zhan.

• On April 19, Mr. Ji-Cun Li, who was appointed to act as the Company's corporate shareholder's representative on behalf of the Management Committee of National Development Fund, Executive Yuan and also the Company's director concurrently, was succeeded to by Mr. Cheng-Ching Wu.

• On April 26, Fitch Ratings, Taiwan confirmed the Company's annual credit ratings as following: long-term foreign currency IDR as “BBB”, short-term foreign currency ratings as “F3”, domestic long-term ratings as “A+(twn)”, domestic short-term ratings as “F1(twn)”, and all outlook ratings as “stable”.

• On May 1, the former President, Mr. Ji-Cun Li, retired due to health problems. The vacancy left by him was filled by Mr. Cheng-Ching Wu as of May 16, and upon authorization by the competent authority pursuant to the relevant requirements.

• On June 15, Independent Director, Mr. Neng-Bai Lin, resigned for press of business.

• On September 1, the Company adjusted its organizational framework, added Equity Products Department, consolidated Trading Department and Bond Department and renamed it into Fixed Income Products Department. Meanwhile, Business Department was renamed into Corporate Finance Department, and Sales Department renamed into Risk Management Department and consolidated Legal & Compliance Department.

• On December 17, the Management Committee of National Development Fund, Executive Yuan sold a majority of the shares held by it. Accordingly, the directors/supervisors representing it were all discharged from the position.

• On December 18, Mr. Tian-Wang Cai, who was appointed to act as the Company's corporate shareholder's representative on behalf of Industrial Bank of Taiwan and also the Company's director, was succeeded by Mr. Cheng-Ching Wu.

2008

• On February 5, the Company held the first special general shareholders' meeting to reelect 4 directors (including 1 independent director) and 1 supervisor to fill the vacancies. The name list of elected directors included Mr. Yao-Zu Qian, Mr. Rui-Yi Yen and Mr. Cheng Hsiang Wei representing Industrial Bank of Taiwan as directors and Mr. Su-Shen Zhong representing the Bank as an independent director. The elected supervisor was Mr. David C.C. Chang representing Tai Yuan Technology Co., Ltd.

• On February 22, Independent Director Zhao-Cheng Mai resigned for his personal career planning.

• On April 17, Fitch Ratings, Taiwan confirmed the Company's annual credit ratings as following: domestic long-term rating as “A+(twn)”, domestic short-term ratings as “F1(twn)”, and all outlook ratings as “stable”.

• On May 1, The Company's Supervisor David C.C. Chang representing Tai Yuan Technology Co., Ltd. was succeeded by Mr. Ming-Yuan Lin.

• On June 13, the Company held the general shareholders' meeting to reelect 1 director (independent director) to fill the vacancy. As a result, Ms. Yi-Ru Liu was elected as the director.

• On August 22, the Company held the 2nd special shareholders' meeting and passed the motion for consolidation with Industrial Bank of Taiwan. The directors, Mr. Yao-Zu Qian, Mr. Rui-Yi Yen and Mr. Cheng Hsiang Wei, initially representing the Industrial Bank of Taiwan resigned because of press of business on June 25, 2008. In the meantime, the Industrial Bank of Taiwan waived the right to re-appoint its representatives. The resignation and waiver took effective from the date when the Company held the shareholders' meeting for reelection of directors pursuant to laws. At the same shareholders' meeting, three directors were reelected, who were Mr. David C.C. Chang representing the Industrial Bank of Taiwan and Ms. Mona I-Ru Lo and Mr. Ming-Fu Huang representing Mingsheng Investment Co., Ltd..

• On August 29, the 1st special meeting of the Board of Directors of 10th term resolved the application with Banking Bureau of FSC, Executive Yuan for the "consolidation" with the Industrial Bank of Taiwan, "change of the business entity to an industrial bank" and "rename".

• On November 21, the 2nd meeting of the Board of Directors of 10th term resolved to terminate the motion for consolidation and consolidation agreement subject to mutual agreement with the Industrial Bank of Taiwan, pursuant to Article 18.3 of the consolidation agreement.

• On December 16, Independent Director Yi-Ru Liu resigned for the press of business.

2009

• On April 15, Fitch Ratings, Taiwan confirmed the Company's annual credit ratings as following: domestic long-term rating as "A+(twn)", domestic short-term ratings as "F1(twn)", and all outlook ratings as "stable".

• On June 19, the Company held the general shareholders' meeting to elect 9 directors of 11th term (including 2 independent directors) and 3 supervisors. As a result, the Industrial Bank of Taiwan won 6 director seats in the Board, and Mingshen Investment and Tai Yuan Technology won 1 supervisor seat, respectively. The corporate shareholder's representative from the Industrial Bank of Taiwan, Mr. Ming-Ji Li, was elected as the Chairman of Board.

• On June 19, the general shareholders' meeting resolved to pass the cash capital decrease by NT$3,357,400,000. In consideration of the stock offered in the past years totaling 1,678,700,000 common shares at the par value NT$10 per share, NT$16,787,000,000 should serve as the basis and the capital decrease would be by 20%. The paid-in capital upon the capital decrease was NT$13,429,600,000.

• On August 11, FSC approved that the Company was allowed to engage in the proprietary operations and investment of foreign currency bonds.

• On August 19, Mr. Ming-Yuan Lin representing Supervisor Tai Yuan Technology Co., Ltd., was succeeded by Mr. Ding-Kai Wu.

2010

• On January 6, the Company reported to the FSC that the cash capital decrease took effective.

• On January 29, the Ministry of Economic Affairs approved the registration of changes of the paid-in capital. After that, the Company's paid-in capital became NT$13,429,600,000.

• On March 30, the stocks were registered and offered in intangible form in whole.

• On March 31, Fitch Ratings, Taiwan confirmed the Company's annual credit ratings as following: domestic long-term rating as "A+(twn)", domestic short-term ratings as "F1(twn)", and all outlook ratings as "stable".

• On August 12, the Central Bank approved that the Company was allowed to engage in the certification, underwriting, brokerage and proprietary operations of foreign currency bills domestically and overseas, and offer the services officially on December 6.

• On October 9, Mr. Ding-Kai Wu representing Supervisor Tai Yuan Technology Co., Ltd. was succeeded by Mr. Ji-Ming Chen.

2011

• On April 26, Fitch Ratings, Taiwan confirmed the Company's annual credit ratings as following: domestic long-term rating as "A+(twn)", domestic short-term ratings as "F1(twn)", and all outlook ratings as "stable".

• On June 2, the shareholders' meeting resolved to pass the motion for sale by tender of the Headquarters' building (No. 14, Dunhua S. Rd., Taipei City).

• On June 14, Mr. Ming-Ji Li representing Corporate Director Industrial Bank of Taiwan was succeeded by Mr. David C.C. Chang.

• On June 14, Chairman Ming-Ji Li retired. At 24th meeting of the Board of Directors of 11th term, Mr. Cheng-Ching Wu, was elected to succeed to the position as Chairman of the Board. Meanwhile, he resigned from the position as President. The vacancy for the President was filled by Mr. Yao-Zu Qian. Said motion was also reported to the competent authority for authorization.

• On September 13, in order to enhance corporate governance and well found the Company's director, supervisor and managerial officer remuneration systems, the Company established the Remuneration Committee pursuant to laws.

• On September 28, the Company appointed DTZ to handle the sale by tender of the Headquarters' office. As a result, TING HO DEVELOPMENT CO., LTD. of Ting Hisin International Group was awarded the contract at the price of NT$4.629 billion.

• On September 29, the Company held the special directors' meeting to report the application documents for approval of the relocation with the competent authority and lease of 4F of the headquarters building of the Industrial Bank of Taiwan (No. 99, Sec. 2, Tiding Blvd., Neihu Dist., Taipei City) as the Company's Headquarters office.

• On October 24, the Company’s application with Banking Bureau of FSC, Executive Yuan for moving its Headquarters to 4F, No. 99, Sec. 2, Tiding Blvd., Neihu Dist., Taipei City to continue its operation was approved.

• On December 19, the Company moved to 4F, No. 99, Sec. 2, Tiding Blvd., Neihu Dist., Taipei City officially to continue its operation.

2012

• On April 2, Mr. Xing-Bang Wang representing Corporate Director Industrial Bank of Taiwan was succeeded by Mr. Jin-Yu Yang.

• On April 23, Fitch Ratings, Taiwan confirmed the Company's annual credit ratings as following: domestic long-term rating as “A+(twn)”, domestic short-term ratings as “F1(twn)”, and all outlook ratings as “stable”.

• On June 15, the Company held the general shareholders’ meeting to elect 11 directors of 12th term (including 3 independent directors). As a result, the Industrial Bank of Taiwan won 6 director seats in the Board, and Mingshen Investment won 1 director seat. The corporate shareholder's representative from the Industrial Bank of Taiwan, Mr. Cheng-Ching Wu, was elected as the Chairman of Board.

• On June 15, in order to enhance the corporate governance, upgrade the enterprise’s competitiveness, signifiy the investors’ protection and increase the Company's value, the 3 independent directors formed the Audit Committee.

2013

• On March 27, Fitch Ratings, Taiwan confirmed the Company's annual credit ratings as following: domestic long-term rating as “A+(twn)”, domestic short-term ratings as “F1(twn)”, and all outlook ratings as “stable”.

2014

• On January 10, Mr. Rui-Yi Yen representing Corporate Director Industrial Bank of Taiwan was succeeded by Mr. Xiong-Rong Chen.

• On March 20, Fitch Ratings, Taiwan confirmed the Company's annual credit ratings as following: domestic long-term rating as “A+(twn)”, domestic short-term ratings as “F1(twn)”, and all outlook ratings as “stable”.

• On September 26, Mr. Xiong-Rong Cheng representing Corporate Director Industrial Bank of Taiwan was succeeded by Mr. Yi-Feng Lin.

2015

• On February 1, according to Article 32 of the “Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries” amended on August 8, 2014, the Company added the Legal & Compliance Department subordinated to the President and dedicated to planning, managing and executing the legal & compliance system. The chief compliance officer of the Headquarters shall not hold any other positions concurrently.

• On March 5, Fitch Ratings, Taiwan confirmed the Company's annual credit ratings as following: domestic long-term rating as “A+(twn)”, domestic short-term ratings as “F1(twn)”, and all outlook ratings as “stable”.

• On June 2, the Company held the general shareholders’ meeting to elect 11 directors of 13th term (including 3 independent directors). As a result, the Industrial Bank of Taiwan won 6 director seats in the Board, and Mingshen Investment won 1 director seat. The corporate shareholder's representative from the Industrial Bank of Taiwan, Mr. Cheng-Ching Wu, was elected as the Chairman of Board.

• On June 16, the former President, Mr. Yao-Zu Qian, retired compulsorily. The vacancy left by him would be filled by Mr. Chih-Ming Chien as of June 16. Said motion was also reported to the competent authority for authorization pursuant to the relevant requirements on July 20.

2016

• On March 4, Fitch Ratings, Taiwan confirmed the Company's annual credit ratings as following: domestic long-term rating as “A+(twn)”, domestic short-term ratings as “F1(twn)”, and all outlook ratings as “stable”.

• On July 28, Fitch Ratings, Taiwan confirmed the Company's annual credit ratings as following: domestic long-term rating as “A+(twn)”, domestic short-term ratings as “F1(twn)”, and all outlook ratings as “stable”.

• On December 13, the Company won the best bills finance distinguished honor award in the “Taiwan Banking and Finance Best Practice Awards” of 8th term organized by Taiwan Academy of Banking and Finance.

2017

• On July 26, Fitch Ratings, Taiwan confirmed the Company's annual credit ratings as following: domestic long-term rating as “A+(twn)”, domestic short-term ratings as “F1(twn)”, and all outlook ratings as “stable”.

2018

• On June 8, the Company held the general shareholders' meeting to elect 11 directors of 14th term (including 3 independent directors). As a result, O-Bank won 5 director seats in the Board, Mingshen Investment won 1 director seat and He Zhu Investment Co., Ltd. won 2 director seats. The corporate shareholder's representative from the O-Bank, Mr. Cheng-Ching Wu, was elected as the Chairman of Board.

• On July 17, Fitch Ratings, Taiwan confirmed the Company's annual credit ratings as following: domestic long-term rating as "A+(twn)", domestic short-term ratings as "F1(twn)", and all outlook ratings as "stable".

• On December 3, the corporate shareholders' representative from He Zhu Investment Co., Ltd., Mr. Jian-Jie Dai, was succeeded by Mr. Ming-Sheng Zheng.

• On December 20, Mr. Cheng Hsiang Wei representing Corporate Director O-Bank was succeeded by Mr. Niel Chang.

2019

• On July 2, Fitch Ratings, Taiwan Branch confirmed the Company's annual credit ratings as following: domestic long-term rating as "A+(twn)", domestic short-term ratings as "F1(twn)", and all outlook ratings as "stable".

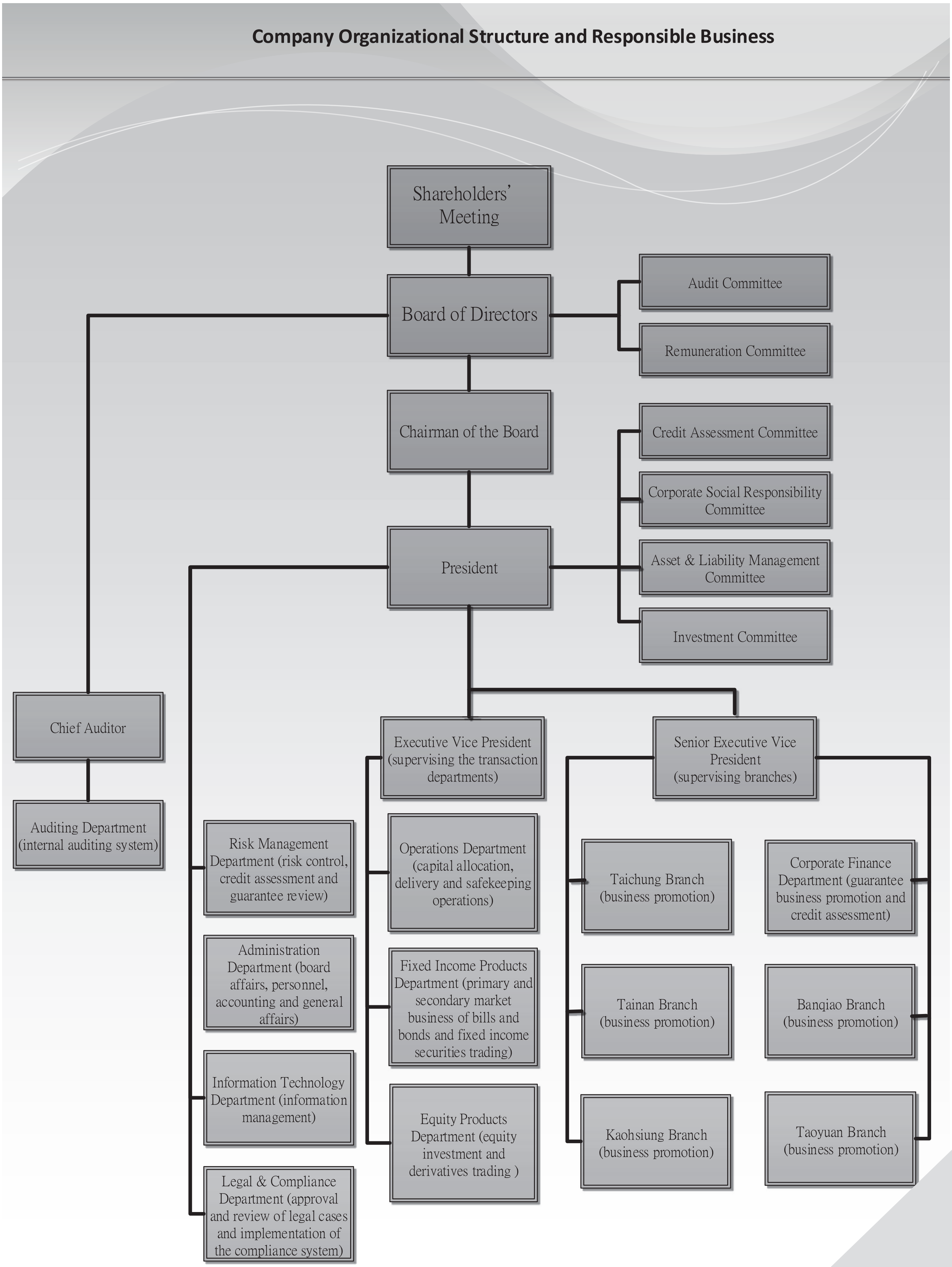
• On September 3, Mr. Yi-Feng Lin representing Corporate Shareholder of O-Bank was succeeded to by Mr. Cheng Hsiang Wei.

2020

• On February 25, the former president, Mr. Chih-Ming Chien, applied for retirement. The vacant position after his retirement was scheduled to be succeeded to by Mr. Cheng Hsiang Wei since February 25, and the succession was under approval by the competent authority as required. Before the new president's position becomes effective, the president 's position is temporarily replaced by the vice president Mr. Gwo-Cheng Tu. Mr. Cheng Hsiang Wei, representing Corporate Shareholder of O-Bank , was succeeded to by Mr. Ying-Che Huang.

Corporate Governance Report

One. Organizational Structure



Two. Information concerning the director, president, vice presidents, assistant vice presidents, and department and branch managers

I. Information about directors

Record date: March 19, 2020

Job Title	Nationality or Place of Registration	Name	Gender	Date of Election (Appointment)	Term (years)	Date when first elected	Shareholding when elected		Current shareholding		Shareholdings of spouse and underage children		Shareholding under another		Education and selected past positions	Concurrent positions at other companies	Managers, directors or supervisors who are spouses or relatives within the second degree of kinship		
							Shares (1,000)	Shareholding ratio (%)	Shares (1,000)	Shareholding ratio (%)	Shares	Shareholding ratio (%)	Shares	Shareholding ratio (%)			Title	Name	Relationship
Chairman	Republic of China	Cheng-Ching Wu (Representative of O-Bank)	Male	June 8, 2018	3 years	December 18, 2007	380,982	28.37%	380,982	28.37%	None	None	None	None	President of China Bills Finance Corporation Chairman of Board and also President of Fubon Bills Finance Co., Ltd. EMBA of National Taiwan University	Chairman of China Bills Finance Corporation Independent Director of Motech Industries Inc. Supervisor of C-Tech United Corporation Director of Jentech Precision Industrial Co., Ltd.	None	None	None

Job Title	Nationality or Place of Registration	Name	Gender	Date of Election (Appointment)	Term (years)	Date when first elected	Shareholding when elected		Current shareholding		Shareholdings of spouse and underage children		Shareholding under another		Education and selected past positions	Concurrent positions at other companies	Managers, directors or supervisors who are spouses or relatives within the second degree of kinship		
							Shares (1,000)	Shareholding ratio (%)	Shares (1,000)	Shareholding ratio (%)	Shares	Shareholding ratio (%)	Shares	Shareholding ratio (%)			Title	Name	Relationship
Director and also President	Republic of China	Chih-Ming Chien (Representative of O-Bank)	Male	Until February 25, 2020 when he resigned	3 years	June 16, 2015	380,982	28.37%	380,982	28.37%	None	None	None	None	Senior Vice President of O-Bank (formerly Industrial Bank of Taiwan) Department of Cooperative Management, National Chung Hsing University	President of China Bills Finance Corporation	None	None	None
Director and also President	Republic of China	Cheng Hsiang Wei (Representative of O-Bank)	Male	Reappointed to hold the position as director on September 3, 2019; hold the position as President on February 25, 2020.	3 years	February 25, 2020	380,982	28.37%	380,982	28.37%	None	None	None	None	Senior Vice President and also Chief Strategy Officer of O-Bank (formerly known as Industrial Bank of Taiwan) MBA, the University of Texas at Arlington		None	None	None
Director	Republic of China	Cheng Chuan Chang (Representative of O-Bank)	Male	June 8, 2018	3 years	June 14, 2011	380,982	28.37%	380,982	28.37%	None	None	None	None	Executive Vice President and also Chief Operation Officer of O-Bank (formerly known as Industrial Bank of Taiwan) Master of Business Administration (MBA), National Chengchi University	Executive Vice President and also Chief Operation Officer of O-Ban Supervisor of IBT Leasing Co., Ltd.	None	None	None

Job Title	Nationality or Place of Registration	Name	Gender	Date of Election (Appointment)	Term (years)	Date when first elected	Shareholding when elected		Current shareholding		Shareholdings of spouse and underage children		Shareholding under another		Education and selected past positions	Concurrent positions at other companies	Managers, directors or supervisors who are spouses or relatives within the second degree of kinship		
							Shares (1,000)	Shareholding ratio (%)	Shares (1,000)	Shareholding ratio (%)	Shares	Shareholding ratio (%)	Shares	Shareholding ratio (%)			Title	Name	Relationship
Director	Republic of China	Neil Chang (Representative of O-Bank)	Male	Reappointed to hold the position on December 20, 2018	3 years	December 20, 2018	380,982	28.37%	380,982	28.37%	None	None	None	None	Senior Vice President and also Financial Market CEO of O-Bank (formerly known as Industrial Bank of Taiwan) Master of Business, National Taiwan University	Senior Vice President and also Financial Market CEO of O-Bank	None	None	None
Director	Republic of China	Roger Y.F. Lin (Representative of O-Bank)	Male	Elected on June 8, 2018, and resigned upon re-appointment on September 3, 2019	3 years	September 26, 2014	380,982	28.37%	380,982	28.37%	None	None	None	None	Executive Vice President and Corporate Banking CEO of O-Bank (formerly Industrial Bank of Taiwan) Master in Finance, Tamkang University	Executive Vice President and Corporate Banking CEO of O-Bank	None	None	None
Director	Republic of China	Mona I-Ru Lo (Representative of Mingshan Investment Co., Ltd.)	Female	June 8, 2018	3 years	June 15, 2012	1,510	0.11%	1,510	0.11%	None	None	None	None	Director of Mingshan Investment Co., Ltd. Univ.of California, Los Angeles, Master in Educational Psychology	Director of Mingshan Investment Co., Ltd. Supervisor of Yi Chang Investment Co., Ltd. Director of Tai Xuan Investment Co., Ltd. Supervisor of Tai Ya Investment Co., Ltd.	None	None	None

Job Title	Nationality or Place of Registration	Name	Gender	Date of Election (Appointment)	Term (years)	Date when first elected	Shareholding when elected		Current shareholding		Shareholdings of spouse and underage children		Shareholding under another		Education and selected past positions	Concurrent positions at other companies	Managers, directors or supervisors who are spouses or relatives within the second degree of kinship		
							Shares (1,000)	Shareholding ratio (%)	Shares (1,000)	Shareholding ratio (%)	Shares	Shareholding ratio (%)	Shares	Shareholding ratio (%)			Title	Name	Relationship
Director	Republic of China	Si-Tsong Cheng (Representative of He Zhu Investment Co., Ltd.)	Male	June 8, 2018 New elected	3 years	June 8, 2018	74,971	5.58%	76,284	5.68%	None	None	None	None	Representative of Corporate Director COTA Commercial Bank Department of International Business, Fu Jen Catholic University	Director of Hong Yi Investment Company Limited Supervisor of Yuan Tong Investment Co., Ltd. Chairman of Rui Cheng Hao Investment Co., Ltd.	None	None	None
Director	Republic of China	Ming-Sheng Cheng (Representative of He Zhu Investment Co., Ltd.)	Male	Reappointed to hold the position on December 3, 2018	3 years	December 3, 2018	74,971	5.58%	76,284	5.68%	None	None	None	None	Senior Assistant Vice President, Finance Department of KGI Bank Master in Finance, The City University of New York	CFO of PJ Asset Management Co., Ltd. Chairman of Ming Yu Management Consultant Co., Ltd.	None	None	None
Director	Republic of China	Ying-Che Huang (Representative of O-Bank)	Male	Reappointed to hold the position on February 25, 2020	3 years	February 25, 2020	380,982	28.37%	380,982	28.37%	None	None	None	None	Senior Vice President and also Chief Risk Officer of O-Bank (formerly known as Industrial Bank of Taiwan) Bachelor of Business Administration, National Cheng Kung University	Senior Vice President and also Chief Risk Officer of O-Bank	None	None	None

Job Title	Nationality or Place of Registration	Name	Gender	Date of Election (Appointment)	Term (years)	Date when first elected	Shareholding when elected		Current shareholding		Shareholdings of spouse and underage children		Shareholding under another		Education and selected past positions	Concurrent positions at other companies	Managers, directors or supervisors who are spouses or relatives within the second degree of kinship		
							Shares (1,000)	Shareholding ratio (%)	Shares (1,000)	Shareholding ratio (%)	Shares	Shareholding ratio (%)	Shares	Shareholding ratio (%)			Title	Name	Relationship
Indepen-dent Director	Republic of China	Wen-Ya Wu	Male	June 8, 2018	3 years	June 2, 2015	None	None	None	None	None	None	None	None	Full-time Vice Chairman of Taiwan External Trade Develop-ment Council (TAITRA), Represent-ative of Taipei Represent-ative Office, Bratislava, Represent-ative of Taipei Economic and Cultural Office in Malaysia, Director General of Bureau of Foreign Trade, and Supervisor of Commer-cial Division, Taipei Economic and Cultural Office in Los Angeles, etc. MBA, Texas A&M University	None	None	None	None
Indepen-dent Director	Republic of China	Chung-He Chen	Male	June 8, 2018 New elected	3 years	June 8, 2018	None	None	None	None	None	None	None	None	Supervisor of Shin Kong Bank Taichung Second Senior High School	None	None	None	None

Job Title	Nationality or Place of Registration	Name	Gender	Date of Election (Appointment)	Term (years)	Date when first elected	Shareholding when elected		Current shareholding		Shareholdings of spouse and underage children		Shareholding under another		Education and selected past positions	Concurrent positions at other companies	Managers, directors or supervisors who are spouses or relatives within the second degree of kinship		
							Shares (1,000)	Shareholding ratio (%)	Shares (1,000)	Shareholding ratio (%)	Shares	Shareholding ratio (%)	Shares	Shareholding ratio (%)			Title	Name	Relationship
Indepen-dent Director	Republic of China	An-Wei Su	Male	June 8, 2018 New elected	3 years	June 8, 2018	None	None	None	None	None	None	None	None	Vice President of Taiwan Cooper-ative Bills Finance Corpor-ation Depart-ment of Finance, National Chengchi University	None	None	None	None

(I) Major shareholders of corporate shareholders

Record date: December 31, 2019

Name of corporate shareholder	Major shareholders of corporate shareholders (Note)
O-Bank	Mingshan Investment Co., Ltd. (9.98%), Yi Chang Investment Co., Ltd. (9.73%), Tai Xuan Investment Co., Ltd. (9.67%), Hengtong Machinery Co., Ltd. (5.47%), ChinaSteel (3.83%), ADI CORPORATION (3.83%), Chailease Finance Co., Ltd. (3.42%), Tai Ya Investment Co., Ltd. (3.05%), HUNG SHENG Construction Co., Ltd. (2.97%), SAN HO PLASTICS FAB. CO., LTD. (2.02%)
He Zhu Investment Co., Ltd.	Jia-Hong Lin (100%)
Mingshan Investment Co., Ltd.	KC Investments Corp. (86.11%), Jin-Ming Lo (3.73%), Shi-Zi Chen (3.62%), Tina I-Jun Lo(2.91%), Nina I-Qian Lo(2.04%), Mona I-Ru Lo (1.59%)

Note: The major shareholders refer to the top ten shareholders (for the equity including common stock and preferred stock).

(II) Major shareholders of corporate shareholders who are representatives of the corporate shareholders

1. O-Bank

Record date: December 31, 2019

Name of corporate shareholder	Major shareholder of corporate shareholder
Mingshan Investment Co., Ltd.	KC Investments Corp. (86.11%), Ching-Ming Lo (3.73%), Shih-Tze Chen (3.62%), Tina I-Jun Lo (2.91%), Nina I-Qian Lo (2.04%), Mona I-Ru Lo (1.59%)
Yi Chang Investment Co., Ltd.	Triple Ace Management Co., Ltd. (42.80%), Shih-Tze Chen (31.24%), Ching-Ming Lo (22.63%), Tina I-Jun Lo (0.95%), Nina I-Qian Lo (1.43%), Mona I-Ru Lo (0.95%)
Tai Xuan Investment Co., Ltd.	Sky Capital International Group Inc.(63.10%), Ching-Ming Lo (35.71%), Mona I-Ru Lo (1.19%)
Hengtong Machinery Co., Ltd.	Heng Ting Fang Investment Development Co., Ltd. (15.79%), Tong Qun Investment Development Co., Ltd. (15.16%), Bai Tong Investment Co., Ltd. (13.62%), Teng-Yu Tseng (10.92%), CHIA WHEEL ENTERPRISES CO., LTD. (10.05%), HENG JIH SONG ACCURATE INDUSTRIES CO., LTD. (7.68%), Teng-Ke Tseng (6.53%), Chang Yang Investment Co., Ltd. (6.52%), Xiang Tai Investment Co., Ltd. (5.25%), Hong Da Investment Co., Ltd. (3.64%)
China Steel Co., Ltd.	Ministry of Economic Affairs (20.00%), Mega Bank as Trustee of China Steel Employee Stock Option Plan Account (4.19%), Yun Hong Investment Co., Ltd. (1.62%), J. P. Morgan Chase Bank N.A. Taipei Branch as Trustee of Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds (1.25%), J. P. Morgan Chase Bank N.A., Taipei Branch as Trustee of Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds (1.21%), Citibank (Taiwan) as Trustee of Norges Bank Investment Account (1.14%), Winwett Investments Limited(1.02%), Public Service Pension Fund Management Board (0.90%), CitiBank Taiwan as Trustee of Dimension Emerging Market Estimate Fund (0.89%), Labor Insurance Fund (0.87%)
ADI Co., Ltd.	Chi-Cheng Liao (9.16%), Li-Yue Wang Wu (1.15%), Shu-Chun Liao (0.67%), Cheng-Hsueh Liao Li (0.14%), Wen-Wei Liu (0.14%), Cheng-Hsien Lu (0.13%), Chao-Nian Meng (0.10%), Bin-Chuan Lai (0.08%), Hao-Chong Lu (0.08%), Yu Wang (0.07%), Northern Region Branch, National Property Administration, MOF (0.08%)
Chailease Finance Co., Ltd.	Chailease International Company (UK) Limited (100%)
Tai Ya Investment Co., Ltd.	Crystal Lake Global Limited(65.91%), Shi-Zi Chen (34.09%)
HUNG SHENG Construction Co., Ltd.	Hontai Life Insurance Co., Ltd. (6.00%), Quan Yi Investment Co., Ltd. (5.67%), Han Bao Enterprise Co., Ltd. (5.42%), Bao Qing Investment Co., Ltd. (5.33%), Wang Xing Enterprise Co., Ltd. (4.55%), The First Insurance Co., Ltd. (3.28%), Yu Chun Enterprise Co., Ltd (2.17%), Hong Jia Investment Co., Ltd. (1.97%),Yu Pao Enterprise Co., Ltd (1.84%), Yin Feng Enterprise Co., Ltd (1.41%), Record date: December 9, 2019
SAN HO Plastics Fab. Co., Ltd.	Jung-Hsiang Cheng (12.20%), Jung-Chi Cheng (11.89%), Cheng-Chi Cheng (11.43%), Sen-He Cheng (10.22%), Tsong-Ming Cheng (10.01%), Sen-Yuan Cheng (5.86%), Bao-Yun Cheng (5.52%), Bao-Wen Cheng (5.38%), Kuang-Che Cheng (5.07%), Cheng-Tso Cheng (4.19%)

2. Hezhu Investment Co., Ltd.

Name of corporate shareholder	Major shareholder of corporate shareholder (Note)
None	None

3. Mingshan Investment Co., Ltd.

Name of corporate shareholder	Major shareholder of corporate shareholder (Note)
KC Investments Corp	Paradise Palms Ltd.(100%)

Note: The major shareholders refer to the top ten shareholders

(III) Status of professional knowledge and independence to be held by directors

Record date: March 19, 2020

Qualification / Name	Has at least five years of relevant working experience and the following professional qualifications			Compliance of independence (Note)										Number of positions as an Independent Director in other public listed companies concurrently
	Lecturer (or above) of commerce, law, finance, accounting, or any subject relevant to the Company's operations in a public or private tertiary institution	Certified judge, attorney, lawyer, accountant, or holder of professional qualification relevant to the Company's operations	Commercial, legal, financial, accounting or other work experience required to perform the assigned duties	1	2	3	4	5	6	7	8	9	10	
Cheng-Ching Wu	-	-	✓	-	-	✓	✓	-	✓	✓	✓	✓	-	Two
Cheng Hsiang Wei	-	-	✓	-	-	✓	✓	-	✓	✓	✓	✓	-	Nil
David C.C. Chang	-	-	✓	-	-	✓	✓	-	-	✓	✓	✓	-	Nil
Neil Chang	-	-	✓	-	-	✓	✓	-	-	✓	✓	✓	-	Nil
Mona I-Ru Lo	-	-	✓	-	-	✓	✓	-	-	✓	✓	✓	-	Nil
Si-Tsong Zheng	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	Nil
Ming-Sheng Zheng	-	-	✓	✓	✓	✓	✓	-	✓	✓	✓	✓	-	Nil
Ying-Che Huang	-	-	✓	-	-	✓	✓	-	-	✓	✓	✓	-	Nil
Wayne W. Wu	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Nil
Chung-Ho Chen	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Nil
An-Wei Su	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Nil

Note: A "✓" is marked in the space beneath a condition number when a director has met that condition during the two (2) years prior to election and during his or her period of service. The conditions are as follows:

1. Not an employee of the Company or any of its affiliates.
2. Not a director or supervisor of the Company or any of its affiliates (unless the person is an independent director of the Company or its parent company or any subsidiary in which the Company holds a majority of the shares with voting right, directly or indirectly).
3. The director, or his or her spouse or minor child, does not hold, in his or her own name or in another name, more than 1% of the Company's total outstanding shares, nor is one of the Company's ten largest natural-person shareholders.
4. Not a spouse, relative within the second degree of kinship, or direct blood relative within the third degree of kinship of a person listed in the preceding three subparagraphs.
5 .Not a director, supervisor, or employee of a corporate shareholder directly holding more than 5% of the Company's total outstanding shares, nor is a director, supervisor, or employee of one of the five largest corporate shareholders in terms of shareholdings.

6. Neither a director, supervisor, manager, nor a shareholder holding more than 5% of the outstanding shares, of a certain company or organization that has a financial or business relationship with the Company.
7. Not a professional providing business, legal, financial, accounting, or consulting services to the Company or any of its affiliates, nor an owner, partner, director, supervisor, or manager, or the spouse of any of the foregoing, of a sole proprietorship, partnership, company, or organization providing such services to the Company or any of its affiliates. However, this shall not apply to the remuneration committee members who exercise their powers in accordance with Article 7 of the Regulations on the Establishment of Remuneration Committees by TWSE/TPEx Listed Companies and their Exercise of Powers.
8. Not the spouse or relative within the second degree of kinship of another director.
9. Not a person who meets the conditions specified in any of the sub-paragraphs of Article 30 of the Company Act.
10. Not being elected as a government unit, institution, or their representative as prescribed in Article 27 of the Company Act.

II. Information concerning the president, vice presidents, assistant vice presidents, and department and branch managers

Record date: March 19, 2020

Job Title	Nationality	Name	Gender	Date of Election (Appointment)	Shares held		Shareholdings of spouse and underage children		Shares Held Through Nominees		Education and selected past positions	Concurrent positions at other companies	Managers who are spouses or relatives within the second degree of kinship		
					Quantity of shares	Shareholding ratio	Quantity of shares	Shareholding ratio	Quantity of shares	Shareholding ratio			Job Title	Name	Relationship
President (Retired on February 25, 2020)	Republic of China	Chih-Ming Chien	Male	June 16, 2015	None	None	None	None	None	None	Senior Vice President of O-Bank (formerly Industrial Bank of Taiwan) Department of Cooperative Management, National Chung Hsing University	None	None	None	None
President (appointed on February 25, 2020)	Republic of China	Cheng Hsiang Wei	Male	February 25, 2020	None	None	None	None	None	None	Senior Vice President and also Chief Strategy Officer of O-Bank (formerly known as Industrial Bank of Taiwan) MBA, the University of Texas at Arlington	None	None	None	None
Senior Executive Vice President and also Head of Corporate Banking Dept.	Republic of China	Gwo-Cheng Tu	Male	July 25, 2001	None	None	None	None	None	None	Deputy Supervisor of National Development Fund, Executive Yuan Master of Graduate Institute of International Business, Chinese Culture University	None	None	None	None
Chief Auditor	Republic of China	Chao-Ku Wang	Male	July 1, 2017	238,558	0.02%	28,361	0.00%	None	None	Vice President, Operations Department of the Company Department of Accounting, National Taipei College of Business	None	None	None	None

Job Title	Nationality	Name	Gender	Date of Election (Appointment)	Shares held		Shareholdings of spouse and underage children		Shares Held Through Nominees		Education and selected past positions	Concurrent positions at other companies	Managers who are spouses or relatives within the second degree of kinship		
					Quantity of shares	Shareholding ratio	Quantity of shares	Shareholding ratio	Quantity of shares	Shareholding ratio			Job Title	Name	Relationship
Executive Vice President of Fixed Income Product Department	Republic of China	Yi-Tien Chen	Male	Septem-ber 23, 2015	509	0.00%	None	None	None	None	Vice President, Banqiao Branch of the Company Master in Finance, Louisiana State University	Director of Tung Jinn Abra-sive Co., Ltd	None	None	None
Vice President of Equity Product Department	Republic of China	I-Chih Chou	Male	Novem-ber 1, 2011	None	None	None	None	None	None	Manager of O-Bank (formerly Industrial Bank of Taiwan) Department of Management Science, Ming Chuan University	None	None	None	None
Vice President of Risk Management Department	Republic of China	Yi-Chang Kan	Male	February 1, 2017	None	None	None	None	None	None	Senior Manager, Risk Management Dept. of the Company In-Service Graduate Programs, Department of Economics, Soochow University	None	None	None	None
Manager of Operation Dept.	Republic of China	Ming-Mei Huang	Female	July 1, 2017	None	None	None	None	None	None	Project Manager, Operations Department of the Company Department of Electronic and Computer Engineering, Ming Chuan University	None	None	None	None
Vice President of Adminstration Dept. and also Corporate Governance Officer (March 1, 2019)	Republic of China	Hou-Sheng Yu	Male	Septem-ber 23, 2015	3,727	0.00%	None	None	None	None	Project Manager, Operations Department of the Company Department of Bank Insurance, Takming University of Science and Technology	None	None	None	None

Job Title	Nationality	Name	Gender	Date of Election (Appointment)	Shares held		Shareholdings of spouse and underage children		Shares Held Through Nominees		Education and selected past positions	Concurrent positions at other companies	Managers who are spouses or relatives within the second degree of kinship		
					Quantity of shares	Shareholding ratio	Quantity of shares	Shareholding ratio	Quantity of shares	Shareholding ratio			Job Title	Name	Relationship
Vice President of Information Technology Department	Republic of China	Hung-Ta Chou	Male	January 18, 2017	58	0.00%	None	None	None	None	Senior Manager, Information Technology Department of the Company Department of Computer Science and Information Engineering Tamkang University	None	None	None	None
Vice President of Legal Compliance Department	Republic of China	Chen-Cheng Hsieh	Male	Septem-ber 23, 2015	None	None	None	None	None	None	Manager, Legal Affairs Section of Risk Management Dept. of the Company Department of Law, National Taiwan University	None	None	None	None
Executive Vice President and Chief of Kaohsiung Branch (Retired compulsorily on February 1, 2020)	Republic of China	Wen-Tsung Chen	Male	June 1, 2018	17,244	0.00%	None	None	None	None	Vice President, Tainan Branch of the Company Department of Finance, National Chung Hsing University	None	None	None	None
Vice President of Kaohsiung Branch (Promoted on February 1, 2020)	Republic of China	Jui-Wen Tseng	Male	February 1, 2020	29,255	0.00%	None	None	None	None	Senior Manager, Kaohsiung Branch of the Company NSYSU Master's Degree for Financial Management	None	None	None	None
Vice President of Tainan Branch	Republic of China	Ming-Chi Chou	Male	June 1, 2018	None	None	None	None	None	None	Senior Manager, Kaohsiung Branch of the Company NSYSU Master's Degree for Business Management	None	None	None	None

Job Title	Nationality	Name	Gender	Date of Election (Appointment)	Shares held		Shareholdings of spouse and underage children		Shares Held Through Nominees		Education and selected past positions	Concurrent positions at other companies	Managers who are spouses or relatives within the second degree of kinship		
					Quantity of shares	Shareholding ratio	Quantity of shares	Shareholding ratio	Quantity of shares	Shareholding ratio			Job Title	Name	Relationship
Vice President of Taichung Branch	Republic of China	Wei-Ming Cho	Male	January 1, 2016	None	None	None	None	None	None	Senior Manager, Corporate Banking Department of the Company NCCU Department of Business Administration	None	None	None	None
Vice President of Taoyuan Branch	Republic of China	Jen-Chien Chen	Male	January 1, 2012	None	None	86,000	0.00%	None	None	Senior Manager, Taoyuan Branch of the Company Graduate Institute of Finance, National Taiwan University of Science and Technology	None	None	None	None
Vice President of Banqiao Branch	Republic of China	Chung-Hsien Tsao	Male	May 1, 2018	719	0.00%	None	None	None	None	Senior Manager, Fixed Income Products Department of the Company EMBA, Soochow University	None	None	None	None

Note: The company has no chairman and general manager who retired from the company's affiliated companies as consultants.

III. Remuneration paid to directors, presidents and vice presidents, and compensation paid to employees in the most recent year

(I) Remuneration to directors (including independent directors)

Unit: NT$1,000

Record date: December 31, 2019

Job Title	Name	Remuneration to directors								Sum of A, B, C, and D as percentage of net income		Remuneration from concurrently servings as employees								Sum of A, B, C, D, E, F, and G as percentage of net income		Remuneration from invested non-subsidiary enterprise(s)
		Remuneration (A)		Pension upon retirement (B)		Remuneration to director (C)		Service Expenses (D)				Wages, bonuses, and special allowances, etc. (E)		Pension upon retirement (F)		Employee Compensation (G)						
		the Company	Companies included into the financial statement	the Company	Companies included into the financial statement	the Company	Companies included into the financial statement	the Company	Companies included into the financial statement	the Company	Companies included into the financial statement	the Company	Companies included into the financial statement	the Company	Companies included into the financial statement	the Company		Companies included into the financial statement		the Company	Companies included into the financial statement	
																Cash	Stock	Cash	Stock			
Director	O-Bank Co., Ltd. Mingshan Investment Co., Ltd. He Zhu Investment Co., Ltd Cheng-Ching Wu (Representative of O-Bank Co., Ltd.) Chih-Ming Chien (Representative of O-Bank Co., Ltd.) Roger Y.F. Lin (Representative of O-Bank Co., Ltd.) resigned upon re-appointment on September 3, 2019	11,452	11,452	Nil	Nil	19,917	19,917	1,070	1,070	2.60%	2.60%	6,758	6,758	Nil	Nil	846	Nil	846	Nil	3.22%	3.22%	31,747

Job Title	Name	Remuneration to directors								Sum of A, B, C, and D as percentage of net income		Remuneration from concurrently servings as employees								Sum of A, B, C, D, E, F, and G as percentage of net income		Remuneration from invested non-subsidiary enterprise(s)
		Remuneration (A)		Pension upon retirement (B)		Remuneration to director (C)		Service Expenses (D)				Wages, bonuses, and special allowances, etc. (E)		Pension upon retirement (F)		Employee Compensation (G)						
		the Company	Companies included into the financial statement	the Company	Companies included into the financial statement	the Company	Companies included into the financial statement	the Company	Companies included into the financial statement	the Company	Companies included into the financial statement	the Company	Companies included into the financial statement	the Company	Companies included into the financial statement	the Company		Companies included into the financial statement		the Company	Companies included into the financial statement	
																Cash	Stock	Cash	Stock			
Director	Cheng-Hsiang Wei (Represent-ative of O-Bank Co., Ltd.) Succeeded to upon re-appointment on September 3, 2019																					
	Niel Chang (Represent-ative of O-Bank Co., Ltd.)																					
	David C.C. Chang (Represent-ative of O-Bank Co., Ltd.)																					
	Mona I-Ru Lo Director, (Represent-ative of Ming Shan Investment Co., Ltd.)																					
	Si-Tsong Zheng (Represent-ative of He Zhu Investment Co., Ltd.)																					
	Ming-Sheng Zheng (Represent-ative of He Zhu Investment Co., Ltd.)																					
Independ-ent Director	Wayne W. Wu	5,400	5,400	Nil	Nil	Nil	Nil	672	672	0.49	0.49	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	0.49	0.49	Nil
Independ-ent Director	Chung-Ho Chen																					

Job Title	Name	Remuneration to directors								Sum of A, B, C, and D as percentage of net income		Remuneration from concurrently servings as employees								Sum of A, B, C, D, E, F, and G as percentage of net income		Remuneration from invested non-subsidiary enterprise(s)
		Remuneration (A)		Pension upon retirement (B)		Remuneration to director (C)		Service Expenses (D)				Wages, bonuses, and special allowances, etc. (E)		Pension upon retirement (F)		Employee Compensation (G)						
		the Company	Companies included into the financial statement	the Company	Companies included into the financial statement	the Company	Companies included into the financial statement	the Company	Companies included into the financial statement	the Company	Companies included into the financial statement	the Company	Companies included into the financial statement	the Company	Companies included into the financial statement	the Company		Companies included into the financial statement		the Company	Companies included into the financial statement	
																Cash	Stock	Cash	Stock			
Independ-ent Director	An-Wei Su																					
Total		16,852	16,852	Nil	Nil	19,917	19,917	1,742	1,742	3.09%	3.09%	6,758	6,758	Nil	Nil	846	Nil	846	Nil	3.71%	3.71%	31,747

Note: Directors' remuneration for concurrently serving as employees and compensation paid to employees were disclosed based on the actual allocated figures and estimated figures.

Breakdown of remuneration to directors (NT$)	Directors			
	Sum of foregoing four items (A+B+C+D)		Sum of foregoing seven items (A+B+C+D+E+F+G)	
	the Company	Companies included into the financial statement	the Company	Companies included into the financial statement
Below 2,000,000	Cheng Hsiang Wei、David C.C. Chang、Roger Y.F. Lin、Niel Chang、Mona I-Ru Lo、Si-Tsong Zheng、Ming-Sheng Zheng、Chih-Ming Chien	Cheng Hsiang Wei、David C.C. Chang、Roger Y.F. Lin、Niel Chang、Mona I-Ru Lo、Si-Tsong Zheng、Ming-Sheng Zheng、Chih-Ming Chien	Cheng Hsiang Wei、David C.C. Chang、Roger Y.F. Lin、Niel Chang、Mona I-Ru Lo、Si-Tsong Zheng、Ming-Sheng Zheng	Cheng Hsiang Wei、David C.C. Chang、Roger Y.F. Lin、Niel Chang、Mona I-Ru Lo、Si-Tsong Zheng、Ming-Sheng Zheng
2,000,000 (inclusive) ~ 5,000,000	Mingshan Investment, Wayne W. Wu, Chung-Ho Chen, An-Wei Su	Mingshan Investment, Wayne W. Wu, Chung-Ho Chen, An-Wei Su	Mingshan Investment, Wayne W. Wu, Chung-Ho Chen, An-Wei Su	Mingshan Investment, Wayne W. Wu, Chung-Ho Chen, An-Wei Su
5,000,000 (inclusive) ~ 10,000,000	He Zhu Investment	He Zhu Investment	Chih-Ming Chien, He Zhu Investment	Chih-Ming Chien, He Zhu Investment
10,000,000 (inclusive) ~ 15,000,000	Cheng-Ching Wu, O-Bank	Cheng-Ching Wu, O-Bank	Cheng-Ching Wu, O-Bank	Cheng-Ching Wu, O-Bank
15,000,000 (inclusive) ~ 30,000,000	Nil	Nil	Nil	Nil
30,000,000 (inclusive) ~ 50,000,000	Nil	Nil	Nil	Nil
50,000,000 (inclusive) ~ 100,000,000	Nil	Nil	Nil	Nil
Above 100,000,000	Nil	Nil	Nil	Nil
Total	15 persons	15 persons	15 persons	15 persons

(II) Remuneration to president and vice presidents this year

Unit: NT$1,000

Record date: December 31, 2019

Job Title	Name	Wages (A)		Pension upon retirement (B)		Bonuses and special allowances, etc. (C)		Employee Compensation (D)				Sum of A, B, C, and D as percentage of net income		Remuneration from invested non-subsidiary enterprise(s)
		the Company	Companies included into the financial statement	the Company	Companies included into the financial statement	the Company	Companies included into the financial statement	the Company		Companies included into the financial statement		the Company	Companies included into the financial statement	
								Cash	Stock	Cash	Stock			
President	Chih-Ming Chien	13,176	13,176	Nil	Nil	12,819	12,819	3,326	Nil	3,326	Nil	2.36%	2.36%	Nil
Senior Executive Vice President	Gwo-Cheng Tu													
Chief Auditor	Chao-Ku Wang													
Executive Vice President	Yi-Tien Chen													
Executive Vice President	Wen -Tsung Chen													

Note: The pension upon retirement was allocated as NT$4,597,530 in 2019. Bonus and employee compensation were disclosed based on the actual allocated figures and estimated figures.

Breakdown of remuneration to president and vice presidents (NT$)	President and vice presidents	
	the Company	Companies included into the financial statement
Below 2,000,000	Nil	Nil
2,000,000 (inclusive) ~ 5,000,000	Chao-Ku Wang Yi-Tien Chen	Chao-Ku Wang Yi-Tien Chen
5,000,000 (inclusive) ~ 10,000,000	Chih-Ming Chien, Gwo-Cheng Tu, Wen-Tsung Chen	Chih-Ming Chien, Gwo-Cheng Tu, Wen-Tsung Chen
10,000,000 (inclusive) ~ 15,000,000	Nil	Nil
15,000,000 (inclusive) ~ 30,000,000	Nil	Nil
30,000,000 (inclusive) ~ 50,000,000	Nil	Nil
50,000,000 (inclusive) ~ 100,000,000	Nil	Nil
Above 100,000,000	Nil	Nil
Total	5 persons	5 persons

Schedule. Vehicles of president/vice president and imputed rent in 2019

Unit: NT$1,000

Record date: December 31, 2019

Job Title	User	Imputed annual rent	Oil subsidy	Remarks
President	Chih-Ming Chien	827	112	Rented
Senior Executive Vice President	Gwo-Cheng Tu			

Note: The driver's salary and overtime pay totaled NT$572 thousand when the President took the office in 2019. ◦

(III) Managers receiving employee compensation and state of distribution

Unit: NT$1,000

Record date: December 31, 2019

	Job Title	Name	Stock	Cash	Total	The sum as percentage of net income (%)
Managers	President	Chih-Ming Chien	Nil	5,668	5,668	0.46%
	Senior Executive Vice President & Chief, Corporate Finance Department	Gwo-Cheng Tu				
	Chief Auditor	Chao-Ku Wang				
	Executive Vice President, Fixed Income Products Department	Yi-Tien Chen				
	Vice President, Equity Products Department	I-Chih Chou				
	Vice President,Risk Management Department	Yi-Chang Kan				
	Manager,Operation Department	Min-Mei Huang				
	Vice President, Administration Department and also Corporate Governance Officer	Hou-Sheng Yu				
	Vice President, Information Technology Department	Hung-Ta Chou				
	Vice President, Legal & Compliance Department	Chen-Cheng Hsieh				
	Senior Executive Vice President & Chief, Kaohsiung Branch	Wen -Tsung Chen				
	Vice President, Tainan Branch	Ming-Chi Chou				
	Vice President, Taichung Branch	Wei-Min Cho				
	Vice President, Banqiao Branch	Chung-Hsien Tsao				

Note:The employee compensation was disclosed based on the estimated figures.

IV. Ratio of directors', presidents' and vice presidents' remuneration to net income after tax of the entity or individual financial report in the most recent two years, and remuneration policies, standards and packages; procedures for determining remuneration and its connection with business performance and future risk exposure.

(1) Ratio of directors' presidents' and vice presidents' remuneration to net income after tax:

Ratio of directors', presidents' and vice presidents' remuneration to net income after tax of the entity or individual financial report in 2019 is 5.84%.

Ratio of directors', presidents' and vice presidents' remuneration to net income after tax of the entity or individual financial report in 2018 is 5.56%.

(2) Remuneration policies, standards and packages; procedures for determining remuneration and its connection with business performance and future risk exposure:

In addition to the monthly remuneration and transportation allowance (to be paid subject to the actual attendance of meeting), the directors' remuneration would be allocated pursuant to the Articles of incorporation, subject to the profit status for then year, and the allocation, if any, shall be reported to the remuneration committee, and approved upon resolution made by a directors' meeting and reported to a shareholders' meeting. Notwithstanding, independent directors should be excluded from the allocation of remuneration. The remuneration to the company's chairman, president, vice presidents and managers should be subject to the review and approval by the remuneration committee on a yearly basis. The bonus was allocated in the manner referred to in the "regulations governing provision and allocation of year-end bonus" passed upon resolution by a directors' meeting, which were established in line with the transformation in the industrial environment (future risks) and in order to practice the spirit in linking bonus with performance. The bonus was categorized into trading and non-trading business performance bonus. The trading business performance bonus was allocated or written off subject to the accumulated earnings. The non-trading business performance bonus was allocated or written off subject to the accumulated ROE before tax. Both were allocated physically together with employee bonus at the end of the year.

Three. Status of Corporate Governance

I. Operation of the Board of Directors

(I) Board member diversity policy

1. Board member diversity policy

The Company has enacted its Board member diversity policy, expressly provided in Article 33 of its "Corporate Governance Best-Practice Principles" that the composition of the Board members shall take a diversity policy into consideration and that the Company shall formulate an appropriate policy on diversity based on the Company's business operations, business type and development needs, preferably including but not limited to the criteria in terms of the following two elements:

I. Basic requirements and values: Gender, age, nationality and culture, et al.

II. Professional knowledge and skills: A professional background (e.g., law, accounting, industry, finance, marketing or technology), professional skills and industry experience.

2. Management target and achievement thereof

Article 33 of the Company's "Corporate Governance Best-Practice Principles" also expressly states that each board member shall hold the necessary knowledge, skills and experience to perform their duties. In order to achieve the targets desired by the Company's corporate governance, the Board member shall hold the following abilities:

(1) Ability to make judgments about operations.

(2).Accounting and financial analysis ability

(3).Business management ability

(4).Risk management ability

(5).Crisis management ability

(6).Industry knowledge

(7).International market perspective.

(8).Leadership ability.

(9).Decision-making ability.

The Company has expressly defined the functions to be held by the entire Board of Directors. For details, please refer to the "Corporate Governance Best-Practice Principles of China Bills Finance Corporation."

So far, the Company has practiced the diversity principles about directors based on such basic requirements as gender, age, nationality and culture. Each member holds different industry experience and professional abilities and is considered holding the necessary knowledge, skills and experience needed to perform their duties. Therefore, the Board member diversity policy should be considered as achieved.

3. Diversity of Board members

The Company's directors who hold the position as employees accounted for 9% of the whole directors, and 27% of the independent directors. Female directors accounted for 9% thereof. Three independent directors served the term of office for 2 to 5 years. Three directors' ages range from 71 to 75 years old. Two directors' ages range from 61 to 70 years old. Three directors' ages range from 51 to 60 years old. Three directors' ages range from 40 to 50 years old.

Status of practice about diversity of Board members

Record date: March 19, 2020

Item / Name	Gender	Ability to make judgments about operations	Accounting and financial analysis ability	Business management ability	Industrial area	International market perspective	Leadership ability	Decision-making ability
Cheng-Ching Wu	Male	V	V	V	V	V	V	V
Cheng-Hsiang Wei	Male	V	V	V	V	V	V	V
David C.C. Chang	Male	V	V	V	V	V	V	V
Niel Chang	Male	V	V	V	V	V	V	V
Mona I-Ru Lo	Female	V	-	V	V	V	V	V
Si-Tsong Zheng	Male	V	V	V	V	V	V	V
Ming-Sheng Zheng	Male	V	V	V	V	V	V	V
Wayne W. Wu	Male	V	-	V	-	V	V	V
Zhong-He Chen	Male	V	V	V	V	V	V	V
An-Wei Su	Male	V	V	V	V	V	V	V
Ying-Che Huang	Male	V	V	V	V	V	V	V

(II) Status of members' attendance

The board held 17(A) meetings in the most recent year. The attendance of directors is summarized as follows:

Record date: March 19, 2020

Job Title	Name	Actual presence (attendance) counts (B)	Counts of presence by proxy	Actual presence (attendance) rate (%) (B/A)	Remarks
Chairman	Cheng-Ching Wu (O-Bank)	17	0	100.00%	
Director and also President	Chih-Ming Chien (O-Bank)	15	0	100.00%	Retired on February 25, 2020; a total of 15 meetings convened during the term of office.
Director	David Cheng-Chuan Chang (O-Bank)	16	1	94.12%	
Director	Cheng Hsiang Wei (O-Bank)	8	0	100.00%	Succeeded to upon re-appointment on September 3, 2019; A total of 8 meetings convened during the term of office
Director	Neil Chang (O-Bank)	17	0	100.00%	
Director	Roger Y. F. Lin (O-Bank)	7	2	77.78%	Resigned upon re-appointment on September 3, 2019; A total of 9 meetings convened during the term of office
Director	Ying-Che Huang (O-Bank)	2	0	100.00%	Succeeded to upon re-appointment on February 25, 2020; A total of 2 meetings convened during the term of office
Director	Mona I-Ru Lo (Mingshan Investment)	15	2	88.24%	
Director	Si-Tsong Zheng (He Zhu Investment)	16	1	94.12%	
Director	Ming-Sheng Cheng (He Zhu Investment)	17	0	100.00%	
Independent Director	Wen-Ya Wu	17	0	100.00%	
Independent Director	Zhong-He Chen	17	0	100.00%	
Independent Director	An-Wei Su	17	0	100.00%	

Other items to be stated:

I. Where the operation of the Board of Directors meets any of the following circumstances, the minutes concerned shall clearly state the meeting date, term, contents of motions, opinions of all independent directors and the Company's resolution of said opinions:

(I) The circumstances referred to in Article 14-3 of the Securities and Exchange Act: See the following schedule.

(II) Any other resolution(s) passed but with independent directors voicing opposing or qualified opinions on the record or in writing: See the following schedule.

II. In instances where a director recused himself/herself due to a conflict of interest, the minutes shall clearly state the director's name, contents of the proposal and resolution thereof, reason for not voting and actual voting counts: See the following chart.

Date of Directors' Meeting/Term of Board of Directors	Contents of Motions and Resolutions	The circum-stances referred to in Article 14-3 of the Securities and Exchange Act	Independ-ent directors voicing opposing or qualified opinions
9th meeting of the Board of Directors of 14th term on January 28, 2019	The motion for allocation of performance bonus to the personnel holding the position as manager and above in 2018 submitted for review and approval. The Company's resolution of the independent director's opinions: None. Resolution: Except Chairman Cheng-Ching Wu and Director & President Chih-Ming Chien, who recused themselves from the discussion and voting for conflict of interest pursuant to laws, the motion was agreed upon by the remaining present directors unanimously.	✓	None
10th meeting of the Board of Directors of 14th term on February 26, 2019	The motion for amendments to certain articles of the Company's "Operating Procedure for the Acquisition and Disposal of Assets" was submitted for review and approval. The Company's resolution of the independent director's opinions: None. Resolution: The motion was agreed upon by all of the present directors unanimously and reported to the general shareholders' meeting 2019.	✓	None
	Proposed by the Chairman: The motion for appointment of the Vice President of Administration Department of the Company, Hou-Sheng Yu, to hold the position as the Company's Corporate Governance Officer concurrently and effectively as of March 1, 2019 was submitted for review and approval. The Company's resolution of the independent director's opinions: None. Resolution: The motion was agreed upon by all of the present directors unanimously.		
	The motion for renewed appointment by the Company of "Deloitte Taiwan" to perform the audit, certification and related services on finance and taxation in 2018 was submitted for review and approval. The Company's resolution of the independent director's opinions: None. Resolution: The motion was agreed upon by all of the present directors unanimously..		
12th meeting of the Board of Directors of 14th term on April 9, 2019	The motion for termination of the non-competition restriction imposed on the Company's directors and the corporate shareholders represented by them was submitted for resolution. The Company's resolution of the independent director's opinions: None. (Chaired by Independent Director Wen-Ya Wu as a proxy) Resolution: Except the representatives of the corporate shareholder of O-Bank (Cheng-Ching Wu, Chih-Ming Chien, , David C. C. Chang, Roger Y.F. Lin, and Neil Chang), who recused themselves from the discussion and voting for conflict of interest pursuant to laws, the motion was agreed upon by the remaining present directors unanimously.	✓	None

Date of Directors' Meeting/Term of Board of Directors	Contents of Motions and Resolutions	The circum-stances referred to in Article 14-3 of the Securities and Exchange Act	Independ-ent directors voicing opposing or qualified opinions
	The motion for allocation of remuneration to directors in 2018 was submitted for review and approval. The Company's resolution of the independent director's opinions: None. (Chaired by Independent Director Wen-Ya Wu as a proxy) Resolution: Except the representatives of the corporate shareholder of O-Bank (Cheng-Ching Wu, Chih-Ming Chien, David C. C. Chang, Roger Y.F. Lin, and Neil Chang), the representative of Mingshan Investment (Mona I-Ru Lo), and the representative of He Zhu Investment (Ming-Sheng Cheng and Si-Tsong Cheng), who recused themselves from the discussion and voting for conflict of interest pursuant to laws, the motion was agreed upon by the remaining present directors unanimously	✓	None
	The motion for allocation of remuneration to the management holding the position as president, department and branch managers and above in 2018 was submitted for review and approval. The Company's resolution of the independent director's opinions: None. Resolution: Except Director and also President Chih-Ming Chien, who recused himself from the discussion and voting for conflict of interest pursuant to laws, the motion was agreed upon by the remaining present directors unanimously.	✓	None
14th meeting of the Board of Directors of 14th term on May 14, 2019	The motion for the raise by no more than 2% as of April 1 based on the range of raise applicable in the same trade in 2019 was submitted for review and approval. The Company's resolution of the independent director's opinions: None. (Chaired by Independent Director Wen-Ya Wu as a proxy) Resolution: Except Chairman Cheng-Ching Wu and Director & President, Chih-Ming Chien, who recused themselves from the discussion and voting for conflict of interest pursuant to laws, the motion was agreed upon by the remaining present directors unanimously.	✓	None
	The motion for authorization of salary to the Company's Chairman and managers was submitted for review and approval. The Company's resolution of the independent director's opinions: None. (Chaired by Independent Director Wen-Ya Wu as a proxy) Resolution: Except Chairman Cheng-Ching Wu and Director & President, Chih-Ming Chien, who recused themselves from the discussion and voting for conflict of interest pursuant to laws, the motion was agreed upon by the remaining present directors unanimously.	✓	None

Date of Directors' Meeting/Term of Board of Directors	Contents of Motions and Resolutions	The circum-stances referred to in Article 14-3 of the Securities and Exchange Act	Independ-ent directors voicing opposing or qualified opinions
	The motion for donation of NT$880,000 to "O-Bank Education Foundation" to support the promotion of arts and cultures was submitted for review and approval. The Company’s resolution of the independent director's opinions: None. (Chaired by Independent Director Wen-Ya Wu as a proxy) Resolution: (1) The resolution is pending. Adminstration Department is asked to supplement the Foundation's income statement, provide that of the similar foundations for assessment on the reasonableness, and then submit the motion to the next Board meeting for discussion again. (2) The representatives of the corporate shareholder, O-Bank (Cheng-Ching Wu, Chih-Ming Chien, David C. C. Chang and Neil Chang), and Director Mona I-Ru Lo (a lineal relative by blood within 1st degree of kinship of Chairman of O-Bank, Ching-Ming Lo) recused themselves from the discussion and voting for conflict of interest pursuant to laws.	✓	None
15th meeting of the Board of Directors of 14th term on June 18, 2019	The motion for donation of NT$880,000 to "O-Bank Education Foundation" to support the promotion of arts and cultures was submitted for review and approval. The Company’s resolution of the independent director's opinions: None. (Chaired by Independent Director Wen-Ya Wu as a proxy) Resolution: (1) The resolution is pending. Adminstration Department is asked to supplement the information about personnel expenses spent in the same type of activities by the Foundation and the personnel expenses estimated based on the other venue rents, and then submit the motion to the next Board meeting for discussion again. (2) The representatives of the corporate shareholder, O-Bank (Cheng-Ching Wu, Chih-Ming Chien, David C. C. Chang, Neil Chang and Roger Y.F. Lin) (David C. C. Chang acting on behalf of Director Mona I-Ru Lo as a proxy) recused themselves from the discussion and voting for conflict of interest pursuant to laws.	✓	None
16th meeting of the Board of Directors of 14th term on July 16, 2019	The motion for donation of NT$880,000 to "O-Bank Education Foundation" to support the promotion of arts and cultures was submitted for review and approval. The Company’s resolution of the independent director's opinions: None. (Chaired by Independent Director Wen-Ya Wu as a proxy) Resolution: The representatives of the corporate shareholder, O-Bank (Cheng-Ching Wu, Chih-Ming Chien, David C. C. Chang, Neil Chang and Roger Y.F. Lin) (Cheng-Chuan Chang acting on behalf of Director Mona I-Ru Lo as a proxy) recused themselves from the discussion and voting for conflict of interest pursuant to laws.	✓	None

Date of Directors' Meeting/Term of Board of Directors	Contents of Motions and Resolutions	The circum-stances referred to in Article 14-3 of the Securities and Exchange Act	Independ-ent directors voicing opposing or qualified opinions
17th meeting of the Board of Directors of 14th term on August 20, 2019	The Company rented 4F of O-Bank Building as its head office (No. 99, Sec. 2, Tiding Blvd., Neihu Dist., Taipei City). The tenancy agreement would expire on December 31, 2019. For the purpose of the Company's continued operation, the motion for renewal of the tenancy agreement was submitted for review and approval. The Company's resolution of the independent director's opinions: According to the regulations, the opinions of independent directors were released.in the announcement of major information. (Chaired by Independent Director Wen-Ya Wu as a proxy) Resolution: (1) Not passed. According to the present directors' voting result, two votes were casted for agreement (Chung-He Chen and Wen-Ya Wu), and three votes for objection (An-Wei Su, Si-Tsong Cheng and Ming-Sheng Cheng); therefore, Paragraph 5 of Article 40 of the Act Governing Bills Finance Business, which provides that the consent of more than three-quarters (3/4) of the Bills Finance Company's directors present at a board meeting where at least two-thirds (2/3) of the directors are present shall be obtained, was not satisfied. (2) The management will propose the feasible relocation program (exclusive of this Building) at the board meeting in next month. (3) The representatives of the corporate shareholder, O-Bank (Cheng-Ching Wu, Chih-Ming Chien, David C. C. Chang, Neil Chang and Roger Y.F. Lin (acted by David C. C. Chang by proxy), and Director Mona I-Ru Lo (a lineal relative by blood within 1st degree of kinship of Chairman of O-Bank, Ching-Ming Lo) recused themselves from the discussion and voting for conflict of interest pursuant to laws.	✓	Independent Director An-Wei Su: He objects to the motion, because the motion involves transactions with stakeholders and, therefore, is suspected to profiteering O-Bank.
19th meeting of the Board of Directors of 14th term on October 22, 2019	The motion for lease of another place as the "head office", as detailed in the descriptions, was submitted for review and approval. The Company's resolution of the independent director's opinions: According to the regulations, the opinions of independent directors were released in the announcement of major information. Resolution: Not passed, since, in consideration of the overly high capital cost for the lease, all of the present directors objected to the motion.	✓	Independent Director Chung-He Chen, Independent Director Wen-Ya Wu and Independent Director An-Wei Su: The capital cost for the lease is overly high.
20th meeting of the Board of Directors of 14th term on November 19, 2019	The motion for lease of another place as the "head office", as detailed in the descriptions, was submitted for review and approval. The Company's resolution of the independent director's opinions: According to the regulations, the opinions of independent directors were released in the announcement of major information. Resolution: Not passed. According to the present directors' voting results, eight votes were cast for objection (Cheng Ching Wu, Chung-He Chen, Wen-Ya Wu, Chih-Ming Chien, David C. C. Chang, Neil Chang, Cheng Hsiang Wei and Mona I-Ru Lo), and three votes for agreement (An-Wei Su, Si-Tsong Cheng, and Ming-Sheng Cheng).	✓	Independent Director Chung-He Chen: The rent expenses were higher than the former ones. Independent Director Wen-Ya Wu: The rent costs are still higher than those for renewal of the current tenancy agreement.

Date of Directors' Meeting/Term of Board of Directors	Contents of Motions and Resolutions	The circumstances referred to in Article 14-3 of the Securities and Exchange Act	Independent directors voicing opposing or qualified opinions
20th meeting of the Board of Directors of 14th term on November 19, 2019	In response to the relocation of the Company's head office, the Company planned to execute the short-term tenancy agreement for 4F of O-Bank Building with O-Bank, which would be valid for one year. Therefore, the motion was submitted for review and approval. The Company's resolution of the independent director's opinions: According to the regulations, the opinions of independent directors were released in the announcement of major information. (Chaired by Independent Director Wen-Ya Wu as a proxy) Resolution: (1) Pending: According to the present directors' voting result, four votes were casted for agreement to pending resolution (Wen-Ya Wu, An-Wei Su, Si-Tsong Cheng and Ming-Sheng Cheng), and one vote for objection to pending resolution (Chung-He Chen). (2) The representatives of the corporate shareholder, O-Bank (Cheng-Ching Wu, Chih-Ming Chien, David C. C. Chang, Neil Chang and Cheng Hsiang Wei), and Director Mona I-Ru Lo (a lineal relative by blood within 1st degree of kinship of Chairman of O-Bank, Ching-Ming Lo) recused themselves from the discussion and voting for conflict of interest pursuant to laws.	✓	Independent Director Chung-He Chen: 1. He proposed to include the additional condition requiring that the management shall complete the tenancy agreement for the new office within 3 months, which shall also be approved by the Board of Directors; otherwise, it shall be punished. 2. He didn't think that the additional condition related to the tenancy agreement. 3. The punishment is subject to the Board of Directors' powers and authority, but nothing to do with the transactions with related parties.
1st special meeting of the Board of Directors of 14th term on November 27, 2019	In response to the relocation of the Company's head office, the Company planned to execute the short-term tenancy agreement for 4F of O-Bank Building with O-Bank, which would be valid for one year. Therefore, the motion was submitted for review and approval. The Company's resolution of the independent director's opinions: None. (Chaired by Independent Director Wen-Ya Wu as a proxy) Resolution: Except the representatives of the corporate shareholder, O-Bank (Cheng-Ching Wu, Chih-Ming Chien, , David C. C. Chang, Neil Chang, Cheng Hsiang Wei), and Director Mona I-Ru Lo (a lineal relative by blood within 1st degree of kinship of Chairman of O-Bank, Ching-Ming Lo), who recused themselves from the discussion and voting for conflict of interest pursuant to laws, the motion was agreed upon by the remaining present directors unanimously.	✓	None

Date of Directors' Meeting/Term of Board of Directors	Contents of Motions and Resolutions	The circumstances referred to in Article 14-3 of the Securities and Exchange Act	Independent directors voicing opposing or qualified opinions
22nd meeting of the Board of Directors of 14th term on January 17, 2020	The motion for allocation of performance bonus to the personnel holding the position as manager and above in 2019 submitted for review and approval. The Company’s resolution of the independent director's opinions: None. (Chaired by Independent Director Wen-Ya Wu as a proxy) Resolution: Except Chairman Cheng-Ching Wu and Director & President, Chih-Ming Chien, who recused themselves from the discussion and voting for conflict of interest pursuant to laws, the motion was agreed upon by the remaining present directors unanimously.	✓	None
23rd meeting of the Board of Directors of 14th term on February 25, 2020	Proposed by Chairman: The Company’s president, Chih-Ming Chien, applied for voluntary retirement since February 25, 2020. The job vacancy left by him should be succeeded to by Mr. Cheng Hsiang Wei since February 25, and subject to the approval from the competent authority. The motion was submitted for review and approval accordingly. The Company’s resolution of the independent director's opinions: None. Resolution: Except Director Cheng Hsiang Wei, who recused himself from the discussion and voting for conflict of interest pursuant to laws, the other present directors’ voting result showed that eight votes were cast for agreement (Cheng-Ching Wu, Chung-He Chen, Wen-Ya Wu, An-Wei Su, David C. C. Chang, Neil Chang, Ying-Che Huang and Mona I-Ru Lo), two votes waived (no comments) (Ming-Sheng Cheng and Si-Tsong Cheng), and zero vote for objection. Therefore, the motion was passed. Before the competent authority's approval of the effective term of office of the new president, the president shall be acted by Vice President Gwo-Cheng Tu by proxy.	✓	None
	The motion for allocation of the remuneration to employees and directors in 2019 was submitted for review and approval. The Company’s resolution of the independent director's opinions: None. Resolution: The motion was agreed upon by all of the present directors unanimously.	✓	None
	The motion for renewed appointment by the Company of "Deloitte Taiwan" to perform the audit, certification and related services on finance and taxation in 2020 was submitted for review and approval. The Company’s resolution of the independent director's opinions: None. Resolution: The motion was agreed upon by all of the present directors unanimously.	✓	None
	The motion for termination of the non-competition restriction imposed on the Company's directors and the corporate shareholders represented by them was submitted for resolution. The Company’s resolution of the independent director's opinions: None. Resolution: Except Director Ying-Che Huang, who recused himself from the discussion and voting for conflict of interest pursuant to laws, the motion was agreed upon by the remaining present directors unanimously.	✓	None

Date of Directors' Meeting/Term of Board of Directors	Contents of Motions and Resolutions	The circum-stances referred to in Article 14-3 of the Securities and Exchange Act	Independ-ent directors voicing opposing or qualified opinions
23rd meeting of the Board of Directors of 14th term on February 25, 2020	The motion for subscription for the negotiable term deposit certificate and financial bonds offered by O-Bank and underwriting of interbank loans/deposit operations for the total positions no more than NT$4 billion motion for being in line with the business planning was submitted for review and approval. The Company’s resolution of the independent director's opinions: None. (Chaired by Independent Director Wen-Ya Wu as a proxy) Resolution: Except the representatives of the corporate shareholder, O-Bank (Cheng-Ching Wu, David C. C. Chang, Cheng Hsiang Wei, Neil Chang and Ying-Che Huang), and Director Mona I-Ru Lo (a lineal relative by blood within 1st degree of kinship of Chairman of O-Bank, Ching-Ming Lo), who recused themselves from the discussion and voting for conflict of interest pursuant to laws, the motion was agreed upon by the remaining present directors unanimously.	✓	None
	In order to support police work, encourage police morale, and perform corporate social responsibility, the Company planned to donate NT$750,000 to the "Friends of the Police Association of R.O.C.". Accordingly, the motion was submitted for review and approval. The Company’s resolution of the independent director's opinions: None. (Chaired by Independent Director Wen-Ya Wu as a proxy) Resolution: Except the representatives of the corporate shareholder, O-Bank (Cheng-Ching Wu, David C. C. Chang, Cheng Hsiang Wei, Neil Chang and Ying-Che Huang), and Director Mona I-Ru Lo (a lineal relative by blood within 2nd degree of kinship of Vice Chairman of O-Bank, Tina I-Jun Lo), who recused themselves from the discussion and voting for conflict of interest pursuant to laws, the motion was agreed upon by the remaining present directors unanimously.	✓	None

III. Appraisal on the Board of Directors: See the following schedule.

Appraisal cycle	Period of assessment	Scope of assessment	Method of assessment	Contents of assessment
Once per year	January 1, 2019~December 1, 2019	The performance appraisal on the Board of Directors, individual Board members and functional committees	The internal self-assessment by the Board of Directors, self-assessment by the Board members, and internal self-assessment by the functional committees were carried out in the form of questionnaire.	(1) The performance appraisal on the Board of Directors covers the participation in the operation of the Company, improvement of the quality of the Board of Directors' decision making, composition and structure of the Board of Directors, election and continuing education of the directors, and internal control, etc. (2) Performance appraisal on individual Board member: To cover, at least, alignment with the Company's goals and mission, awareness toward directors' responsibilities and duties, degree of participation in the Company's operation, management of internal relations and communication, expertise and continuing education of directors, and internal control, etc. (3) Performance appraisal on functional committees: degree of participation in the Company's operation, awareness toward functional committees' responsibilities and duties, quality of the functional decision making, formation of the functional committees and election of members, and internal control, etc. The overall performance appraisal on the Board of Directors, Board members and functional committees in 2019 showed excellent. Averagely, most of time more than 70% of the directors were awarded 5 scores (the highest) per question. This reflects the effective operation of the Board of Directors and practicing of corporate governance.

IV. Measures undertaken during the current year and past year in order to strengthen the functions of the Board of Directors (such as the establishment of an audit committee and improvement of information transparency, etc.) and assessment of their implementation:

Please refer to the Company's annual report, "Three. Status of Corporate Governance", II. Operation of the Audit Committee (Pages 55~63) and V. Composition, Duties and Operations of the Remuneration Committee (Pages 75~78).

II. Annual highlights and operations of Audit Committee

(I) The highlights of annual review include:

Review on internal control system and related policies	Appraisal on the validity of internal control system
Review on annual internal audit plan	Corporate risk management
Major acquisition or disposition of assets	Review on motions involving directors’ own interests
Review on major assets or derivatives transactions	Review on raising, offering or private placement of equity securities
Review on appointment, dismissal or fees of independent directors	Review on appointment/dismissal of financial, accounting or internal audit officers
Review on annual financial statements or semi-annual financial statements	Review on implementation of the compliance system

(II) The audit committee held 12 (A) meetings in the most recent year. The attendance of independent directors is summarized as follows:

Record date: March 19, 2020

Job Title	Name	Actual presence (attendance) counts (B)	Counts of presence by proxy	Actual presence (attendance) rate (%) (B/A)	Remarks
Independent Director	Zhong-He Chen	12	0	100	
Independent Director	Wayne W. Wu	12	0	100	
Independent Director	An-Wei Su	12	0	100	

Other items to be stated:

I. Where the operation of the Audit Committee meets any of the following circumstances, the minutes concerned shall clearly state the meeting date, term, contents of motions, Audit Committee’s resolution and the Company’s resolution of Audit Committee’s opinions:

(I) The circumstances referred to in Article 14-5 of the Securities and Exchange Act:

Date of Directors' Meeting	Term of Board of Directors	Contents of Motion	Resolution by Audit Committee	The Company’s resolution of Audit Committee’s opinions
January 28, 2019	9th meeting of the Board of Directors of 14th term	1. Draft of amendments to certain articles of the "Regulations Governing Bond Trading and Risk Positions". 2. Appointment by the Company of "Deloitte Taiwan" to perform the audit on anti-money laundering and countering of terrorism and personal information protection operations in 2018. 3. Draft of new amendments to the "Information Security Policy".	1. The motion was approved by all of the present members unanimously. Notwithstanding, with respect to the approved motion, Fixed Income Products Department was required to report the schedule for modification of the business trading system and planning of the online real-time facility control function to each director at the directors' meeting held on January 28. 2. Approved by all of the present members unanimously. 3. Approved by all of the present members unanimously.	For the Motion No. 1, per the members' instruction, the schedule for modification of the business trading system and planning of the online real-time facility control function has been reported at the directors' meeting held on January 28.

Date of Directors' Meeting	Term of Board of Directors	Contents of Motion	Resolution by Audit Committee	The Company's resolution of Audit Committee's opinions
February 26, 2019	10th meeting of the Board of Directors of 14th term	1. Report on execution of the anti-money laundering and countering of terrorism financing operations from October 1, 2018 to December 31, 2018. 2. Audit report on the legal compliance system in the second half of 2018. 3. The response to the "Continued report on corrective actions against the inspection opinions" in the FSC's general business inspection report on the Company in May 2018. 4. 2018 financial statements were submitted. 5. The motion for appointment by the Company of "Deloitte Taiwan" to perform the audit, certification and related services on finance and taxation in 2019. 6. The statement of allocation of the Company's 2018 earnings was drafted. 7. 2018 business report was submitted. 8. Amendments to certain articles of the Company's "Operating Procedure for the Acquisition and Disposal of Assets". 9. Draft of amendments to certain articles of the "Regulations Governing Short-Term Bills".	Approved or acknowledged by all of the present members unanimously.	No conditional incidental to each motion.
May 14, 2019 June 18, 2019	14th meeting of the Board of Directors of 14th term 15th meeting of the Board of Directors of 14th term	1. The motion for amendments to certain articles of the Company's "Corporate Governance Best-Practice Principles" was submitted for review and approval. 2. The motion for the draft of the Company's "Standard Operating Procedures for Responding to Requests from Directors" was submitted for review and approval. 3. The motion for amendments to certain articles of the Company's "Personnel Management Regulations" was submitted for review and approval. 4. The motion for donation of NT$880,000 to "O-Bank Education Foundation" to support the promotion of arts and cultures was submitted for review and approval.	Approved or acknowledged by all of the present members unanimously.	No conditional incidental to each motion.

Date of Directors' Meeting	Term of Board of Directors	Contents of Motion	Resolution by Audit Committee	The Company's resolution of Audit Committee's opinions
June 18, 2019	15th meeting of the Board of Directors of 14th term	1. The motion for the Company's "Liquidity Risk Management Policy" (Draft) was submitted for review and approval.	The motion was voted by all of the present members. As a result, two votes were casted for agreement (Independent Director Chung-He Chen and Independent Director Wen-Ya Wu), and one vote for objection (Independent Director An-Wei Su), and the motion was approved accordingly. Notwithstanding, it is advisable that the Bill should be included into the foreign currency position management policy. The proposer should complete the amendments and additions by the end of September, and submit the motion to Audit Committee and Board of Directors for resolution separately.	The amendments and additions to be resolved have been completed by the end of September, and submitted to Audit Committee and Board of Directors for resolution.
August 20, 2019	17th meeting of the Board of Directors of 14th term	1. The report on the Company's compliance in the first half of 2019 was submitted. Except Taoyuan Branch, which was fined for violations of the Labor Standard Act (see the Descriptions), the audit result showed compliance with laws and related requirements. Please review the same accordingly. 2. The report on the Company's execution of the anti-money laundering and countering of terrorism financing operations from January 1, 2019 to June 30, 2019. Please review the same accordingly. 3. The motion for amendments to certain articles of the Company's "Regulations Governing Buyback of the Company's Shares" was submitted for review and approval. 4. The Company's financial statement of Q2 in 2019 was submitted for review and approval. 5. The Company rented 4F of O-Bank Building as its head office (No. 99, Sec. 2, Tiding Blvd., Neihu Dist., Taipei City). The tenancy agreement would expire on December 31, 2019. For the purpose of the Company's continued operation, the motion for renewal of the tenancy agreement was submitted for review and approval.	Except for Motion No. 5, which was voted by all of the present members, two votes were casted for agreement (Independent Director Chung-He Chen and Independent Director Wen-Ya Wu), and one vote for objection (Independent Director An-Wei Su), and the motion was approved accordingly. The other motions were approved or acknowledged by the whole present members unanimously.	No conditional incidental to each motion.

Date of Directors' Meeting	Term of Board of Directors	Contents of Motion	Resolution by Audit Committee	The Company's resolution of Audit Committee's opinions
September 17, 2019	18th meeting of the Board of Directors of 14th term	1. The resolution on the motion for the Company's renewal of the tenancy agreement for 4F of O-Bank Building as its head office was submitted for review. 2. The motion for the draft of amendments to certain articles of the Company's "NTD Capital Liquidity Risk Management Policy" was submitted for review and approval.	1. Approved and acknowledged by all of the present members unanimously. 2. The motion was voted by all of the present members, two votes were casted for agreement (Independent Director Chung-He Chen and Independent Director Wen-Ya Wu), and one vote for objection (Independent Director An-Wei Su), and the motion was approved accordingly.	No conditional incidental to each motion.
October 22, 2019	19th meeting of the Board of Directors of 14th term	1. The motion for the draft of amendments to certain articles of the Company's "Directions Governing Anti-Money Laundering and Countering the Financing of Terrorism" and "Policy for Assessment of Money Laundering and Terrorism Financing Risks and Adoption of Prevention" was submitted for review and approval. 2. The motion for lease of "Tunhua S. Rd.-Continental Construction Group Building" as its "head office", as detailed in the descriptions, was submitted for review and approval.	1. Approved by all of the present members unanimously. 2. Said motion was objected by all present Committee member unanimously. Therefore, the motion was not passed.	For Motion 2, the management has been continuing to look for the suitable target.

Date of Directors' Meeting	Term of Board of Directors	Contents of Motion	Resolution by Audit Committee	The Company's resolution of Audit Committee's opinions
November 19, 2019	20th meeting of the Board of Directors of 14th term	1. The Board of Directors' resolution on the Company's motion for lease of "Tunhua S. Rd.-Continental Construction Group Building" as its "head office" was submitted for review. 2. The motion for draft of amendments to certain articles of the Company's "Regulations Governing Bond Trading and Risk Positions" was submitted for review and approval. 3. The motion for lease of "Fuji Building" as its "head office", as detailed in the descriptions, was submitted for review and approval. 4. In response to the relocation of the Company's head office, the Company planned to execute the short-term tenancy agreement for 4F of O-Bank Building with O-Bank, which would be valid for one year. Therefore, the motion was submitted for review and approval.	1. Approved and acknowledged by all of the present members unanimously. 2. Approved by all of the present members unanimously. 3. The motion was voted by all of the present members, two votes were casted for objection (Independent Director Chung-He Chen and Independent Director Wen-Ya Wu), and one vote for agreement (Independent Director An-Wei Su). As a result, the motion was not approved. 4. The motion was voted by all of the present members, two votes were casted for agreement (Independent Director Chung-He Chen and Independent Director Wen-Ya Wu), and one vote for objection (Independent Director An-Wei Su), and the motion was approved accordingly.	No conditional incidental to each motion.

Date of Directors' Meeting	Term of Board of Directors	Contents of Motion	Resolution by Audit Committee	The Company's resolution of Audit Committee's opinions
December 17, 2019	21st meeting of the Board of Directors of 14th term	1. The motion for the Company's "AML/CTF Program" 2020, as attached, was submitted for review. 2. The motion for mew amendments to the Company's "Standard Operating Procedure for Anti-money Laundering and Countering of Terrorism Financing", as attached, was submitted for review. 3. The Board of Directors' resolution on the Company's motion for lease of "Fuji Building" as its "head office" was submitted for review. 4. The Board of Directors' resolution on the Company's motion to execute the short-term tenancy agreement for 4F of O-Bank Building with O-Bank which would be valid for one year was submitted for review. 5. The motion for the Company's appointment of "Deloitte Taiwan" to perform the audit on anti-money laundering and countering of terrorism financing operations in 2019 was submitted for review and approval. 6. The motion for the Company's 2019 internal audit plan was submitted for review and approval. 7. The motion for the "Regulations Governing Loan to Substantial Stakeholders of China Bills Finance Corporation" (Draft) was submitted for review and approval. 8. The motion for the draft of amendments to certain articles of the Company's "Information Security Policy" was submitted for review and approval. 9. The motion for amendments to certain articles of the Company's "Regulations Governing Internal Operating Systems and Procedures for the Outsourcing" was submitted for discussion.	Except for Motion No. 8, which was amended and approved by all of the present members, the other motions were approved or acknowledged by the whole present members unanimously.	Motion 8 has been amended per the members' instruction.

Date of Directors' Meeting	Term of Board of Directors	Contents of Motion	Resolution by Audit Committee	The Company’s resolution of Audit Committee’s opinions
February 25, 2020	23rd meeting of the Board of Directors of 14th term	1. The report on the compliance by the Company's various units in the second half of 2019 was submitted. The audit result showed compliance with laws and related requirements. Please review the same accordingly. 2. The report on the Company's execution of the anti-money laundering and countering of terrorism financing operations from July 1, 2019 to December 31, 2019. Please review the same accordingly. 3. The motion for subscription for the negotiable term deposit certificate and financial bonds offered by O-Bank and underwriting of interbank loans/deposit operations for the total positions no more than NT$4 billion motion for being in line with the business planning was submitted for review and approval. 4. The Company's settled financial report 2019 was submitted for review and approval. 5. The Company's 2019 business report, as attached, was submitted for review and approval. 6. The motion for the Company’s 2019 allocation of earnings was submitted for review and approval. 7. The motion for renewed appointment by the Company of "Deloitte Taiwan" to perform the audit, certification and related services on finance and taxation in 2020 was submitted for review and approval. 8. The motion for the draft of amendments to the Company’s “Parliamentary Rules for Directors’ Meetings” was submitted for review and approval. 9. The motion for the draft of the Company's “Regulations Governing Performance Appraisal on Board of Directors” and questionnaire was submitted for review and approval. 10. In order to support police work, encourage police morale, and perform corporate social responsibility, the Company planned to donate NT$750,000 to the "Friends of the Police Association of R.O.C.". Accordingly, the motion was submitted for review and approval.	Approved or acknowledged by all of the present members unanimously.	No conditional incidental to each motion.
March 17, 2020	24th meeting of the Board of Directors of 14th term	1. The motion for amendments to certain articles of the “Regulations Governing Loans by China Bills Finance Corporation” was submitted for review and approval.	Approved by all of the present members unanimously.	No conditional incidental to each motion.

(II) Aside from said circumstances, resolution(s) not passed by the audit committee but receiving the consent of two thirds of the Board of Directors: None.

II. In instances where an independent director recused himself/herself due to a conflict of interest, the minutes shall clearly state the director’s name, contents of the motion and resolution thereof, reason for not voting and actual voting counts: None.

III. Communication between independent directors and internal auditing officers as well as CPAs:

Auditing Department will prepare and send various reports (e.g. the general inspection report and project inspection report) to independent directors and Audit Committee for review pursuant to laws on a monthly basis. Meanwhile, the chief internal audit officer will summarize the report at a directors' meeting. The independent directors will communicate with the CPAs, in writing or via conference, for the key audit matters and mode of audit adopted by the CPAs with respect to the financial statements annually and semi-annually and also arrange the CPAs to attend the Audit Committee meeting at the time of the annual audit. Accordingly, the communication between all parties is fair.

III. Items to be disclosed in accordance with the Corporate Governance Best-Practice Principles for Bills Finance Corporations

The related items to be disclosed pursuant to laws, including the Company's finance, business, insiders' shareholdings and corporate governance matters, are all disclosed on the Company's website at http://www.cbf.com.tw, and also disclosed at the MOPS at http://mops.twse.com.tw

IV. Status of the Company's corporate governance, departures from the Corporate Governance Best-Practice Principles for Bills Finance Corporations and reasons for such departures

Scope of Assessment	Status			Departures from the Corporate Governance Best-Practice Principles for Bills Finance Corporations and Reasons Thereof
	Yes	No	Summary	
I. Equity structure and shareholders' rights of bills finance corporation (I) Whether the Company deals with suggestions, questions, disputes and legal actions from shareholders adequately? (II) Whether the Company controls a register of major shareholders who own a relatively high percentage of shares and have controlling power, and of the persons with ultimate control over those major shareholders? (III) Whether the Company establishes or implements some risk control and firewall mechanisms between it and its affiliates?	✓ ✓ ✓		(I) In order to ensure the shareholders' equity, the Company has the dedicated personnel from Administration Department responsible for dealing with the suggestions or disputes from shareholders. (II) The Company appoints dedicated personnel to deal with the relevant shareholders service matters, and follows up and verifies the register of the major shareholders and the persons with ultimate control from time to time. (III) The loan transactions and any transactions other than loan transactions between the Company and its affiliates are controlled in accordance with the related operating procedures and regulations established by the various units in accordance with the Act Governing Bills Finance Business and the Banking Act of The Republic of China.	(I) Compliance (II) Compliance (III) Compliance
II. Composition and responsibilities of Board of Directors (I) Whether the Company appoints any independent director? Whether it establishes any other functional committees? (II) Whether the Company assesses the independence of the external auditor	✓ ✓		(I) The Company has three independent directors. For the time being, the Company establishes the Remuneration Committee and Audit Committee pursuant to laws. (II) The Company's Audit Committee and Board of Directors assess the independence and competency of the	(I) Compliance (II) Compliance

Scope of Assessment	Status			Departures from the Corporate Governance Best-Practice Principles for Bills Finance Corporations and Reasons Thereof
	Yes	No	Summary	
periodically?			independent external auditors each year. Before appointing the independent external auditors each year, the Company will ask them to issue their statement of declaration of independence. After the Company reviews the same and confirms that no financial interest or business relations, other than the services about certification on finance and taxation, exist between the independent external auditors and the Company and none of their family members is held breaching the requirements about their independence, the Company will submit the motion for appointment of the independent external auditors to the Audit Committee and Board of Directors. The independent external auditors' statement of declaration of independence will also be submitted to the Audit Committee and Board of Directors when the Committee and Board are discussing about the motion for appointment of the independent external auditors. Where any new independent external auditor is retained, the new auditor's resume will also be submitted to the Audit Committee and Board of Directors members for assessment on the new auditor's independence and competency.	
III. Where the Company is a TWSE/TPEx-listed company, whether it has delegated the unit or personnel dedicated to (concurrently in charge of) corporate governance (including but not limited to, provision of information required by directors for carrying out business, organization of directors' meetings and shareholders' meetings, registration of	✓		The Company has delegated its corporate governance officer per the resolution passed at the 10th meeting of the Board of Directors of the 14th term on February 26, 2019, who is served by the Vice President of Administration Department concurrently (Administration Department is in charge of the matters related to directors' meetings and shareholders' meetings pursuant to laws). Meanwhile, the Company has designated the personnel dedicated to corporate	Compliance

Scope of Assessment	Status			Departures from the Corporate Governance Best-Practice Principles for Bills Finance Corporations and Reasons Thereof
	Yes	No	Summary	
incorporation and registration of changes, and production of directors' meeting and shareholders' meeting minute)?			governance matters separately. The Company's corporate governance operations are under the charge of the chief corporate governance officer and assisted by 3 staff from the Legal and Compliance Department and 5 staff from the Administration Department separately, including: 1. Process the affairs related to directors' meetings and shareholders' meetings pursuant to laws. 2. Produce the directors' meeting and shareholders' meeting minutes and provide the directors with any information required by them to perform their duties. 3. Help the directors with their assumption of the position and continuing education. 4. Help the directors comply with laws. 5. Process the legal advice related to directors' meetings and shareholders' meetings pursuant to laws. 6. Investor relations affairs and any other requirements under the Articles of Incorporation or by contract. Before convening any directors' meeting or Audit Committee meeting, the corporate governance personnel shall be responsible for compiling the motions proposed by various departments/offices and drafting the agenda and shall send the meeting notice and agenda to each director within 7 days prior to the directors' meeting or Audit Committee meeting. Meanwhile, before the meeting, they shall provide detailed meeting information to help the directors preview the same. If any director inquiries about any related motion, they will supplement relevant information during (or after) the meeting. In the	

Scope of Assessment	Status			Departures from the Corporate Governance Best-Practice Principles for Bills Finance Corporations and Reasons Thereof
	Yes	No	Summary	
			case of reporting and uploading of information to the competent authority or release of important messages and completion of registration of changes in the company particulars, the assistance from Administration Department will be required. Meanwhile, the shareholders service agent (CTBC Bank, Shareholders Service Dept.) will assist the Company in shareholders service affairs. 2019 Corporate Governance Implementation Status: ●To help the Chairman propose the motion for appointment of the corporate governance officer to the Board of Directors, the Company had the Board of Directors approve the appointment of the Corporate Governance Officer in February 2019, who is served by the Vice President of Administration Department, Hou-Sheng Yu, concurrently. The report on appointment of corporate governance officer has been completed within the time limit prescribe by the competent authority. ●Research and drafting of laws & regulations: In May 2019, the Company had the Board of Directors approve the "Standard Operating Procedures for Responding to Requests from Directors of China Bills Finance Corporation". As a result, the requests from directors would be handled by the corporate governance officer. Administration Department was appointed by the Board of Directors to serve as the parliamentary unit. ●Amendments to laws & regulations: the Company has already adopted the "Corporate Governance Best-Practice Principles" in 2018. In 2019, based on the amended version published by the R.O.C. Bills Finance Association on April 2019, the Company amended its "Corporate Governance Best-Practice Principles". The focus of the amendments: (I) Expressly define that the Company	

Scope of Assessment	Status			Departures from the Corporate Governance Best-Practice Principles for Bills Finance Corporations and Reasons Thereof
	Yes	No	Summary	
			should appoint the corporate governance officer and regulate the functions, orientation, qualifications, continuing education hours and way to fill the position vacancy of the corporate governance officer. (II) Expressly define that the Company's independent directors shall serve for no more than 3 terms of office. 1st amendments to the Company's "Corporate Governance Best-Practice Principles" were enforced after the amendments were passed at 14th meeting of the Board of Directors of 14th term on May 14, 2019. ●The general shareholders' meeting was organized on May 31, 2019, and the meeting minutes were completed successfully. ●14th meeting (January to December) of the Board of Directors of 14th term was organized, and the meeting minutes were produced. ●Help directors with service of office and continuing education: All of the new directors of 14th term satisfied the prescribed continuing education hours. ●Help the corporate governance officer with continuing education, and the continuing education hours considered satisfied in 2019. ●Communication with stakeholders: The investors conference was convened on June 21, 2019. ●One session of ethical corporate management training was organized in January 2019. ●Help the organization of two seminars focusing on internal control system deficiencies (in March and September 2019) to arrange independent directors and whole directors to communicate with the internal auditors. ●Complete the questionnaire about performance appraisal on directors. In 2019, the Company has completed the reporting on the	

Scope of Assessment	Status			Departures from the Corporate Governance Best-Practice Principles for Bills Finance Corporations and Reasons Thereof
	Yes	No	Summary	
			appointment of chief corporate governance officer and continuing education hours within the time limit prescribed by the competent authority. The chief corporate governance officer attended the continuing education for 21 hours in 2019 and, therefore, was considered satisfying the requirements about continuing education for 18 hours.	
IV. Whether the Company establishes communication channels with stakeholders (including but not limited to, shareholders, employees, and customers, etc.)?	✓		The Company’s website at www.cbf.com.tw has set up the “Stakeholders Section” covering the types of stakeholder, important concerns, the Company’s main responsibility, communication channels and responses, and also providing the complaint mailbox to be responded by dedicated personnel. The communication with the Company's stakeholders has been reported at 17th meeting of the Board of Directors of 14th term on August 20, 2019. The communication with stakeholders in 2019 primarily consists of: 1. Investors - The general shareholders’ meeting was convened on May 31, 2019, and the investor conference on June 21, 2019. 2. Customers - Sales units paid visit from time to time. Meanwhile, customers were invited to participate in such charity activities as blood donation, through the promotional materials printed on the invoices in 2019. 3. Employees - The labor-management meetings were convened in March and June 2019, respectively. Meanwhile, the healthy workplace event was organized. 4. In 2019, no whistleblowing cases were received by the anti-corruption whistleblowing hotline. 5. The 2018 CSR report has been	Compliance

Scope of Assessment	Status			Departures from the Corporate Governance Best-Practice Principles for Bills Finance Corporations and Reasons Thereof
	Yes	No	Summary	
			disclosed at the MOPS and the Company's official website at the end of June 2019. 6. The CSR events including the clothes donation for spring in March and fall in September, and two blood donation events in summer and winter, as well as other charity services, were organized in 2019. For the issues concerned by stakeholders, communication channels and responses, please refer to the stakeholders section on the Company's website at: http://www.cbf.com.tw/public/Data/031214542071.pdf.	
V. Information Disclosure (I) Whether the Company establishes a corporate website to disclose information concerning financial affairs and corporate governance?	✓		(I) The Company's website at www.cbf.com.tw is equipped with the investor conference information section dedicated to disclosing the information about the Company's finance, operation and corporate governance, which will be updated by dedicated personnel from time to time for access by shareholders and the public.	(I) Compliance
(II) Whether the Company adopts other information disclosure channels (e.g. English website, assignment of specific personnel to collect and disclose the Company's information, implementation of a spokesperson system, and the broadcasting of investor conferences via the Company's website)?	✓		(II) The Company has established a spokesperson system, under which press conferences, presentations and important messages will be held and announced in a timely manner, and also posted on the "MOPS". Meanwhile, the Company will assign dedicated personnel to collect and disclose the Company's information. The Company also has set up an English website accessible by foreign investors for reference. The Company has held the investor conference 2019 on June 21 2019 as required. The related information thereof was posted on the Company's official website.	(II) Compliance
VI. Other information enabling better understanding of the	✓		(I) Employee interests and rights: Subject to the Labor Standard Act	Compliance for (I)~(X)

Scope of Assessment	Status			Departures from the Corporate Governance Best-Practice Principles for Bills Finance Corporations and Reasons Thereof
	Yes	No	Summary	
Company’s corporate governance (e.g. employee interests and rights, employee care, investor relations, stakeholders’ interests and rights, continuing education of directors, status of directors' attendance at the directors' meetings, implementation of risk management policies and risk measurement criteria, implementation of consumer or customer policy, purchase of liability insurance by the Company for directors, and corporate social responsibility)?			and the Company's work rules. (II) Employee care: The Company established the Employee Welfare Committee engaged in processing the employee welfare affairs, labor insurance, national health insurance and group insurance, safety and health work pursuant to the related labor safety and health laws, working with medical personnel to provide the professional advice on occupational safety and health for the Company’s employees，and plan the employee health checkup each year. (III) Investor relations: The Company's website is equipped with the investor conference information section dedicated to disclosing the information about the Company. Meanwhile，the Company held the investor conference and the general shareholders’ meeting every year with smooth communication with the investors. (IV) Stakeholders’ interests and rights: The Company adopts information disclosure and uninterrupted communication channels. The employees, customers or suppliers are allowed to feed back their opinion and communicate with the Company via phone, mail and email. (V) Continuing education of directors: All of the Company's directors would complete the continuing education for 6 hours in then year pursuant to the relevant requirements. (VI) Status of directors' attendance at the directors' meetings: All of the directors would attend the directors' meeting periodically pursuant to the relevant requirements. (VII) Implementation of risk management policy and risk measurement criteria: Pursuant to the regulations established by the competent authority, the Company would assess	

Scope of Assessment	Status			Departures from the Corporate Governance Best-Practice Principles for Bills Finance Corporations and Reasons Thereof
	Yes	No	Summary	
			the Company's operational risk and set the risk limits acceptable by various operations carried out by the Company, in order to urge the management units to take any necessary actions to ensure the safety of the Company's operations and also balance the operating performance at the same time. In order to ensure the effective promotion of various risk management policies, the Company would hold the Credit Assessment meetings, asset and liability management committee meetings and investment review meetings periodically to help verify the benefits and deficiencies in the various risk controls and adjust the various risk control policies in a timely manner. (VIII) Implementation of consumer or customer policy: The Company has expressly stated the related requirements to be followed by the Company in accordance with the FSC's "Financial Consumer Protection Act" and the Company's "Consumption Dispute Resolution Regulations". Meanwhile, the Company also expressly stated the contractual terms and conditions to be followed by the Company in the "Bill/Bond Repurchase/Resale (RP/RS) Master Agreement". Consumers or customers may claim their rights based on the Contract. The Company also set up the contact section dedicated to processing the complaints against financial consumption on the Company's website for the purpose of communication by consumers or customers. (IX) Purchase of liability insurance by the Company for directors: The Company has maintained the insurance as required.	

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<tr><td></td><td></td><td></td><td>(X) Corporate social responsibility: Please refer to the fulfillment of corporate social responsibility.</td><td></td></tr>
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VII. Please specify the status of the correction based on the corporate governance assessment report released by the Corporate Governance Center of TWSE in the most recent year, and the priority corrective actions and measures against the remaining deficiencies.

Based on the result of the 5th Annual Corporate Governance Evaluation and the indicator of the 6th Annual Corporate Governance Evaluation released by TWSE in 2018 and 2019, as well as the latest laws and regulations promulgated by the competent authority, the Company passed the implementation of its "Corporate Governance Best-Practice Principles" and "Code of Ethics", amended the "Procedures for Ethical Management and Guidelines for Conduct" in 2018. Meanwhile, the external assurance report on the CSR report has been completed in May 2018 (for the first time) and May 2019. In February 2019, the Company appointed the chief corporate governance officer and amended the Company's "Corporate Governance Best-Practice Principles" upon approval of the Board of Directors. In May 2019, the Board of Directors passed the "Standard Operating Procedure for Handling Directors' Requirements." The directors' performance evaluation program has been implemented since 2020.

The relevant statement is provided as follows:

(I)The Company had the Board of Directors approve the appointment of the chief corporate governance officer at the 10th meeting of the Board of Directors of the 14th term on February 26, 2019, who should be filled by the Vice President of Administration Department concurrently. The corporate governance officer is responsible for the corporate governance-related affairs. Meanwhile, the Company should disclose the scope of authority, annual business focus and status of continuing education on the Company's website and in the annual report and complete the report on the appointment of the corporate governance officer and continuing education hours within the time limit prescribed by the competent authority (see Pages 65~69 of the annual report).

(II) On May 14, 2019, the Company had the Board of Directors pass the "Standard Operating Procedure for Handling Directors' Requirements" at 14th meeting of the Board of Directors of the 14th term, to help directors perform their duties and upgrade the performance of the Board of Directors.

(III) The Company published and implemented the "Corporate Governance Best Practice Principles" in May 2018. In 2019, according to the "Corporate Governance Best-Practice Principles for Bills Finance Corporations" amended by the R.O.C. Bills Finance Association, and in consideration of the Company's practices, the Company amended the "Corporate Governance Best-Practice Principles." 1st amendments thereto were published and implemented after they were approved at 14th meeting of the Board of Directors of the 14th term on May 14, 2019. A total of 2 articles (Article 39 and Article 67) were amended, and 6 articles (Article 7-1, Article 7-2, Article 7-3, Article 7-4, Article 7-5 and Article 7-6) were added. The whole text covered 8 chapters and 73 articles in total. The focus of the amendments: 1. Expressly define that the Company should appoint the corporate governance officer and regulate the functions, orientation, qualifications, continuing education hours and way to fill the position vacancy of the corporate governance officer. 2. Expressly define that the Company's independent directors shall serve for no more than 3 terms of office.

(IV) The "Code of Ethics" was approved at 32nd meeting of the Board of Directors of 13th term on December 19, 2017 and so were the second amendments to the "Procedures for Ethical

Scope of Assessment	Status			Departures from the Corporate Governance Best-Practice Principles for Bills Finance Corporations and Reasons Thereof
	Yes	No	Summary	

Management and Guidelines for Conduct" as well. The both motions were implemented upon approval by the general shareholders' meeting on June 8, 2018. The "Procedures for Ethical Management and Guidelines for Conduct" have also been posted on official website.

(V) The Company completed the corporate social responsibility (CSR) reports 2017 and 2018, and also the external certification thereof in May 2018 and 2019 to upgrade the credibility of the CSR report and fulfill the corporate governance.

(VI) On February 25, 2020, the Company had the Board of Directors approve the regulations governing performance evaluation on the Board of Directors. Meanwhile, the Company completed the performance evaluation on the Board of Directors and multiple functional committees in Q1 of 2020, and reported the evaluation result to the Board of Directors (see Page 55 herein for the status of performance evaluation on the Board of Directors).

(VII) The Company's corporate governance operations are in charge of by the corporate governance officer and assisted by 3 staff from the Legal & Compliance Department and 5 staff from the Administration Department separately, whose duties are stated in the following chart:

Related units	Operations and personnel	Duties
Legal & Compliance Department	It consists of 1 executive officer and 2 staff. All of the 3 persons are responsible for planning, managing and executing the compliance system to ensure effective operation of the legal compliance system and strengthen the self-discipline function.	• Process the legal advice on directors' meetings and shareholders' meetings pursuant to laws. • Help the directors comply with laws.
Administration Department	It consists of 1 executive officer and 4 staff. All of the 5 persons are engaged in managing and coordinating the affairs related to shareholders' service and directors' meetings.	• Process the affairs related to directors' meetings and shareholders' meetings pursuant to laws. • Produce the directors' meeting and shareholders' meeting minutes. • Provide the directors with any information required by them to perform their duties. • Help the directors with their assumption of the position and continuing education. • Investor relations affairs, and any other requirements under the Articles of Incorporation or by contract.

V. Composition, Duties and Operations of the Remuneration Committee

(I) Information about Remuneration Committee members

Record date: March 19, 2020

Position Title (Note 1)	Qualification / Name	Has at least five years of relevant working experience and the following professional qualifications: Lecturer (or above) of commerce, law, finance, accounting, or any subject relevant to the Company's operations in a public or private tertiary institution	Certified judge, attorney, lawyer, accountant, or holder of professional qualification relevant to the Company's operations	Commercial, legal, financial, accounting or other work experience required to perform the assigned duties	Compliance of independence (Note 2): 1	2	3	4	5	6	7	8	Number of positions as a Remuneration Committee Member in other public listed companies	Remarks (Note 3)
Independent Director	Wayne W. Wu	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	Nil
Independent Director	Zhong-He Chen	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	Nil
Independent Director	An-Wei Su	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	Nil

Note 1: Please specify director, independent director or others.

Note 2: "✓" is marked in the space beneath a condition number when a member has met that condition during the two years prior to election and during his or her period of service. The conditions are as follows:

(1) Not an employee of the Company or any of its affiliates.

(2) Not a director or supervisor of the Company or any of its affiliates, unless the person is an independent director of the Company or its parent company or any subsidiary in which the Company holds a majority of the shares with voting right, directly or indirectly.

(3) The director, or his or her spouse or minor child, does not hold, in his or her own name or in another name, more than 1% of the Company's total outstanding shares, nor is one of the Company's ten largest natural-person shareholders.

(4) Not a spouse, relative within the second degree of kinship, or direct blood relative within the third degree of kinship of a person listed in the three foregoing paragraphs.

(5) Not a director, supervisor, or employee of a corporate shareholder directly holding more than 5% of the Company's total outstanding shares, nor is a director, supervisor, or employee of one of the five largest corporate shareholders in terms of shareholdings.

(6) Neither a director, supervisor, manager, nor a shareholder holding more than 5% of the outstanding shares, of a certain company or organization that has a financial or business relationship with the Company.

(7) Not a professional providing business, legal, financial, accounting, or consulting services to the Company or any of its affiliates, nor an owner, partner, director, supervisor, or manager, or the spouse of any of the foregoing, of a sole proprietorship, partnership, company, or organization providing such services to the Company or any of its affiliates.

(8) Not a person of the conditions specified in any of the sub-paragraphs of Article 30 of the Company Act.

Note 3: Where the member's position title is a director, please state whether he/she meets the circumstances referred to in Paragraph 5 of Article 6 of the "Regulations on the Establishment of Remuneration Committees by TWSE/TPEx Listed Companies and their Exercise of Powers".

(II) Duties and Responsibilities

Shall perform the following functions honestly with due diligence, and submit their motions to the Board of Directors for discussion:

1. Determine and periodically review the performance appraisal on the Company's directors and managers, and remuneration policy, system, standard and structure;
2. Periodically evaluate and determine the Company's remuneration to directors and managers.

   Shall comply with the following principles before performing the functions referred to in the preceding paragraph:

   (1) For the assessment on performance and the salary and remuneration of directors and managers, the Company shall refer to the typical pay levels adopted by peer companies, and take into consideration the reasonableness of the correlation between remuneration and individual performance, the Company's business performance, and future risk exposure.

   (2) It shall not produce an incentive for the directors and managers to engage in any activity to pursue the remuneration beyond the Company's risk appetite.

   (3) It shall take into consideration the characteristics of the industry and the nature of the Company's business when determining the ratio of bonus payout based on the short-term performance of its directors and senior management and the time for payment of the variable part of remuneration.

(III) Information about operations of the Remuneration Committee

1. The Company's Remuneration Committee consists of 3 members.
2. The term of office to be served by the current members: from June 19, 2018 to June 7, 2021. The Remuneration Committee has held 8(A) meetings for in the most recent year, and the members' qualification and attendance are summarized as follows:

Record date: March 19, 2020

Job Title	Name	Actual attendance (B)	Counts of presence by proxy	Actual attendance rate (%) (B/A) [Note]	Remarks
Convener	Wayne W. Wu	8	0	100%	
Member	Zhong-He Chen	8	0	100%	
Member	An-Wei Su	8	0	100%	

Other items to be stated:

I. If the Board of Directors does not adopt or amend the remuneration committee's suggestions, please specify the meeting date, term, contents of motion, resolution of the Board of Directors, and the company's handling of the remuneration committee's opinions (if the remuneration approved by the Board of Directors is superior than that suggested by the remuneration committee, please specify the deviation and reason): None.

II. For resolution(s) made by the remuneration committee with the committee members voicing opposing or qualified opinions on the record or in writing, please state the meeting date, term, contents of motion, opinions of all members and the company's handling of the said opinions: None.

Note:

(1) Where any of the Remuneration Committee members may be relieved from duties before the end of the fiscal year, specify the date of discharge in the remark section. Actual attendance rate (%) was calculated based on the number of the Committee meetings held during each member's term and the number of meetings actually attended by that member.

(2) Where a reelection may be held for filling the vacancies of the Remuneration Committee members before the end of the fiscal year, list both the new and the discharged members, and specify if they are the former members, or newly elected, re-elected and the date of the reelection in the remark section. Actual attendance rate (%) was calculated based on the number of the Committee meetings held during each member's term and the number of meetings actually attended by that member.

3. Contents of motions and resolutions, and the Company's handling of the members' opinion:

Date of Remuneration Committee's Meeting/Term of Remuneration Committee	**Contents of Motions and Resolutions**
January 24, 2019 3rd meeting of the Remuneration Committee of 4th term	The motion for allocation of performance bonus to the personnel holding the position as manager and above in 2018 was submitted for review and approval. (The attendant, President Chih-Ming Chien, recused himself.) Resolution: Approved by all of the present members unanimously.
February 14, 2019 4th meeting of the Remuneration Committee of 4th term	The motion for determination of the total amount of remuneration to employees and directors in 2018 was submitted for review and approval. Resolution: Approved by all of the present members unanimously.
March 7, 2019 5th meeting of the Remuneration Committee of 4th term	The motion for allocation of remuneration to directors in 2018 was submitted for review and approval. (The attendant, President Chih-Ming Chien, recused himself.) Resolution: Approved by all of the present members unanimously.
	The motion for allocation of remuneration to the management holding the position as president, department and branch managers and above in 2018 was submitted for review and approval. (The attendant, President Chih-Ming Chien, recused himself.) Resolution: Approved by all of the present members unanimously.
May 3, 2019 6th meeting of the Remuneration Committee of 4th term	The motion for the raise by no more than 2% as of April 1, 2019 based on the range of raise applicable in the same trade was submitted for review and approval. The Company’ about director’s opinions: None. (The attendee, Chairman Cheng-Ching Wu, recused himself.) Resolution: Approved by all of the present members unanimously.
	The motion for monthly salary and benefits to the management holding the position as Chairman of Board, president, department and branch managers and above of the Company was submitted for review and approval. The Company’ about director's opinions: None. (The attendee, Chairman Cheng-Ching Wu, recused himself.) Resolution: Approved by all of the present members unanimously.

Date of Remuneration Committee's Meeting/Term of Remuneration Committee	Contents of Motions and Resolutions
December 4, 2019 7th meeting of the Remuneration Committee of 4th term	The motion for the salary to the Company's new supervisor of Kaohsiung Branch was submitted for review and approval. The Company' about director's opinions: None. Resolution: Approved by all of the present members unanimously.
January .8, 2020 8th meeting of the Remuneration Committee of 4th term	The motion for allocation of performance bonus to the personnel holding the position as manager and above in 2019 was submitted for review and approval. The Company' about director's opinions: None. (The attendee, Chairman Cheng-Ching Wu, recused himself.) Resolution: Approved by all of the present members unanimously.
	The motion for retirement of Executive Vice President Wen-Tsung Chen was submitted for review and approval. The Company' about director's opinions: None. Resolution: Approved by all of the present members unanimously.
February 13, 2020 9th meeting of the Remuneration Committee of 4th term	The motion for the draft of the Company's "Regulations Governing Performance Appraisal on Board of Directors" and questionnaire was submitted for review and approval. The Company' about director's opinions: None. Resolution: Approved by all of the present members unanimously.
	The motion for of the total amount of remuneration to employees and directors in 2019 was submitted for review and approval. The Company' about director's opinions: None. Resolution: Approved by all of the present members unanimously.
	The motion for retirement pension to President Chih-Ming Chien was submitted for review and approval. The Company' about director's opinions: None. Resolution: Approved by all of the present members unanimously.
	The motion for incentive bonus to President Chih-Ming Chien was submitted for review and approval. The Company' about director's opinions: None. Resolution: Approved by all of the present members unanimously.
February 13, 2020 9th meeting of the Remuneration Committee of 4th term	The motion for monthly salary and benefits to the Company's new president was submitted for review and approval. The Company' about director's opinions: None. Resolution: Approved by all of the present members unanimously.
March 9, 2020 10th meeting of the Remuneration Committee of 4th term	The motion for the draft of amendments to certain articles of the Company's "Regulations Governing Provision and Allocation of Year-End Bonus" was submitted for review and approval. The Company' about director's opinions: None. Resolution: Amended and approved by all of the present members unanimously after discussion.

VI. Fulfillment of corporate social responsibility

Scope of Assessment	Status			Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
I. Fulfillment of corporate governance				
(I) Whether the Company defines corporate social responsibility policies or systems and reviews the effect of implementation thereof?	✓		(I) The Company upholds the core management philosophy for "Gratitude, Contentment and Improvement". In order to fulfill the corporate social responsibility and facilitate the economic, environmental and social improvement for the purpose of sustainability, on December 15, 2015, the Company's Board of Directors passed the "Corporate Social Responsibility Best-Practice Principles" to be followed by the Company. The Company established the CSR Committee in February 2015, of which the Chairman was served by the Company's President concurrently. The Committee will report the implement result of the CSR to the Board of Directors each year and hold the review meeting each year. The meeting is chaired by the President, and attended by CSR members and various team members to discuss the implementation of CSR together and also propose the motion for new CSR programs. For the related CSR activities in 2019, please see Three. Corporate Social Responsibilities and Ethics in the "Overview of Operations" of the annual report (Page 131-136).	(I) Compliance
(II) Whether the Company periodically organizes any corporate social responsibility education and training program?	✓		(II) The Company will organize the CSR-related educational courses periodically each year, in order to enable the colleagues to know about the development, laws & regulations, and policies adopted by peer companies related to the CSR and also to propagate the internal rules and related compliance systems. In 2019, the Company has held a total of three CSR workshops or project conferences (in January,	(II) Compliance

Scope of Assessment	Status			Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
			July, and November), inviting external advisors to explain about the development of CSR, GRI standards and the latest policy applicable to preparation of the CSR report.	
(III) Whether the Company establishes a unit dedicated to (concurrently engaged in) promoting corporate social responsibility under supervision by the high-rank management authorized by the Board of Directors who shall be responsible for reporting the status thereof to the Board of Directors?	✓		(III) In order to upgrade the Company's fulfillment of the CSR and integrate related panning and allocate resources adequately, the Company established the CSR Committee in February 2015. In February 2015, the Chairman of Board authorized the Articles of Association for the CSR Committee. The first amendments to the Articles of Association were made in December 2015. The functions of CSR Committee include review on the annual target of CSR, review or inspection on execution results, follow-up and review on the implementation results, review on preparation of CSR report, and review or inspection on other CSR-related requirements. The Chairman of CSR Committee is served by the President. The Director-General of the Committee shall be concurrently served by the Vice President or any member appointed by the Chairman. For the time being, the Director-General is served by the vice president of Adminstration Department concurrently. The Committee members consist of the department supervisors and branch managers. Meanwhile, the team dedicated to preparation of CSR report consisting of several members and one executive secretary of the Committee are delegated too. The Committee governed 5 teams subject to the operations and duties, namely: Social Participation Team,	(III) Compliance

Scope of Assessment	Status			Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
			Employee Care Team, Environmental Sustainability Team, Corporate Governance and Risk Management Team, and Customer Relations Team. The Committee holds no less than two meetings each year and reports the status of CSR to the Board of Directors periodically. The relevant motions about donation shall be subject to authorization by the Board of Directors.	
(IV) Whether the Company defines some reasonable compensation policy, integrates corporate social responsibility with employees' performance evaluation, and establishes some clear and effective reward/disciplinary system?	✓		(IV) The Company's "Performance assessment" and "Instructions to employee reward and punishment" were both subject to the evaluation indicators related to "Honors and ethics".	(IV) Compliance
II. Fostering a Sustainable Environment (I) Whether the Company endeavors to upgrade the efficient use of available resources, and the use of environmental-friendly materials?	✓		(I) The Company believes that an enterprise should be identified as one member of the global village and, therefore, all of them should work together to love the earth, save energy and reduce carbon, save water, oil and paper, and upgrade the efficient use of resources to avoid wasting resources. Please see Corporate Social Responsibilities and Ethics (II) Responsibility for Environmental Protection on Pages 134~136.	(I) Compliance
(II) Whether the Company establishes environmental policies suitable for the Company's industrial characteristics?	✓		(II) The Company has established the energy-saving policies for controlling the utility expenses, reducing power capacity by contract and consumption of paper. The Company is engaged in the financial business, instead of manufacturing. Therefore, the Company has no factories engaged in production of goods and no ISO	(II) Compliance

Scope of Assessment	Status			Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
			14001 or similar environmental management system certification is applicable to the Company.	
(III) Whether the Company is aware of how climate change impacts business operations, or conducts investigation into greenhouse gas, or defines some energy saving and carbon/greenhouse gas reduction strategies?	✓		(III) The Company values the impact rendered by the climate change on business operations, conducts investigation into greenhouse gas, and adopts the energy saving and carbon/greenhouse gas reduction strategies in the course of its routine operations. For example: The air conditioner temperature is set at 26°C permanently in summertime. Conduct the investigation into air quality in offices every day to maintain the fair air quality in offices; install one indoor air quality monitor in each of the left and right areas of the Company dedicated to monitoring the air quality in offices for 24 hours a day, so that the central control room of the building will notify the Company to make correction of any abnormality detected by the monitor at any time. Please see Corporate Social Responsibilities and Ethics (II) Responsibility for Environmental Protection on Pages 134~136.	(III) Compliance
III. Preserving Public Welfare (I) Whether the Company establishes any human rights protection policy in accordance with the relevant laws and international human rights conventions?	✓		(I) The Company's human rights protection policy has been posted on its official website. The Company supports the objectives disclosed in such international human rights conventions as the “Universal Declaration of Human Rights”, “United Nations Global Compact” and “ILO Declaration on Fundamental Principles and Rights at Work” to fulfill the spirit of human rights protection, establish a safe and healthy workplace, build a diversified, open, fair and harassment-free work environment, forbid any discrimination based on gender, age, marriage, religion, political party, race	(I) Compliance

Scope of Assessment	Status			Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
			and social & economic status, regulate reasonable working hours, prohibit any forced labor and employment of child labors, respect employees' freedom of association, protect the privacy of employees, customers and stakeholders, and also provide diversified and safe complaint channels to protect the employees' interest and rights from infringement. The Company has established such personnel regulations as the “Personnel Management Regulations” and “Work Rules” to protect its workers' interest and right and set the basic guidelines governing the labor-management relationship.	
(II) Whether the Company establishes any employee complaint mechanism and channel, and takes care of such complaints adequately?	✓		(II) The Company has set up the “employee section”, “employee opinion mailbox” and “sexual harassment prevention committee” to have the complaints processed/responded by dedicated units.	(II) Compliance
(III) Whether the Company provides the employees with a safe and healthy work environment, and conducts regular health and safety training for the employees?	✓		(III) The Company organizes the fire protection seminar periodically each year, covering the prevention of fire, disaster relief and refuge from earthquake. The Company also inspects the Company's fire protection equipment periodically and contracts professional cleaning companies to clean and disinfect the environment inside/outside the building. Meanwhile, the Company organizes the health checkup for employees each year, and includes soft curriculum about its workers' physical and mental health into its internal educational training, such as seminars about health and stress relief, etc. In 2019, the questionnaire focused on quitting smoke, healthy nutrition and pressure was carried out. In December 2019, a safety and health consultant was added, and a	(III) Compliance

Scope of Assessment	Status			Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
			consulting service for medical personnel was provided. The online questionnaire was carried out in February 2020 to investigate the musculoskeletal symptoms and overload scale.	
(IV) Whether the Company establishes a mechanism for periodic communication with employees, and notification to employees of the circumstances that might materially affect the operation in a reasonable manner?	✓		(IV) The Company has its President and workers convene the performance assessment meeting periodically each year for the purpose of immediate discussion and communication, and releases messages to the whole workers via email or some bulletin board system.	(IV) Compliance
(V) Whether the Company establishes some effective career development training plan for employees?	✓		(V) The Company organized one large-scale training activity for the whole employees this year. Meanwhile, in order to integrate the Company's training resources, complete the e-talent training, upgrade the effect of training and respond to the increasing statutory training courses, the Company built the online learning platform in 2019, and adopted the online learning model since August. The employees were assigned to attend the statutory courses or diversified professional courses subject to their functions, in order to enhance their career development ability.	(V) Compliance
(VI) Whether the Company establishes the related consumer protection policies and complaints procedures toward the R&D, procurement, production, operation and service procedures?	✓		(VI) The Company has expressly stated the terms and conditions to be followed by the Company in the contract in accordance with the regulations of the competent authority and R.O.C. Bills Finance Association, under which consumers may claim their rights. Meanwhile, the Company sets up the "Stakeholder section" on the Company's official website to provide the consumers with a complaint	(VI) Compliance

Scope of Assessment	Status			Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
			channel.	
(VII) Whether the Company markets and labels products and services in accordance with the related laws and international practices?	✓		(VII) See above.	(VII) Compliance
(VIII) Whether the Company has assessed the supplier's record in environmental protection and society before trading with the supplier?	✓		(VIII) In order to fulfill the environmental sustainability, the Company demands that the suppliers should comply with the relevant regulations on such issues as environmental protection, safety or sanitation and work with the Company to upgrade the corporate social responsibility. The Company asks the suppliers to provide toxic-free products and encourages the utilization of office equipment and supplies, computers and peripheral devices bearing the environmental protection mark. For example, when purchasing the toner for copy machine, the Company will ask the relevant supplier to show the environmental protection mark. The Company's main supplier refers to the one who engages in printing the Company's annual report in Chinese and English languages each year. The Company's annual report printing supplier is the only one leading printing plant which is awarded the accreditation of golden environmental protection mark by Environmental Protection Administration throughout the nation. Further, the Company particularly ordered the meal held in the container made of iron for workers in order to respond to the policy for prohibition of disposable and melamine tableware adopted by Department of Environmental Protection, Taipei City Government. On March 12, 2019, the Company was awarded the certificate	(VIII) Compliance

Scope of Assessment	Status			Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
			of gratitude by Taipei City Government publicly.	
(IX) Whether the contract between the Company and its main supplier includes the provision stating that where the supplier is suspected of violating its corporate social responsibility policies or renders remarkable effect to the environment and society adversely, the Company may terminate or rescind the contract?	✓		(IX) When entering into the contract with the main supplier, the Company should have full knowledge about the adverse party's status of ethical management and will include the Company's ethical corporate management policy into the contractual terms and conditions. Meanwhile, the Company will require that the contract should expressly provide that acceptance of unjustified enrichment in violation of the contract shall result in damages, termination or rescission of the contract.	(IX) Compliance
IV. Enhancing Information Disclosure Whether the Company discloses relevant and reliable information relating to corporate social responsibility on its website or Market Observation Post System (MOPS)?	✓		The Company has disclosed the information about corporate social responsibility in its annual report, and in the “CSR/Stakeholder” section on its official website, e.g. the result of implementation thereof, et al., and also disclosed the information about environmental sustainability on the Company's website and MOPS, such as greenhouse gas emission and reduction, reduction of paper consumption, water saving, energy saving and carbon reduction, et al..	Compliance
V. If the Company has established its corporate social responsibility best-practice principles based on “Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies”, please describe any discrepancy between the principles and their implementation: No discrepancy exists.				
VI. Other information material to the understanding of the corporate social responsibility: The Company established the CSR Committee and team dedicated to preparing the CSR report on February 4, 2015. In the meantime, the Company completed the CSR reports for 2014~2018, and uploaded the same to the MOPS and in the "CSR/Stakeholder" section on the Company's website accessible by the public.				
VII. If the Company’s corporate social responsibility reports have met the assurance standards of relevant certification institutions, they should be stated below: The Company's CSR reports for 2014, 2015 and 2016 have not yet been confirmed by any external organization. Notwithstanding, the CSR reports for 2017 and 2018 have been confirmed by the external auditor, "Deloitte Taiwan".				

VII. Fulfillment of ethical corporate management and adoption of related measures

Scope of Assessment	Status			Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies" and reasons thereof
	Yes	No	Summary	
I. Enactment of ethical corporate management policy and program				
(I) Whether the Company expressly states the ethical corporate management policy and rules, and its fulfillment by the Board of Directors and the management in its Articles of Incorporation and public documents?	✓		(I) The Company has established the "Procedures for Ethical Management and Guidelines for Conduct" which covers the Company's ethical corporate management policy and duties of the Board of Directors and management.	(I) Compliance
(II) Whether the Company defines the policy against unethical conduct, expressly states the SOP, guidelines and reward and disciplinary & complaining systems for misconduct and implements the policy precisely?	✓		(II) The Company's "Procedures for Ethical Management and Guidelines for Conduct" define the requirements to be noted by the Company's staff when they are carrying out business, and expressly state that the Company should include the ethical corporate management to the employee performance assessment and human resource policy to establish definite and valid reward & punishment and complaint systems.	(II) Compliance
(III) Whether the Company takes any preventative measures against the operating activities involving highly unethical conduct under Paragraph 2 of Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies" or within other operating areas?	✓		(III) The Company's "Procedures for Ethical Management and Guidelines for Conduct" provide the preventative measures against the operating activities involving highly unethical conduct within other operating areas. The Guidelines expressly state the operating procedure for dealing with the acceptance of unjustified enrichment, and also provide that the Company shall comply with the relevant requirements when providing donations, sponsorship or	(III) Compliance

Scope of Assessment	Status			Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies" and reasons thereof
	Yes	No	Summary	
			political contribution; the Company shall comply with the Fair Trade Act and related competition laws when engaging in business activities; the Company shall comply with related laws and international practices with respect to the products and services provided by the Company; the Company's staff shall comply with the operating procedures related to intellectual property rights when carrying out business. Where any person in violation of the Guidelines, the Company shall demand that the offender should cease the related activities immediately, and shall take appropriate measures against the offender, and claim damages through a legal action, if necessary.	
II. Implementation of ethical management (I) Whether the Company assesses a trading counterpart's ethical management record, and expressly states the ethical corporate management clause in the contract to be signed with the trading counterpart? (II) Whether the Company establishes a unit dedicated to (concurrently engaged in) promoting ethical corporate management under supervision by the Board of Directors who shall be responsible for reporting the status thereof to the Board of Directors?	✓ ✓		(I) The Company's "Procedures for Ethical Management and Guidelines for Conduct" have expressly provided the related clauses, and the Company has stated the ethical corporate management clauses in the contract signed with it and its suppliers. (II) The Company authorizes its President to designate the Management Department to serve as the unit dedicated to promoting ethical corporate management, responsible for processing and supervising the amendments to and execution, interpretation and consulting service of the Procedures for Ethical Management and Guidelines for Conduct and documentation of reported cases. Auditing Department is the unit dedicated to processing whistle-blowing cases, and reports any whistle-blowing cases to the Board of Directors periodically.	(I) Compliance (II) Compliance

Scope of Assessment	Status			Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies" and reasons thereof
	Yes	No	Summary	
(III) Whether the Company defines any policy against conflict of interest, provides adequate channel thereof, and fulfills the same precisely?	✓		(III) The Company's directors and staff shall recuse themselves from any cases with which they have a conflict of interest when performing their duties. As to the channel for declaration of the conflict of interest, the Company's staff shall report the declaration to the department supervisor within 3 days upon receipt of the same, and transfer the case to the Company's dedicated unit which will suggest refund of payment, acceptance with pay, confiscation, re-donation to charity organizations or any other appropriate measures to be adopted upon approval.	(III) Compliance
(IV) Whether the Company fulfills the ethical corporate management by establishing an effective accounting system and internal control system, and has an internal audit unit conduct periodic audits, or appoints an external auditor to conduct audits?	✓		(IV) The Company audits the compliance by its accounting system and internal control system periodically via its internal auditors, independent external auditors and self-audit on internal control, and reports the audit result to the Board of Directors.	(IV) Compliance
(V) Whether the Company organizes internal/external education training programs for ethical corporate management periodically?	✓		(V) The Company conducts the training programs for compliance periodically each year to propagate the internal rules and related compliance systems, and organizes the training for ethical corporate management to promote such requirements related to ethical corporate management as the "Procedures for Ethical Management and Guidelines for Conduct", "Code of Ethics" and whistle-blowing regulations, in order to build the employees' correct knowledge about it and upgrade their familiarity with the related regulations and systems.	(V) Compliance
III. Status of the Company's whistle-blowing system (I) Whether the Company defines a specific	✓		(I) Article 5 of the Company's "Procedures for Ethical Management	(I) Compliance

Scope of Assessment	Status			Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies" and reasons thereof
	Yes	No	Summary	
whistle-blowing and rewards system, and establishes some convenient whistle-blowing channel, and assigns competent dedicated personnel to deal with the situation?			and Guidelines for Conduct" expressly states that the unit dedicated to processing whistle-blowing shall be Auditing Department. Article 21 of the same Procedure encourages internal and external personnel to whistle-blow any unethical conduct or misconduct, and expressly states the entire whistle-blowing system (including the whistle-blowing channels and operating procedure for processing the whistle-blowing). The Company's official website and intranet set up and post the independent whistle-blowing mailbox and hotline available to internal and external personnel. In August 2018, the Board of Directors passed the Company's "Regulations Governing Whistle-Blowing Cases", which was already posted on the Company's intranet.	
(II) Whether the Company defines the standard operating procedure and nondisclosure mechanism toward the investigation of whistle-blowing cases as accepted?	✓		(II) The Company's "Procedures for Ethical Management and Guidelines for Conduct" have expressly stated the information to be provided by the whistle-blower and the operating procedure to be adopted by Auditing Department upon its receipt of any whistle-blowing. The Company established the "Regulations Governing Whistle-Blowing Cases" in August 2018. Article 8 of the Regulations expressly provides the standard operating procedure and maintenance of information about the accepted whistle-blowing cases, and Article 9 thereof expressly provides the non-disclosure mechanism.	(II) Compliance
(III) Whether the Company adopts any measures to prevent the whistle-blowers from being abused after the whistle-blowing?	✓		(III) The Company's investigation process will not be disclosed to the public, and only the dedicated unit's authorized personnel may access the mails sent to the whistle-blowing mailbox. Article 9 of the Company's "Regulations Governing Whistle-Blowing Cases" expressly states the	(III) Compliance

<table>
<tr><th rowspan="2">Scope of Assessment</th><th colspan="3">Status</th><th rowspan="2">Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies” and reasons thereof</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td></td><td></td><td></td><td>whistle-blower protection policy. The Company shall promise not to take any actions disadvantaged to the whistle-blower on the ground of the whistle-blowing. The whistle-blower who considers that he/she is subject to any action disadvantaged to him/her may file a complaint with the Audit Committee.</td><td></td></tr>
<tr><td>IV. Enhancing Information Disclosure
Whether the Company discloses the ethical corporate management best-practice principles established by it and effect of implementation thereof on its website and MOPS?</td><td>✓</td><td></td><td>The “Procedure for Ethical Management and Guidelines for Conduct” established by the Company is posted on the Company's website and the MOPS, and the effect of implementation thereof is posted on the Company's website.</td><td>Compliance</td></tr>
<tr><td colspan="5">V. If the Company has established its own ethical management principles based on “Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies”, please describe any discrepancy between the principles and their implementation:
No discrepancy exists.</td></tr>
<tr><td colspan="5">VI. Other information material to the understanding of ethical corporate management operation (e.g. discussion of an amendment to the ethical corporate management best-practice principles defined by the Company):
The first amendments to the "Procedure for Ethical Management and Guidelines for Conduct" were approved at 22nd meeting of the Board of Directors of 13th term on February 21, 2017, and implemented upon approval at the general shareholders' meeting on May 26, 2017.
Meanwhile, the "Code of Ethics" and "Regulations Governing Donations to Outsiders" were approved at 32nd meeting of the Board of Directors of 13th term on December 19, 2017, and so were the second amendments to the "Procedures for Ethical Management and Guidelines for Conduct" as well. The "Regulations Governing Donations to Outsiders" expressly define the level of authority in charge of determining the donated or sponsored parties to fulfill the decentralization of responsibility. To this end, the Company amended the clauses about donations in the "Procedure for Ethical Management and Guidelines for Conduct", and the amended clauses were implemented upon approval at the general shareholders' meeting on June 8, 2018.
The Company published and implemented the “Corporate Governance Best Practice Principles” in May 2018. In 2019, according to the "Corporate Governance Best-Practice Principles for Bills Finance Corporations" amended by the R.O.C. Bills Finance Association, and in consideration of the Company's practices, the Company amended the “Corporate Governance Best-Practice Principles”. 1st amendments thereto were published and implemented after they were approved at 14th meeting of the Board of Directors of 14th term on May 14, 2019.
The Company established the "Regulations Governing Whistle-Blowing Cases" in August 2018, and posted the same together with the Company's “Procedures for Ethical Management and Guidelines for Conduct” and “Code of Ethics” in the “Anti-Corruption Section” on the intranet. The Stakeholders Section on the official website also released the whistle-blowing hotline and mailbox. Notwithstanding, no whistle-blowing cases were received by the whistle-blowing hotline or mailbox in 2019.
In January 2019, the Company organized the ethical corporate management training program for once, attended by 147 employees, 100% of the Company's employees, and lasting for one hour. The program was focused on the “Promotion of Ethical Corporate Management”, covering the focus of the Company’s “Procedures</td></tr>
</table>

Scope of Assessment	Status			Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies" and reasons thereof
	Yes	No	Summary	
for Ethical Management and Guidelines for Conduct" and "Code of Ethics", as well as the instructions on prevention of insider trading, non-disclosure requirements and whistle-blowing rules, etc.				

VIII. The Company's Corporate Governance Best-Practice Principles, if any, and the approach to access the related regulations

The Company implemented the Corporate Governance Best-practices in May, 2018. Based on the "Corporate Governance Best-Practice Principles for Bills Finance Corporations" amended by the R.O.C. Bills Finance Association and in consideration of the Company's practices, the Company amended its "Corporate Governance Best-Practice Principles", and had the same approved by the directors' meeting in May 2018. The same has also been posted on the Company's official website.

IX. Other important information

X. Implementation of the internal control system

(I) Internal Control System Statement

See Page93.

China Bills Finance Corporation

Statement on Internal Control System

We hereby declare on behalf of China Bills Finance Corporation that the Company has established the internal control system, implemented the risk management, had the Internal Audit Dept., which acts independently, conduct the audit, and reported to the Board of Directors and Audit Committee periodically, in accordance with the “Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries” from January 1, 2019 to December 31, 2019. With respect to concurrent engagement in securities trading, the Company adopted the criteria for determination of the effectives of internal control system referred to in the “Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets” promulgated by Securities and Futures, FSC to validate the effectiveness of its internal control policy design and execution. After a careful assessment, it was found that all units were able to effectively implement internal control and legal compliance tasks during the year. This Statement constitutes an integral part of the Company’s annual report and prospectus, and is disclosed to the public. If the information listed above is fraudulent or deceptive to the point that is against the law, the Company shall be held liable under Articles 20, 32, 171, and 174 of the Securities and Exchange Act

To: Financial Supervisory Commission (FSC)

Declarers:

Chairman of Board: Cheng-Ching Wu

President: Gwo-Cheng Tu

General Auditor: Chao-Ku Wang

Head Office CCO: Chen-Cheng Hsieh

March 19, 2020

(II) Independent external auditor's report on special audit of internal control system:

None.

XI. Penalties imposed during the most recent two years and until the date of publication of the annual report for illegalities and major deficiencies, and improvements made

(I) Indictment of the Company’s statutory responsible person or an employee by prosecutors for crimes committed on the job

None.

(II) Fine imposed by the competent authority for violations of Banking Act and Act Governing Bills Finance Business or penalty in accordance with Article 51 of the Banking Act under which Article 61-1 of the Banking Act applies mutatis mutandis or violations of the Company’s internal control, of which the punishment may have a significant impact on shareholders ’equity or securities prices or comply with the provisions of Article 2 of the Measures for the Public Announcement of the Competent Authority to Handle Major Penalties for Violation of Financial Laws

None.

(III) Disclosure of the nature and amount of losses exceeding $50 million incurred during the year, whether individually or in total, as a result of conspiracy, material contingencies (including fraud, theft, misappropriation of assets, fictitious transactions, forgery of documents and securities, kick-backs, natural disasters, external forces, hackers’ attacks, theft and leakage of confidential information, disclosure of customers’ details or other major events), or accidents arising from failure to execute the safety and maintenance work precisely

None.

(IV) Other disclosures required by the competent authority

2019

The Taoyuan Municipal Government punished the company for violating the provisions of Article 32, Paragraph 2 of the Labor Standards Law, and imposed a NT $ 50,000 fine on the Company in accordance with Article 79, Paragraph 1 and Article 80, Paragraph 1.

Improved situation: strengthening internal management. In addition to

reinforcing the inspection of abnormal absences, the company also reiterates the working hours of employees, implements office time control, adjusts the information system execution performance plan, and sets up the company's regulations which require application for overtime work in order to operate business-related execution system during off hours. Violations have been improved.

XII. Important resolutions of shareholders' meetings and directors' meetings

Important resolutions of shareholder meetings during the most recent year and up to the date of publication of this annual report

<table>
<tr><th>Year</th><th>Date</th><th>Proposal</th><th>Resolution</th><th>Implementation status</th></tr>
<tr><td rowspan="3">2019 shareholders' meeting</td><td rowspan="3">MAY 31, 2019</td><td>The Company's 2018 final accounting books and statements were submitted for ratification.</td><td>Number of votes held by the whole present shareholders at the time of voting:
769,132,895 votes
<table>
<tr><th>Voting result</th><th>% of the number of votes held by the whole present shareholders</th></tr>
<tr><td>Votes in favor of the motion: 750,524,978 votes</td><td>97.58%</td></tr>
<tr><td>Votes opposing the motion: 344,315 votes</td><td>0.04%</td></tr>
<tr><td>votes invalid: 0 vote</td><td>0.00%</td></tr>
<tr><td>Votes waived/abstained: 18,263,602 votes</td><td>2.37%</td></tr>
</table>
Upon voting, the motion was approved accordingly.</td><td>Implemented per the resolution.</td></tr>
<tr><td>The motion for allocation of the Company’s 2018 earnings was submitted for ratification.</td><td>Number of votes held by the whole present shareholders at the time of voting:
769,132,895 votes
<table>
<tr><th>Voting result</th><th>% of the number of votes held by the whole present shareholders</th></tr>
<tr><td>Votes in favor of the motion: 751,636,278 votes</td><td>97.72%</td></tr>
<tr><td>Votes opposing the motion: 436,015 votes</td><td>0.05%</td></tr>
<tr><td>votes invalid: 0 vote</td><td>0.00%</td></tr>
<tr><td>Votes waived/abstained: 17,060,602 votes</td><td>2.21%</td></tr>
</table>
Upon voting, the motion was approved accordingly.</td><td>Per the resolution, the dividend record date was set on July 9, 2019, and the cash dividend was allocated on July 26, 2019.</td></tr>
<tr><td>The motion for amendments to certain articles of the Company’s “Regulations Governing the Acquisition and Disposal of Assets” was submitted for resolution.</td><td>Number of votes held by the whole present shareholders at the time of voting:
769,166,363 votes
<table>
<tr><th>Voting result</th><th>% of the number of votes held by the whole present shareholders</th></tr>
<tr><td>Votes in favor of the motion: 751,436,561 votes</td><td>97.69%</td></tr>
<tr><td>Votes opposing the motion: 545,284 votes</td><td>0.07%</td></tr>
<tr><td>votes invalid: 0 vote</td><td>0.00%</td></tr>
<tr><td>Votes waived/abstained: 17,184,518 votes</td><td>2.23%</td></tr>
</table>
Upon voting, the motion was</td><td>Implemented per the resolution.</td></tr>
</table>

<table>
<tr><td></td><td></td><td></td><td>approved accordingly.</td><td></td></tr>
<tr><td></td><td></td><td>The motion for termination of the non-competition restriction imposed on the Company's directors and the corporate shareholders represented by them was submitted for resolution.</td><td>Number of votes held by the whole present shareholders at the time of voting:
769,166,363 votes
<table>
<tr><th>Voting result</th><th>% of the number of votes held by the whole present shareholders</th></tr>
<tr><td>Votes in favor of the motion: 751,073,913 votes</td><td>97.64%</td></tr>
<tr><td>Votes opposing the motion: 919,497 votes</td><td>0.11%</td></tr>
<tr><td>votes invalid: 0 vote</td><td>0.00%</td></tr>
<tr><td>Votes waived/abstained: 17,172,953 votes</td><td>2.23%</td></tr>
</table>
Upon voting, the motion was approved accordingly.</td><td>Implemented per the resolution.</td></tr>
</table>

(II) IImportant resolutions of directors' meetings during the most recent year and up to the date of publication of this annual report

1. The motion for renewed appointment by the Company of "Deloitte Taiwan" to perform the audit, certification and related services on finance and taxation in 2019 was passed at 10th meeting of the Board of Directors of 14th term on February 26, 2019.
2. The motion for allocation of remuneration to employees and directors for 2018, organization and agenda of the 2019 general shareholders' meeting, and allocation of cash dividend to shareholders at NT$0.79 per share from 2018 earnings was passed at 10th meeting of the Board of Directors of 14th term on February 26, 2019.
3. The motion for appointment of the corporate governance officer was passed at 10th meeting of the Board of Directors of 14th term on February 26, 2019, and the appointment was effective from March 1, 2019.
4. The motion for amendments to certain articles of the Company's "Corporate Governance Best-Practice Principles" was passed at 14th meeting of the Board of Directors of 14th term on May 14, 2019.
5. The motion for donation of NT$880,000 to "O-Bank Education Foundation" was passed at 14th meeting of the Board of Directors of 14th term on May 14, 2019.
6. The motion for the Company's plan to execute the short-term tenancy agreement for 4F of O-Bank Building with O-Bank (No. 99, Sec. 2, Tiding Blvd., Neihu Dist., Taipei City), which would be valid for one year, in response to the relocation of the Company's head office was passed at 1st special meeting of the Board of Directors of 14th term on November 27, 2019.

7. The motion for appointment of the representative, Mr. Cheng-Hsiang Wei, re-appointed by the corporate shareholder, O-Bank, as the President was passed at 23rd meeting of the Board of Directors of 14th term on February 25, 2020.
8. The motion for renewed appointment by the Company of "Deloitte Taiwan" to perform the audit, certification and related services on finance and taxation in 2020 was passed at 23rd meeting of the Board of Directors of 14th term on February 25, 2020.
9. The motion for donation of NT$750,000 to "O-Bank Education Foundation" was passed at 23rd meeting of the Board of Directors of 14th term on February 25, 2020.
10. The motion for allocation of remuneration to employees and directors for 2019, organization and agenda of the 2020 general shareholders' meeting, and allocation of cash dividend to shareholders at NT$0.72 per share from 2019 earnings was passed at 23rd meeting of the Board of Directors of 14th term on February 25, 2020.

XIII. The main contents of important resolutions passed by the Board of Directors regarding in which directors have voiced differing opinions on the record or in writing:

Date of Directors' Meeting/Term of Board of Directors	Contents of Motions and Resolutions	Directors have voiced differing opinions on the record or in writing:
August 20, 2019 17th meeting of the Board of Directors of 14th term	The Company rented 4F of O-Bank Building as its head office (No. 99, Sec. 2, Tiding Blvd., Neihu Dist., Taipei City). The tenancy agreement would expire on December 31, 2019. For the purpose of the Company's continued operation, the motion for renewal of the tenancy agreement was submitted for review and approval. The Company’s resolution of the independent director's opinions: According to the regulations, the opinions of independent directors were released in the announcement of major information. (Chaired by Director Wen-Ya Wu as a proxy) Resolution: (1) Not passed. According to the present directors’ voting result, two votes were casted for agreement (Chung-He Chen and Wen-Ya Wu), and three votes for objection (An-Wei Su, Si-Tsong Cheng and Ming-Sheng Cheng); therefore, Paragraph 5 of Article 40 of the Act Governing Bills Finance Business, which provides that the consent of more than three-quarters (3/4) of the Bills Finance Company’s directors present at a board meeting where at least two-thirds (2/3) of the directors are present shall be obtained, was not satisfied. (2) The management will propose the feasible	Independent Director An-Wei Su: He objects to the motion, because the motion involves transactions with stakeholders and, therefore, is suspected to profiteering O-Bank.

Date of Directors' Meeting/Term of Board of Directors	Contents of Motions and Resolutions	Directors have voiced differing opinions on the record or in writing:
	relocation program (exclusive of this Building) at the board meeting in next month. (3) The representatives of the corporate shareholder, O-Bank (Cheng-Ching Wu, Chih-Ming Chien, David C. C. Chang, Neil Chang and Roger Y. F. Lin (acted by David Cheng-Chuan Chang by proxy), and Director Mona I-Ru Lo (a lineal relative by blood within 1st degree of kinship of Chairman of O-Bank, Ching-Ming Lo) recused themselves from the discussion and voting for conflict of interest pursuant to laws.	
19th meeting of the Board of Directors of 14th term on October 22, 2019	The motion for lease of another place as the “head office”, as detailed in the descriptions, was submitted for review and approval. The Company’s resolution of the independent director's opinions: According to the regulations, the opinions of independent directors were released in the announcement of major information. Resolution: This lease case was unacceptable because the capital cost was too high and the directors present unanimously opposed it.	Independent Director Chung-He Chen: 1. The rent increased by more than 150% from the previous rent; 2. The new office building derived no benefits to the current operation. The estimated rent was higher than the payment for procurement of the building. Independent Director Wen-Ya Wu: Though the premise suggested by the motion was more suitable than the others, it still could not be comparable to the current office. Particularly, the estimated rent to be spent for the premises would be about 2.4 times the current rent. For this, in order to maintain the whole shareholder’ interest and right, I object to the motion. Independent Director An-Wei Su: The premises to be chosen shall not be limited to those rentable currently, and the premises rentable in next year shall also be taken into account.

Date of Directors' Meeting/Term of Board of Directors	Contents of Motions and Resolutions	Directors have voiced differing opinions on the record or in writing:
20th meeting of the Board of Directors of 14th term on November 19, 2019	The motion for lease of another place as the “head office”, as detailed in the descriptions, was submitted for review and approval. The Company’s resolution of the independent director's opinions: According to the regulations, the opinions of independent directors were released in the announcement of major information. Resolution: Not passed. According to the present directors’ voting results, eight votes were cast for objection (Cheng-Ching Wu, Chung-He Chen, Wen-Ya Wu, Chih-Ming Chien, David C. C. Chang, Neil Chang, Cheng Hsiang Wei and Mona I-Ru Lo), and three votes for agreement (An-Wei Su, Si-Tsong Cheng, and Ming-Sheng Cheng).	Independent Director Chung-He Chen provided his qualified opinion as following: 1. He proposed to include the additional condition requiring that the management shall complete the tenancy agreement for the new office within 3 months, which shall also be approved by the Board of Directors; otherwise, it shall be punished. 2. He didn't think that the additional condition related to the tenancy agreement. 3. The punishment is subject to the Board of Directors’ powers and authority, but nothing to do with the transactions with related parties.
	In response to the relocation of the Company's head office, the Company planned to execute the short-term tenancy agreement for 4F of O-Bank Building with O-Bank, which would be valid for one year. Therefore, the motion was submitted for review and approval. The Company’s resolution of the independent director's opinions: According to the regulations, the opinions of independent directors were released in the announcement of major information. (Chaired by Independent Director Wen-Ya Wu as a proxy) Resolution: (1) Pending: According to the present directors’ voting result, four votes were casted for agreement to pending resolution (Wen-Ya Wu, An-Wei Su, Si-Tsong Cheng and Ming-Sheng Cheng), and one vote for objection to pending resolution (Chung-He Chen). (2) The representatives of the corporate shareholder, O-Bank (Cheng-Ching Wu, Chih-Ming Chien, David C. C. Chang, Neil Chang and Cheng Hsiang Wei), and Director Mona I-Ru Lo (a lineal relative by blood within 1st degree of kinship of Chairman of O-Bank, Ching-Ming Lo) recused themselves from the discussion and voting for conflict of interest pursuant to laws.	Independent Director Chung-He Chen: 1. He proposed to include the additional condition requiring that the management shall complete the tenancy agreement for the new office within 3 months, which shall also be approved by the Board of Directors; otherwise, it shall be punished. 2. He didn't think that the additional condition related to the tenancy agreement. 3. The punishment is subject to the Board of Directors’ powers and authority, but nothing to do with the transactions with related parties.

XIII. Summary of resignation or dismissal of personnel who are involved with the Company’s financial statements:

None.

Four. Information about Independent Auditor Fees

Unit: NT$

Firm name	Name of accountant		Audit Fee	Non-Audit Fees					Whether the audit period covers the whole fiscal year		
				System Design	Business Registration	Human Resources	Others (Note 1)	Subtotal	Yes	No	Audit period
Deloitte Touche Tohmatsu Limited	Joe Chen	Eric Lin	2,960,000	Nil	Nil	Nil	2,336,008	2,336,008	✓		2019

Note 1: Including $625,000 for the translation fees, $980,000 for internal control project audit, $600,549 for personal information, money laundering and countering of terrorism financing internal control project audit, and $130,459 for others .

Note 2: The audit fees reduced by more than 10% from the previous year.

Five. Information about replacement of CPAs

Nil.

Six. Information About Relationship of the Company's Chairman, President and CFO with the CPA Firm and its affiliates

The company's chairman, president and cfo have never held any position in deloitte Taiwan, which is responsible for certifying the company's financial statements, or its affiliates in the most recent years.

Seven. Transfer/pledge of equity by directors, managers, and any officers required to declare equity under Article 10 of the Act Governing Bills Finance Business

I. Changes of Equity by Directors, Managers, and Any Officers Required to Declare Equity Under Article 10 of the Act Governing Bills Finance Business

<table>
<tr><th rowspan="2">Job Title</th><th rowspan="2" colspan="2">Name</th><th colspan="2">2019</th><th colspan="2">Ending March 19, 2019</th></tr>
<tr><th>Increase (decrease) in shares held</th><th>Increase (decrease) in shares pledged</th><th>Increase (decrease) in shares held</th><th>Increase (decrease) in shares pledged</th></tr>
<tr><td>Major shareholder</td><td colspan="2">O-Bank</td><td>None</td><td>None</td><td>None</td><td>None</td></tr>
<tr><td>Major shareholder</td><td colspan="2">Mingshan Investment Co., Ltd.</td><td>None</td><td>None</td><td>None</td><td>None</td></tr>
<tr><td>Major shareholder</td><td colspan="2">He Zhu Investment Co., Ltd.</td><td>800</td><td>None</td><td>None</td><td>None</td></tr>
<tr><td>Major shareholder</td><td colspan="2">PJ Asset Management Co., Ltd.</td><td>68,174</td><td>None</td><td>10,766</td><td>None</td></tr>
<tr><td>Director</td><td>Cheng-Ching Wu</td><td rowspan="7">O-Bank Representative</td><td rowspan="2">None</td><td rowspan="2">None</td><td>None</td><td>None</td></tr>
<tr><td>Director (Resigned on February 25,2020)</td><td>Chih-Ming Chien</td><td>Not applicable</td><td>Not applicable</td></tr>
<tr><td>Director (Succeeded to on February 25,2020)</td><td>Ying-Che Huang</td><td>Not applicable</td><td>Not applicable</td><td>None</td><td>None</td></tr>
<tr><td>Director</td><td>David Cheng -Chuan Chang</td><td rowspan="4">None</td><td rowspan="4">None</td><td rowspan="2">None</td><td rowspan="2">None</td></tr>
<tr><td>Director</td><td>Neil Chang</td></tr>
<tr><td>Director (Resigned on September 3,2019)</td><td>Roger Y. F. Lin</td><td>Not applicable</td><td>Not applicable</td></tr>
<tr><td>Director (Succeeded to on September 3,2019)</td><td>Cheng Hsiang Wei</td><td>None</td><td>None</td></tr>
<tr><td>Director</td><td>Mona I-Ru Lo</td><td>Representative of Mingshan Investment Co., Ltd.</td><td>None</td><td>None</td><td>None</td><td>None</td></tr>
<tr><td>Director</td><td>Si-Tsong Cheng</td><td>Representative of He Zhu Investment Co., Ltd.</td><td>None</td><td>None</td><td>None</td><td>None</td></tr>
<tr><td>Director</td><td>Ming-Sheng Cheng</td><td>Representative of He Zhu Investment Co., Ltd.</td><td>None</td><td>None</td><td>None</td><td>None</td></tr>
<tr><td>Independent Director</td><td colspan="2">Wen-Ya Wu</td><td>None</td><td>None</td><td>None</td><td>None</td></tr>
<tr><td>Independent Director</td><td colspan="2">Chung-He Chen</td><td>None</td><td>None</td><td>None</td><td>None</td></tr>
<tr><td>Independent Director</td><td colspan="2">An-Wei Su</td><td>None</td><td>None</td><td>None</td><td>None</td></tr>
<tr><td>Chairman</td><td colspan="2">Cheng-Ching Wu</td><td>None</td><td>None</td><td>None</td><td>None</td></tr>
<tr><td>President (Retired on February 25,2020)</td><td colspan="2">Chih-Ming Chien</td><td>None</td><td>None</td><td>None</td><td>None</td></tr>
</table>

Job Title	Name	2019		Ending March 19, 2019	
		Increase (decrease) in shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged
Director (Succeeded to on February 25,2020)	Cheng Hsiang Wei	None	None	None	None
Senior Executive Vice President	Gwo-Chang Tu	None	None	None	None
General Auditor	Chao-Ku Wang	None	None	None	None
Executive Vice President	Yi-Ting Chen	None	None	None	None
Executive Vice President (Retired on February 1, 2020)	Wen-Tsong Chen	None	None	Not applicable	Not applicable
Vice President	I-Chang Kang	None	None	N/A	N/A
Vice President	Hung-Ta Chou	None	None	None	None
Vice President	I-Chih Chou	None	None	None	None
Vice President	Chen-Cheng Hsieh	None	None	None	None
Vice President	Hou-Sheng Yu	None	None	None	None
Manager	Ming-Mei Huang	None	None	None	None
Vice President	Ming-Chi Chou	None	None	None	None
Vice President	Wei-Ming Cho	None	None	None	None
Vice President	Jen-Chieh Chen	None	None	None	None
Vice President (Succeeded to on February 1, 2020)	Jui-Wen Tseng	Not applicable	Not applicable	29,255	None
Vice President	Chung-Hsien Tsao	None	None	None	None

II. Information about the counterpart in any transfer or pledge of equity who is a related party

(I) Information about the counterpart in any transfer of the Company's equity who is a related party

None.

(II) Information about the counterpart in any pledge of the Company's equity who is a related party

None.

Eight. Disclosure of information on related parties or spousal relationship or relations within second degree of kinship, among top ten shareholders, in terms of shareholdings

Record date: March 19, 2020

Serial No.	Title (or Name)	Shareholdings by oneself		Shareholdings of spouse and underage children		Shareholding using other'names		Disclosure of information on related parties or spousal relationship or relations within second degree of kinship, among top ten shareholders, including their names and Name relationships		Remarks
		Quantity of shares	Share-holding ratio	Quantity of shares	Share-holding ratio	Quantity of shares	Share-holding ratio	Title (or Name)	Relationship	
1	O-Bank Responsible person: Mr. Ching-Ming Lo	380,981,600	28.37%	0	0.00%	0	0.00%	None	None	Notes 2 & 4
2	PJ Asset Management Co., Ltd. Responsible person: Mr. Chen-Hai Lin	214,070,000	15.94%	0	0.00%	0	0.00%	Serial No.: 3, 4	A relative within 2nd degree of kinship with the responsible person	Note 4
3	He Zhu Investment Co., Ltd. Responsible person: Mr. Chia-Hong Lin	77,084,000	5.74%	0	0.00%	0	0.00%	Serial No.: 2	A relative within 2nd degree of kinship with the responsible person	Notes 3 & 4
4	Jia Yuan Investment Co., Ltd. Responsible person: Mr. Chu-Lieh Tang	35,007,000	2.61%	0	0.00%	0	0.00%	Serial No.: 2	According to Article 43-1 of the Securities Exchange Law, the declaration of joint ownership exceeds 10%	Note 4
5	CitiBank (Taiwan) as Trustee of Norges Bank Investment Account	16,548,800	1.23%	0	0.00%	0	0.00%	None	None	Investment by overseas Chinese

6	J.P. Morgan Chase Bank N.A., Taipei Branch as Trustee of Vanguard Emerging Markets Stock Index Fund, a Series of Vanguard International Equity Index Funds Investment Account	16,064,000	1.20%	0	0.00%	0	0.00%	None	None	Investment by overseas Chinese
7	Standard Chartered Bank, Dunhua Branch as Trustee of iShares MSCI Emerging Market ETF Investment Account	15,494,000	1.15%	0	0.00%	0	0.00%	None	None	Investment by overseas Chinese
8	J. P. Morgan Chase Bank N.A., Taipei Branch as Trustee of Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	14,086,380	1.05%	0	0.00%	0	0.00%	None	None	Investment by overseas Chinese
9	J.P. Morgan Chase Bank N.A., Taipei Branch as Trustee of Robeco Capital Growth Funds Investment Account	13,084,000	0.97%	0	0.00%	0	0.00%	None	None	Investment by overseas Chinese
10	Yi Sheng Investment Co., Ltd. Responsible person: Ms. Li-Hua Lai	7,001,000	0.52%	0	0.00%	0	0.00%	None	None	

Note1：Except for shareholders with serial numbers one to four, said information is based on the Company's roster available on the date of suspension of share transfer, July 4, 2019.

Note 2: The representatives designated by the corporate shareholder are Mr. Cheng-Ching, Wu, Mr. Cheng Hsiang Wei, Mr. David Cheng-Chuan Chang, Mr. Neil Chang, and Mr. Ying-Che Huang

Note 3: The representatives designated by the corporate Shareholder are Mr. Si-Tsong Cheng and Mr. Ming-Sheng Cheng.

Note 4: The shares held by the Company’s shareholders, individually or jointly, are disclosed based on the information available until March 19.

IX. Total number of shares and total equity stake held in any single invested enterprise by the Company, its directors, President, vice presidents, assistant vice presidents, department and branch managers and any companies controlled either directly or indirectly by the Company

Units: 1000 shares
Record date: December 31, 2019

Invested enterprise (Note)	Investment made by the Company		Investment by the directors, President, vice presidents, assistant vice presidents, department and branch managers and any companies controlled either directly or indirectly by the Company		Total investment	
	Quantity of shares	Sharehold-ing ratio	Quantity of shares	Shareholding ratio	Quantity of shares	Sharehold ing ratio
Core Pacific City Co., Ltd.	7,476	0.75%	None	0.00%	7,476	0.75%
Taiwan Asset Management Corporation	6,000	0.57%	None	0.00%	6,000	0.57%
Taiwan Depository & Clearing Corporation (TDCC)	1,904	0.50%	None	0.00%	1,904	0.50%
Taiwan Futures Exchange (TAIFEX)	1,594	0.45%	None	0.00%	1,594	0.45%

Note 1: The investment made in accordance with Paragraph 1 of Article 40 of the Act Governing Bills Finance Business.

Financing Status

One. Corporate Capital and Shares

I. Capital stock sources

Unit: NT$1,000; 1,000 shares
Record date: March 19, 2020

Date/ Year	Issue price	Authorized capital stock		Paid-in capital		Remarks	
		Shares	Amount	Shares	Amount	Capital stock sources	Others
1992.09	NT$ 10	360,000	3,600,000	270,000	2,700,000	The capital was NT$200,000 thousand when the Company was founded, and the cash capital increase by NT$175,000 thousand, recapitalization from earnings by NT$2,249,100 thousand (including employee bonus NT$111,905.5 thousand), and recapitalization from special reserve by NT$75,900 thousand.	Note 1
1993.09	NT$ 10	360,000	3,600,000	340,000	3,400,000	The recapitalization from earnings by NT$625,750 thousand (including employee bonus NT$33,100 thousand), and recapitalization from special reserve by NT$74,250 thousand.	Note 2
1994.12	NT$ 10	405,000	4,050,000	405,000	4,050,000	The recapitalization from earnings by NT$629,260 thousand (including employee bonus NT$27,800 thousand), and recapitalization from special reserve by NT$20,740 thousand.	Note 3
1995.10	NT$ 10	590,000	5,900,000	590,000	5,900,000	The cash capital increase by NT$1,000,000 thousand, recapitalization from earnings by NT$748,750 thousand (including employee bonus NT$40,000 thousand), and recapitalization from capital surplus by NT$101,250 thousand.	Note 4
1996.10	NT$ 10	900,000	9,000,000	900,000	9,000,000	The cash capital increase by NT$2,000,000 thousand, recapitalization from earnings by NT$893,500 thousand (including employee bonus NT$38,000 thousand), and recapitalization from capital surplus by NT$206,500 thousand.	Note 5
1997.10	NT$ 10	1,250,000	12,500,000	1,250,000	12,500,000	The cash capital increase by NT$2,000,000 thousand, recapitalization from earnings by NT$969,000 thousand (including employee bonus NT$33,000 thousand), and recapitalization from capital surplus by NT$531,000 thousand.	Note 6
1998.08	NT$ 10	1,445,000	14,450,000	1,445,000	14,450,000	The recapitalization from earnings by NT$1,118,750 thousand (including employee bonus NT$32,500 thousand), and recapitalization from special reserve by NT$831,250 thousand.	Note 7
1999.11	NT$ 10	1,852,000	18,520,000	1,652,000	16,520,000	The recapitalization from earnings by NT$1,246,350 thousand (including employee bonus NT$47,000 thousand), and recapitalization from special reserve by NT$823,650 thousand.	Note 8
2000.09	NT$ 10 元	1,720,000	17,200,000	1,720,000	17,200,000	The recapitalization from earnings by NT$171,184 thousand (including employee bonus NT$19,200 thousand), and recapitalization from special reserve by NT$508,816 thousand.	Note 9
2001.03	NT$ 10	1,678,700	16,787,000	1,678,700	16,787,000	Capital decrease by NT$413,000 thousand upon repurchase of treasury stock.	Note 10

2010.01	NT$ 10	1,678,700	16,787,000	1,342,960	13,429,600	Cash capital decrease by NT$3,357,400 thousand	Note 11

Note 1: Approval Letter from the Securities and Futures Commission of the Ministry of Finance under (81) Tai-Cai-Zhen-(1)-Zi No. 01771 dated July 24, 1992

Note 2: Approval Letter from the Securities and Futures Commission of the Ministry of Finance under (82) Tai-Cai-Zhen-(1)-Zi No. 30864 dated July 20, 1993

Note 3: Approval Letter from the Securities and Futures Commission of the Ministry of Finance under (83) Tai-Cai-Zhen-(1)-Zi No. 42731 dated October 6, 1994

Note 4: Approval Letter from the Securities and Futures Commission of the Ministry of Finance under (84) Tai-Cai-Zhen-(1)-Zi No. 33106 dated June 15, 1995

Note 5: Approval Letter from the Securities and Futures Commission of the Ministry of Finance under (85) Tai-Cai-Zhen-(1)-Zi No. 39386 dated July 4, 1996

Note 6: Approval Letter from the Securities and Futures Commission of the Ministry of Finance under (86) Tai-Cai-Zhen-(1)-Zi No. 52380 dated July 14, 1997

Note 7: Approval Letter from the Securities and Futures Commission of the Ministry of Finance under (87) Tai-Cai-Zhen-(1)-Zi No. 49410 dated June 6, 1998

Note 8: Approval Letter from the Securities and Futures Commission of the Ministry of Finance under (88) Tai-Cai-Zhen-(1)-Zi No. 84213 dated September 18, 1999

Note 9: Approval Letter from the Securities and Futures Commission of the Ministry of Finance under (89) Tai-Cai-Zhen-(1)-Zi No. 61462 dated July 17, 2000

Note 10: Approval Letter from the Ministry of Finance under Tai-Cai-Rong-(4)-Zi No. 89451711 dated January 16, 2001

Note 11: Approval Letter from the Financial Supervisory Commission of Executive Yuan under Jin-Kuan-Zhen-Fa-Zi No. 0980069085 dated January 6, 2010

Units: 1000 shares

Record date: March 19, 2020

Types of share	Authorized capital stock			Remarks
	Outstanding shares	Unissued shares	Total	
Common stock (at par value of NT$10 per share)	1,342,960	335,740	1,678,700	Stock issued by the listed bills finance corporation

II. Shareholder structure

Record date: March 19, 2020

Shareholder structure / Quantity	Government agencies	Financial institutions	Other institutions	Individuals	Foreign Institute and foreigners	Total
Number of persons	1	9	316	72,953	202	73,481
Shares held (shares)	18	386,608,587	289,873,684	517,388,999	149,088,712	1,342,960,000
Shareholding ratio	0.00%	28.79%	21.58%	38.53%	11.10%	100%

III. Distribution of equity

(1) Common stock

Par value at $10 per share

Record date: March 19, 2020

Shareholding category	Number of shareholders	Shares held (shares)	Shareholding ratio
1 to 999	30,542	5,427,364	0.40%
1,000 to 5,000	25,658	61,001,591	4.54%
5,001 to 10,000	7,626	61,794,658	4.60%
10,001 to 15,000	2,642	33,249,067	2.48%
15,001 to 20,000	2,082	38,153,247	2.84%
20,001 to 30,000	1,748	44,885,999	3.34%
30,001 to 40,000	786	28,267,585	2.10%
40,001 to 50,000	599	28,034,246	2.09%
50,001 to 100,000	1,087	80,576,295	6.00%
100,001 to 200,000	394	56,884,752	4.24%
200,001 to 400,000	183	52,924,111	3.94%
400,001 to 600,000	58	28,986,478	2.16%
600,001 to 800,000	20	13,361,078	0.99%
800,001 to 1,000,000	11	10,007,505	0.75%
Over 1,000,001	45	799,406,024	59.53%
Total	73,481	1,342,960,000	100.00%

(II) Preferred stock: None.

IV. List of major shareholders

Record date: March 19, 2020

Shares / Name of major shareholder (Note)	Shares held (shares)	Shareholding ratio
O-Bank Note 3	380,981,600	28.37%
PJ Asset Management Co., Ltd. Note 3	214,070,000	15.94%
He Zhu Investment Co., Ltd. Note 3	77,084,000	5.74%
Jia Yuan Investment Co., Ltd. Note 3	35,007,000	2.61%
Citibank (Taiwan) as Trustee of Norges Bank Investment Account	16,548,800	1.23%
J.P. Morgan Chase Bank N.A., Taipei Branch as Trustee of Vanguard Emerging Markets Stock Index Fund, a Series of Vanguard International Equity Index Funds Investment Account	16,064,000	1.20%
J. P. Morgan Chase Bank N.A., Taipei Branch as Trustee of Vanguard Total International Stock Index Fund, a Series of Vanguard Star Funds Investment Account	14,086,380	1.05%

Note 1: Said information is based on the Company's roster available on the date of suspension of share transfer, July 4, 2019.
Note 2: To expressly state the shareholders who hold the equity more than 1%.
Note 3: The shares held by the Company’s shareholders who hold 10% or more of the Company's shares, individually or jointly, are disclosed based on the information available until March 19.

V. Market value, net worth, earnings, stock dividend and related information during the most recent two years

Item		Year	2019	2018	Ending March 19, 2020 (Note 8)
Market value per share (Note 1)	Highest		15.15	16.00	15.55
	Lowest		13.60	12.80	13.95
	Average		14.66	14.23	15.14
Net worth per share (Note 2)	Before distribution		17.76	17.35	Not applicable
	After distribution		(Note 3)	16.56	Not applicable
EPS	Weighted average number of shares		1,342,960,000	1,342,960,000	1,342,960,000
	EPS		0.93	0.99	Not applicable
Stock dividend per share	Cash dividend		0.72 (Note 3)	0.79	Not applicable
	Bonus dividends	Dividend from retained earnings	None	None	None
		Dividend from capital surplus	None	None	None
	Accumulated unpaid dividends (Note 4)		None	None	None
ROI analysis	P/E ratio(Note 5)		15.76	14.37	Not applicable
	P/D ratio(Note 6)		20.36	18.01	Not applicable
	Cash dividend yield (Note 7)		4.91%	5.55%	Not applicable

Note 1: Please identify the highest and lowest market value per share of common stock for each fiscal year and calculate each fiscal year's average market value.

Note 2: Please apply the number of the outstanding issued shares at year-end as the basis and specify it based on the distribution resolved by the shareholders' meeting in next year.

Note 3: Distribution of earnings in 2018 has not yet been resolved by the shareholders' meeting 2018 up to the date of publication of this annual report.

Note 4: If the terms and conditions for issuance of the equity securities provide that the stock dividend unappropriated in then year may be accumulated until the year in which there are retained earnings available for the allocation of dividend, please disclose the unpaid stock dividend accumulated until the then year.

Note 5: P/E ratio = Average closing price per share for the year/Earnings per share.

Note 6: P/D ratio = Average closing price per share during the current fiscal year/Cash dividend per share.

Note 7: Cash dividend yield = Cash dividend per share/Average closing price per share for the current year.

Note 8: To specify the information available for the then year ending on the date of publication of the annual report.

VI. Dividend policy and implementation thereof

(I) Dividend policy:

The company shall, after its losses have been covered and all taxes and dues have been paid by the earnings upon the annual final accounting, first set aside 30% of the balance, if any, as a legal reserve, provided that when the legal reserve amounts to the company's paid-in capital, this shall not apply. Then, the company shall make contributions to the special reserve pursuant to laws, plus the reversal of special reserve and the earnings unappropriated in the previous years. The company may provide special reserve additionally for any specific purpose. The balance, if any, together with the accumulated unappropriated earnings may be allocated to shareholders as stock dividends.

The allocation of earnings referred to in the preceding paragraph shall be proposed by the board of directors and approved by the shareholders' meeting.

The allocation of stock dividends to shareholders referred to in paragraph 1 herein shall be carried out in the following manners resolved by a shareholders' meeting.

1. The company may allocate the reserve, in whole or in part, pursuant to laws. Notwithstanding, when the company retains no earnings, no stock dividends shall be allocated to shareholders.
2. As the company engages in the business in a highly competitive financial industry, the company's growth is slowing down. Therefore, the cash dividend will be the first priority when the company shall allocate dividends to shareholders. Alternatively, the dividends may be also allocated in the form of stock, provided that the cash dividend shall be no less than 40% of the total stock dividends in then year.
3. The company may adjust said shareholders' dividend policy upon resolution by the shareholders' meeting held in the current year, if necessary, subject to the economic condition, industrial development and funding needs.

(II) Status of implementation thereof:

The Company's earning after tax was NT$1,244,653,155 in 2019. According to the Act Governing Bills Finance Business, the Company contributed 30% of the earnings as the legal reserve, plus the unappropriated earnings, NT$9,022,379, at the beginning of the year, and "Other comprehensive income directly carried forward to retained earnings", NT$96,020,865, the allocable earnings totaled NT$976,300,452 this year. The cash dividend to be allocated was NT$0.72 per share. The unappropriated earnings at the end of the year were NT$9,369,252.

(III) Status of the allocation of dividends and remuneration to shareholders in the previous year:

The Company's earning after tax was NT$1,335,419,013 in 2018. According to the Act Governing Bills Finance Business, the Company contributed 30% of the earnings as the legal reserve, plus the unappropriated earnings, NT$6,260,434, at the beginning of the year, the adjustment NT$31,092,133 under IFRS9, and "Other comprehensive income directly carried forward to retained earnings", NT$97,814,903, the allocable earnings totaled NT$1,069,960,779 this year. The cash dividend to be allocated was NT$0.79 per share. The unappropriated earnings at the end of the year were NT$9,022,379.

VII. The effects of bonus dividend proposed at this shareholders' meeting on business performance and EPS: None.

VIII. Employee and directors' remuneration

(I) The percentages or ranges with respect to remuneration to employees and directors, as set forth in the Company's Articles of Incorporation:

According to the Company's Articles of Incorporation, if the Company has profit upon annual final accounting, it shall allocate the remuneration to employees and directors in the following manners, subject to a resolution adopted by a majority votes at a directors' meeting attended by more than two-thirds of the total number of directors. Notwithstanding, if the Company has accumulated losses, it shall retain the amount to cover such losses in advance, and the balance, if any, shall be allocated as the remuneration to employees and directors in said manners:

1. Remuneration to employees: 1.00%~2.50% of the profit.
2. Remuneration to directors: No more than 2.50% of the profit. Notwithstanding, the independent directors shall be excluded from the allocation of remuneration.

The profit referred to in the preceding paragraph shall mean the "The gains before the income before tax less the remuneration to employees and directors".

The remuneration to employees may be paid in the form of stock or in cash, provided that the remuneration to directors may be paid in cash only. The motions for allocation of remuneration to employees and directors and method of allocation shall be submitted to a shareholders' meeting upon resolution by a directors' meeting in the manner referred to in Paragraph 1.

(II) The basis for estimating the amount of remuneration to employees and directors, for calculating the number of shares to be distributed as the remuneration to employees, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period:

The estimated amount of the remuneration to employees and directors in 2019 was NT$19,916,500, namely the gains before the income before tax less the remuneration to employees and directors, calculated based on the percentage defined in the Company's Articles of Incorporation. The amount allocated actually was based on the resolution by the directors' meeting. The discrepancy between the allocated amount and estimated amount should be stated as a change in accounting estimation and stated as the expenses for the then year. Meanwhile, the Company waives the allocation of remuneration to employees in the form of stock.

(III) The motion for allocation of remuneration passed by the board of directors:

1. Remuneration to employees and directors allocated in cash or in the form of stock (if there is any discrepancy between that amount and the estimated amount for the fiscal year these expenses are recognized, the discrepancy, its cause, and the status of treatment shall be disclosed)

   The Company's 23th meeting of the Board of Directors of 14th term on February 25, 2020 resolved to allocate the remuneration to employees and directors of 2019, NT$19,916,500, respectively. Meanwhile, the Company waives the allocation of remuneration to employees in the form of stock. The remuneration to employees and directors to be allocated in 2019 subject to the resolution passed by the directors' meeting was identical with that stated in the financial statement 2019.

2. Proposed distribution of remuneration to employees in the form of stock as a percentage to net profit after tax plus remuneration to employees in the entity or individual financial statement for the current period: None.

(IV) The actual allocation of remuneration to employees and directors in the previous fiscal year (with an indication of the number of shares, monetary amount, and stock price, of the shares distributed), and, if there is any discrepancy between the actual allocated amount and the recognized amount, additionally specify the amount of the discrepancy, the cause, and how it is treated.

1. Remuneration to directors: The remuneration to directors recognized in 2018 was NT$20,900,500. The remuneration actually allocated in cash were NT$20,900,500.
2. Remuneration to employees: The remuneration to employees recognized in 2018 was NT$20,900,500. The remuneration actually allocated in cash were NT$20,900,500.

IX. The Company's repurchase of shares

None.

Two. Corporate bond, preferred stock, employee stock options, restricted stock for employees and merger & acquisition or succession to other financial institutions (including merger, acquisition and division)

None.

Three. Implementation of Capital Utilization Plan

I. Contents of the Plan: Analysis on the previous plans for offering or private placement of securities and corporate bonds which have not yet completed, or the plans which have been completed within the most recent three years but have not yet produced any significant effects.

None.

II. Implementation of Capital Utilization Plan

None.

Overview of Operations

One. Operations

I. Business Overview

(I) Scope of business

The Company's scope of business is stated as following:

1.Certifying and underwriting Short-Term Bills;

2.Certifying and underwriting Bank Debentures;

3.Brokering and trading Short-Term Bills;

4.Brokering and trading Bank Debentures;

5.Brokering and trading Government Bonds;

6.Guaranteeing and endorsing Short-Term bills;

7.Providing financial consulting services to enterprises;

8.Dealing Inter-bank call loan;

9.Proprietary trading of Corporate Bonds;

10.Equity Investment;

11.Fixed income securities trading;

12.Proprietary trading service of Foreign Bonds;

13.Investment of Foreign Currency Bonds;

14.Other business as authorized by the Competent Authority.

(II)Each business assets and income as a proportion of total assets and income, and development and changes

1. Assets

Unit: NT$ Thousand	12/31/2019		12/31/2018		Comparison with 12/31/2018	
	Amount	As a proportion of total assets(%)	Amount	As a proportion of total assets(%)	Increase (Decrease)	%
Commerical papers	82,565,243	41.80	90,713,095	45.47	(8,147,852)	(8.98)
Bonds	111,934,684	56.66	105,399,725	52.82	6,534,959	6.20
Equity investment	1,261,117	0.64	1,464,931	0.73	(203,814)	(13.91)
Derivative financial products	10,115	0.00	1,598	0.00	8,517	532.98
Others	1,768,400	0.90	1,951,682	0.98	(183,282)	(9.39)
Total Assets	197,539,559	100.00	199,531,031	100.00	(1,991,472)	(1.00)

2. Revenue

Unit: NT$ Thousand	2019		2018		Comparison with 2018	
	Amount	As a proportion of total revenue(%)	Amount	As a proportion of total revenue(%)	Increase (Decrease)	%
Commercial papers	1,253,977	59.42	1,213,522	58.62	40,455	3.33
Bonds	844,312	40.01	865,551	41.81	(21,239)	(2.45)
Equity investment	139,320	6.60	108,900	5.26	30,420	27.93
Derivative financial products	12,175	0.57	(10,075)	(0.49)	22,250	220.84
Others	(139,371)	(6.60)	(107,557)	(5.20)	(31,814)	(29.58)
Total Revenue	2,110,413	100.00	2,070,341	100.00	40,072	1.94

Note: The equity investment included the gain or loss from disposition of the equity at fair value through other comprehensive income.

(III) Business Performance

1. Short-term Bills

(1) NTD Short-term Bills Primary Market—Underwriting and Initial Purchase

Unit: NT$ million	2019		2018		Comparison with 2018	
	Amount	%	Amount	%	Increase (decrease)	%
Commercial papers (CP2)	1,841,747	90.56	1,719,138	87.49	122,609	7.13
Commercial papers (CP1)	186	0.01	172	0.01	14	8.14
Bank negotiable certificates of deposit	191,850	9.43	245,730	12.50	(53,880)	(21.93)
Total	2,033,783	100.00	1,965,040	100.00	68,743	3.50

(2) NTD Short-term Bills Secondary Market--Brokering and Trading

Unit: NT$ million	2019		2018		Comparison with 2018	
	Amount	%	Amount	%	Increase (decrease)	%
Commercial papers	4,536,585	99.60	4,047,393	97.79	489,192	12.09
Bank negotiable certificates of deposit	18,400	0.40	91,300	2.21	(72,900)	(79.85)
Municipal Treasury Bills	0	0.00	0	0.00	0	0.00
Total	4,554,985	100.00	4,138,693	100.00	416,292	10.06

Note: The secondary market transactions excluded said primary market transactions.

2.Bonds

(1)NTD Government Bonds

Unit: NT$ million	2019		2018		Comparison with 2018	
	Amount	%	Amount	%	Increase (decrease)	%
Repo trading	842,706	97.99	874,796	95.81	(32,090)	(3.67)
Outright purchases/sales	17,300	2.01	38,300	4.19	(21,000)	(54.83)
Total	860,006	100.00	913,096	100.00	(53,090)	(5.81)

(2) NTD Bank Debentures

Unit: NT$ million	2019		2018		Comparison with 2018	
	Amount	%	Amount	%	Increase (decrease)	%
Repo trading	290,702	99.15	213,172	97.09	77,530	36.37
Outright purchases/sales	2,500	0.85	6,400	2.91	(3,900)	(60.94)
Total	293,202	100.00	219,572	100.00	73,630	33.53

(3) NTD Corporate Bonds

Unit: NT$ million	2019 Amount	2019 %	2018 Amount	2018 %	Comparison with 2018 Increase (decrease)	Comparison with 2018 %
Repo trading	1,583,346	98.10	1,485,388	97.93	97,958	6.59
Outright purchases/sales	30,622	1.90	31,373	2.07	(751)	(2.39)
Total	1,613,968	100.00	1,516,761	100.00	97,207	6.41

(4) NTD Securitized Special Purpose Trust Beneficiary Certification

Unit: NT$ million	2019 Amount	2019 %	2018 Amount	2018 %	Comparison with 2018 Increase (decrease)	Comparison with 2018 %
Repo trading	0	0.00	0	0.00	0	0.00
Outright purchases/sales	500	100.00	0	0.00	500	100.00
Total	500	100.00	0	0.00	500	100.00

(5) Foreign Currency Bonds

A. USD International Bonds

Unit: million	2019 Amount	2019 %	2018 Amount	2018 %	Comparison with 2018 Increase (decrease)	Comparison with 2018 %
Repo trading	846	92.86	264	94.29	582	220.45
Outright purchases/sales	65	7.14	16	5.71	49	306.25
Total	911	100.00	280	100.00	631	225.36

B. USD Foreign Bonds (including US Government Bonds)

Unit: USD million	2019 Amount	2019 %	2018 Amount	2018 %	Comparison with 2018 Increase (decrease)	Comparison with 2018 %
Repo trading	9,924	95.81	7,845	96.51	2,079	26.50
Outright purchases/sales	434	4.19	284	3.49	150	52.82
Total	10,358	100.00	8,129	100.00	2,229	27.42

3. Equity Investment

Unit: NT$ thousand	2019 market value	2019 %	2018 market value	2018 %	Comparison with 2018 Increase (decrease)	Comparison with 2018 %
stock	1,114,117	90.26	1,171,239	79.95	(57,122)	(4.88)
Beneficiary certificate	0	0.00	0	0.00	0	0.00
Convertible Bond	120,203	9.74	293,692	20.05	(173,489)	(59.07)
Total	1,234,320	100.00	1,464,931	100.00	(230,611)	(15.74)

4. Guarantee Business

Unit: NT$ million	2019		2018		Comparison with 2018	
	Amount	%	Amount	%	Increase (decrease)	%
Balance of guarantees						
secured	65,271	60.27	52,892	50.65	12,379	23.40
unsecured	43,021	39.73	51,543	49.35	(8,522)	(16.53)
Total	108,292	100.00	104,435	100.00	3,857	3.69
Endorsement securities	0	-	0	-	0	-

II. 2018 Operating Plan

(I) Short-term Bills

1. Satisfy customers' diversified needs, continue to enhance the operation in FRCP and UCCP and seek the opportunity for joint underwriting.
2. Intensify the channels for the circulation of bills and the operation of bills by trade volume to access stable and low cost capital and upgrade the performance of capital utilization.
3. Use the best efforts to develop the secondary customers in depth and width, diversify the source of funding for bills and bonds operations, and manage the liquidity risk with care.

II. Bonds

1. Advance the breadth and depth of the analysis on fundamental, technical and chip factors to improve operation performance.
2. Continue expanding the foreign currency bond RP customers actively and increase the sources of funding in order to effectively reduce the funding cost.

III. Equity Investment

1. Keep abreast of the trends of international economy and finance, research and judge the long-term and short-term market trends, and choose to invest superior individual stocks.
2. Enhance the research on fundamentals of industries and individual stocks, attend the institutional investors conference, and interview with customers to secure the information about primary markets for flexible operations.
3. Maintain long-term cooperative relationship with underwriting channels and solicit for the sources of cases of the convertible bonds in the primary market.
4. Stay in close contact with the securities firms' restructuring departments to solicit for the sources of asset swap target.
5. Strictly select the convertible bond and asset swap targets, and control credit risk effectively.

IV. Guarantee Business

1. Strictly control credit risk and ensure that valuable assets are the top priority for guarantee business.
2. The market circumstances of the real estate is obscure. Cautiously select the construction companies as well as the collateral targets and control the credit granted to real estate industry.

3. Encourage quality customers to increase the utilization of the granted credit to secure the sources of income from guaranteed fees.
4. Explore new cases and syndicated loans to replace existing clientele with low profit margin.
5. Continue conducting information system integration and simplification to strengthen the efficiency of credit management.

III. Market Analysis

(I) Business Area

As of the end of 2019, the Company headquarters in Taipei and has five other branches located in Banqiao, Taoyuan, Taichung, Tainan, and Kaohsiung. Our business covers customers throughout the entire domestic market.

(II) Future Supply and Demand in the Market

1. Short-term Bills

In terms of the supply, looking forward to the year 2020, the global economy may become sluggish. It is expected that the issuance volume and market scale will remain stable. In terms of the demand, the global economic growth became stagnant, and COVID 19 posed the impact to the global economy adversely, which caused increasing uncertainty to the financial market. The liquidity of monetary market instruments is good, while the credit risk thereof is low relatively, thereby attracting and satisfying financial institutions' and enterprises' need for asset allocation. It is expected that the trade volume and market scale will remain stable too.

2. Bond business

Regarding the supply of bonds, the volume of matured government bonds in the recent year is higher than the issuance volume thereof. it is expected that the issuance volume of corporate bonds might be as same as it was last year. In terms of the need for bonds, considering that the financial system capital is still considered sufficient, the bank, for investment, and life insurance business, for allocation of assets, will maintain the specific need for securities covering.

3. Equity Investment

The outbreak of COVID 19 shocked the world at the beginning of 2020, as well as the temporary suspension of the trade war between China and USA and raising geopolitical risk, caused variables in the stock market this year. As led by Fed, the market interest rate stayed low and, therefore, the existing stock dividend and yield remain attractive. It is expected that the stock market will fluctuate more significantly in 2020. The Company will keep paying attention to the market risk and adopt the operating strategies with care.

4. **Guarantee Business**

The Central Bank has continued its low-interest policy in the recent years. In 2019, the domestic financial market still owned easy idle money. In order to maintain profitability, the price war problem still remained serious in the same trade. Notwithstanding, in consideration of the accelerated increase in the interest rate of borrowing and secondary market in the middle of 2019, it was difficult to pass on the overall cost, and the interest rate spread was reduced continuously. Notwithstanding, there was no sign for significant recovery. Besides, the COVID 19 posed an impact to all industries adversely. Therefore, the Company decides to adopt the stable guarantee policy and sustainable core strategies in 2020 to seek the stable sources of earnings and upgrade the existing operating synergy through completion of new projects.

(III) Key performance indicator (KPI)

Unit: NT$ million/%

Item	Business target in 2019	Result of implementation	Proportion of implementation
Guaranteed yearly average balance of commercial paper	105,000	106,307	101%
Yearly average balance of underwriting and repurchase of bills	257,400	267,025	104%
Yearly average balance of Repo trading of bills and bonds	168,400	170,531	101%
Own capital adequacy ratio (%)	12.50	12.70	102%

(IV) Advantageous and disadvantageous factors with regard to developmental outlook

1. **Advantageous factors**

(1) The competent authority has been admitting new business lines successively and, therefore, the business lines to be provided by the bills finance business tend to be more and more diversified. This helps disperse business risk and increases sources of profit.

(2) The Fed cut the interest and purchased short-term bills after suspension of balance sheet reduction to increase market liquidity, thereby helping cut the funding cost in USD.

(3) China and the USA reached the 1st-stage trading agreement and thereby mitigated the uncertainty in the global trading.

(4) Despite the conservative global economic outlook, the market has still responded to it adequately. Besides, the low interest rate environment and favorable policies are helpful to maintain the prosperity in the market.

2. Disadvantageous factors

(1) Given the unbalance supply and demand on bonds, the yield rate kept declining, as affected by the investment needs. The downward adjustment of the funding cost in NTD became sluggish and the overall yielding interest rate spread was reduced therefor, thereby disadvantageous to construction of bond positions and yielding.

(2) Subject to the capital adequacy ratio and liquidity covering ratio, the bank system engaged in long-term borrowing and conservative secondary transactions, thereby affecting the capital supply level in the market and enlarging the range of fluctuation in the interest rate on short-term bills at the end of quarter and month.

(3) Given the intensive competition in the bills market, banks strive for the underwriting business with low-cost funds and, therefore, the interest spread and income are reduced accordingly.

(4) Despite abundant capital, the demand for capital becomes weak because enterprises act hesitant to make investments. The guarantee business has to deal with the intensive competition from banks and peer companies. As a result, the interest spread of excellent customers keeps declining.

(5) The outbreak of COVID 19 at the beginning of this year, changes in the political condition in Europe, and the unresolved trade dispute between China and the USA to be continued affect the global economic growth strength adversely and thereby increase the investment risk.

3. Responsive measures

(1) Short-term Bills

①.General guaranteed/guarantee-free bills －

i. Adopt the business strategy weighing flow and stock to stable the underwriting volume and upgrade income.

ii. Strictly control the credit risk and optimize the capital utilization.

②.FRCP and UCCP

a. Plan the products per customers' needs to create business opportunities.

b. Underwrite FRCP/UCCP in a timely manner, subject to the interest rate development.

③.Secondary market transactions －

a. Diversify the financing channels, continue to strengthen the width of customer base, and reduce the liquidity risk.

b. Maintain the positions and durations at appropriate level to reduce the interest rate risk.

(2) Bonds

①.Outright purchases/sales －

a. Control the fundamental, technical and chips factors to upgrade the profitability.

b. Upgrade the sensitivity toward market information and changes to control the movement of purchase/sale orders.

②.Yielding －

a. Subscribe for bonds with excellent credit rating to control the credit risk effectively.

b. Adjust the foreign bond and asset allocation, develop the channels for RP for foreign bonds, diversify the sources of foreign currency capital, and strictly control the interest rate risk and liquidity risk.

(3) Equity investment

①.Equity products －

a. In response to the primary information, research & analysis and market movement, add the operating frequency in a timely manner and strengthen the operation of long-term investment position to seek stable performance.

b. Exchange with the securities firms and the same trade actively, attend the industrial forums and investors conferences, and enhance the research resources on fundamentals of industry and individual stocks.

②.Convertible corporate bonds and asset exchange －

a. Precisely select targets and control credit risk strictly.

b. Continue to concern the changes in credit of existing portfolio and adjust the position, structure and strategies.

(4) Guarantee business

①. Enhance the interaction with large-scale groups, strive for priority drawdown, upgrade the drawdown of facility, stabilize the business foundation, and make minor adjustment on the interest spread timely.

②. Replace low-yielding customers timely, and strive for syndicated loan projects to upgrade the spread.

③. Upgrade the frequency of visits to factories of medium-sized and small-sized customers to mitigate the guarantee risk.

④. Develop the opportunities for real estate actively, maintain the guarantee strength, select fine-quality guaranteed counterparts and object of guarantee with care, and control the proportion of loan to real estate industry.

IV. Overview of financial product research and business development

(I) Principal financial products and any new business departments added in the most recent two years until the date of publication of the annual report, and their scale and profitability

1. For the scale and profitability of the principal financial products available in the most recent two years, please see “Business Overview” on Pages 115~119.
2. The Company has never added any new business departments in the most recent two years until the date of publication of the annual report.

(II) R&D expenditure and results for the most recent two years, and future R&D development plan

1. R&D expenditure and results for the most recent two years

(1) R&D expenditure

For the related expenditure, please see “Status of Employees’ Continuing Education and Training” on Page 128~130.

(2) R&D results

①.2018

a. Iontinue to research and plan the issue about fintech in the same trade, and research the feasibility of bond transactions(CP2CP).

b. The Company's 2017 CSR report published in June 2018 was prepared in accordance with the Global Reporting Initiative(GRI) Standards”. In 2019, the Company will continue to prepare its 2018 CSR report in accordance with the “GRI Standards”.

②.2019

a. Continue to research and plan the fintech issues in the bills industry as well as researching the feasibility of bond transactions(CP2CP), and join the “Financial Blockchain Confirmation Service” this year to cut the labor cost and postage to be spent by the CPA firms in confirmation letters and avoid the possibility for loss, forgery and alteration of confirmation letters at the same time, so as to upgrade the entire operational efficiency and data safety.

b. The Company's 2018 CSR report was prepared in accordance with the “GRI Standards” continuously.

2. Future R&D plan

(1) Continue to research the feasibility of various financial innovations in the bond business.

(2) The Company established the Corporate Social Responsibility Committee on February 4, 2015. The Company will continue to enhance the operations and functions of the Committee and prepare the CSR report for the previous year on a yearly basis.

(3) In order to deal with said R&D plans, the Company will implement the same via its existing personnel and resources, and will also retain professional advisors at the cost of NT$600,000 (including the confirmation by an external organization).

V. Long-term and Short-term Business Development Plan

(I) Short-term Business Development Plan

1. Short-term Bills and Bonds

(1) Strictly control the positions and durations, balance the income and risk, strengthen the strength of outright purchases/sales of bills, and control the interest rate risk and liquidity risk effectively.

(2) Develop customers with excellent credit rating and strive for the opportunities for underwriting business; select the bond portfolio to be purchased and control credit risk effectively.

(3) Upgrade the weight of customers from private sectors in the secondary market and develop the sources of capital to reduce the capital cost.

(4) Actively develop the customers for RP of foreign bonds.

2. Equity Investment

(1) Keep abreast of the trend of the industry from upstream to downstream, take cautious selection of individual stocks, and exercise teamwork.

(2) Study individual stocks in-depth and keep abreast of the trends of profiting to the companies.

(3) Deepen the relationship with securities firms engaged in convertible bonds and asset swap.

3.Guarantee Business

(1) Maintain and increase the average guarantee volume, improve self-guaranteed credit renewal rate and issue spreads to stabilize the source of income from handling fee.

(2) Simultaneously develop new clients and grant additional quota to existing quality clients.

(3) Carefully select the liquidity of collaterals and take into account income and guarantee.

(4) Direct the arrangement of syndicated loans through the advantage of interest rate.

(II) Long-term Business Development Plan

1. Short-term Bills and Bonds

(1) Strictly control risk and flexibly adjust financial assets and liabilities operational direction in response to the significant changes in the economy.

(2) Plan and strive for new business lines and trading counterparts approved by the competent authority actively to expand the scope of business and source of funding.

(3) Enhance the employees' trading skills and upgrade the trading performance.

2. Equity Investment

(1) Enhance the depth of research on industries and individual stocks, and seize the trend of investment portfolio.

(2) The research and analysis aspects connect with the trading operation closely to strengthen the long-term investment operations and maintain stable profits.

(3) Flexibly obtain the sources of securities in the secondary convertible bond market via various channels and research the opportunities and operating model for auctions.

3. Guarantee Business

(1) Assess the economic and environmental factors, develop potential customers, select and establish the target customer base, and found customers in depth and width.

(2) Reduce non-productive management costs and improve ROA through customer restructuring.

(3) Continue to improve the quality of credit assets and obtain excess escrow reserve to provide the foundation of future business promotion.

(4) Train a vast amount of new employees in credit business to strengthen the marketing force.

Two. Employees

I. Information about employees for the most recent two years until the date of publication of the annual report

Year		2019	2018	Ending March 19, 2020
Number of employees (Note)	Staff	147	145	146
	Employees	2	2	2
	Student employees	0	1	0
	Total	149	148	148
Average age (years old)		45.47	44.48	45.65
Average years of service (years)		15.50	14.62	15.54
Academic background	0.00%	0.00%	0.00%	0.00%
	32.89%	32.89%	32.43%	32.88%
	63.76%	63.76%	63.51%	63.70%
	3.35%	3.35%	4.05%	3.42%
	0.00%	0.00%	0.00%	0.00%
Note: The number of employees excludes directors.				

II. Professional certificate and license held by employees for the most recent two years until the date of publication of the annual report, and title of the professional qualification and number of such employees

Year	2019	2018	Ending March 19, 2020
Bill finance specialist	144	140	144
Senior securities specialist	98	95	98
Securities representative	74	69	75
Securities investment analyst	2	2	2
Financial Risk Manager (FRM)	1	1	1
Bond specialist	47	48	46
Basic personnel engaged in guarantee business	76	76	78
Advanced personnel engaged in guarantee business	6	6	5
Assets securitization	7	7	7
Bank internal controller	94	92	94
Corporate internal controller	5	5	5
Trust operations personnel	68	64	69
Financial planner	51	49	50
Securities investment trust and consulting professional	44	42	44
Futures representative	60	58	59
Life insurance representative	19	18	20
Property insurance representative	9	8	9
Personal risk manager	2	2	2
Basic international banking personnel	16	17	16
International banking specialist	5	5	5
Shareholders service personnel	8	8	8

III. Status of employees' continuing education and training for the most recent two years

1. In order to train the employees, the Company has established the continuing education subsidy system for certificates/licenses. The Company will also send its employees to attend the training programs organized by domestic professional financial training organizations every year, and organize the various training programs on its own, including the orientation training and professional training.

	Number of trainees	Training hours	Training expenses
2019	3,318 persons	6,421 hours	NT$ 707 thousand
2018	2,882 persons	5,963 hours	NT$ 619 thousand
Ending March 19, 2020	47 persons	532 hour	NT$ 180 thousand

2. Managers' participation in training and education programs related to corporate governance for the most recent year:

Name	Course	Training organization	Hours
Cheng-Ching Wu	Skills in investigation on corruptions in financial statements	Taiwan Corporate Governance Association	3
	Latest AML/CTF trend	Taiwan Securities Association	3
	Study on Emerging and Challenge of Shareholder Activism in Terms of Policy and Practice, and Also Unsolicited Tender Offer	Independent Director Association Taiwan	3
	Promotion Conference for Effective Practicing of Directors' Functions	Taiwan Stock Exchange Corporation (TWSE)	3
Chih-Ming Chien	2019 Insider trading prevention promotion conference	Securities and Futures Institute	3
	Latest AML/CTF trend	Taiwan Securities Association	3
Gwo-Cheng Tu	2019 TWSE-Listed and Non-TWSE/TPEx-Listed Companies' Insider Equity Trading Legal Compliance Promotion Conference	Securities and Futures Institute	3
	Latest AML/CTF trend	**Taiwan Securities Association**	3
Chao-Ku Wang	Countermeasures Taken by Enterprises under the Global Anti-Tax Avoidance Trend	Taiwan Securities Association	3
	2019 TWSE-Listed and Non-TWSE/TPEx-Listed Companies' Insider Equity Trading Legal Compliance Promotion Conference	Securities and Futures Institute	3
	Latest AML/CTF trend	**Taiwan Securities Association**	3
Yi-Ting Chen	2019 TWSE-Listed and Non-TWSE/TPEx-Listed Companies' Insider Equity Trading Legal Compliance Promotion Conference	Securities and Futures Institute	3
	Latest AML/CTF trend	Taiwan Securities Association	3
Yi-Zhang Kang	2019 TWSE-Listed and Non-TWSE/TPEx-Listed Companies' Insider Equity Trading Legal Compliance Promotion Conference	Securities and Futures Institute	3
	Latest AML/CTF trend	Taiwan Securities Association	3
Hung-Ta Chou	2019 TWSE-Listed and Non-TWSE/TPEx-Listed Companies' Insider Equity Trading Legal Compliance Promotion Conference	Securities and Futures Institute	3
	Latest AML/CTF trend	Taiwan Securities Association	3

Name	Course	Training organization	Hours
Jen-Chieh Chen	2019 Presentation for promotion of legal compliance by insiders' equity exchange of listed and unlisted public companies	Securities and Futures Institute	3
Hou-Sheng Yu (corporate governance officer)	Directors' Liability and Risk Management under the Latest Corporate Governance Roadmap	Taiwan Corporate Governance Association	3
	Causes of Corporate Corruptions and Directors'/Supervisors' Legal Liability - Case Study	Taiwan Corporate Governance Association	3
	2019 Insider trading prevention promotion conference	Securities and Futures Institute	3
	Better Practicing Corporate Governance! Talk About Role and Responsibility of Chief Corporate Governance Officer	Taiwan Corporate Governance Association	3
	2019 TWSE-Listed and Non-TWSE/TPEx-Listed Companies' Insider Equity Trading Legal Compliance Promotion Conference	Securities and Futures Institute	3
	Latest AML/CTF trend	Taiwan Securities Association	3
	Taiwan Capital Market Development, and Effect & Development of Investment in Taiwan by Overseas Taiwanese Companies Returning Home	Taiwan Securities Association	3
I-Chih Chou	2019 TWSE-Listed and Non-TWSE/TPEx-Listed Companies' Insider Equity Trading Legal Compliance Promotion Conference	Securities and Futures Institute	3
	Latest AML/CTF trend	Taiwan Securities Association	3
Ming-Chi Chou	2019 TWSE-Listed and Non-TWSE/TPEx-Listed Companies' Insider Equity Trading Legal Compliance Promotion Conference	Securities and Futures Institute	3
Chung-Hsien Tsao	2019 TWSE-Listed and Non-TWSE/TPEx-Listed Companies' Insider Equity Trading Legal Compliance Promotion Conference	Securities and Futures Institute	3
Chen-Cheng Hsieh	2019 TWSE-Listed and Non-TWSE/TPEx-Listed Companies' Insider Equity Trading Legal Compliance Promotion Conference	Securities and Futures Institute	3
	Latest AML/CTF trend	Taiwan Securities Association	3
Min-Mei Huang	2019 TWSE-Listed and Non-TWSE/TPEx-Listed Companies' Insider Equity Trading Legal Compliance Promotion Conference	Securities and Futures Institute	3
	Latest AML/CTF trend	Taiwan Securities Association	3

Three. Corporate Social Responsibilities and Ethics

Ty upholding the stable business policy, and in the spirit of “Taken from Society Give Back to Society”, the Company bears the corporate responsibility and follows the code of ethical conduct, after measuring its own ability and balancing the interest between internal and external related parties, and also establishes the corporate social responsibility committee, adopts the “Corporate Social Responsibility Best Practice Principles” as its policy and management measures, participates in various social welfare activities, protects consumers’ interest and right, practices the care for employees, fulfills the environmental protection responsibility, and pursues sustainable development.

The concrete boosting programs and results are stated as following:

(I) Preserving Public Welfare and Responsibility of Justice

The Company's social participation is oriented toward the five major aspects, namely, care for public welfare, environmental protection, arts and cultures, emergency relief, and financial and economic development. In recent years, the Company has organized the blood donation event (in summer/winter) and clothes donation event (in spring/autumn) for twice a year, respectively. A total of two blood donations were organized in June and November 2019, respectively. As a result, the Company raised 200 bags and 227 bags of blood, respectively. Specifically, a total of 106, 750cc blood bags were raised through the whole year and thereby benefited injured and illness patients. The clothes donation events in March and September 2019 were attended by a total of 96 persons, and 5,069 pieces of clothes were raised accordingly. The clothes were donated to the Taipei Mental Rehabilitation Association and Eden Social Welfare Foundation.

Additionally, in line with the Company's replacement of computer equipment, the Company transfers the old computer equipment to rural areas to recycle resources and help the disadvantaged. The Company also engages in charity procurement from time to time to support social welfare groups, farmers and the disadvantaged groups, e.g., the 2018 procurement of pineapples of which teachers and students of Sundoor School in Pingtung participated in planting and the Yuherbau Litchis from Dashu Township, Kaohsiung, and the 2019 procurement of gift boxes from the sheltered workshop of Mennonite New Dawn Home in Hualien and coffee from Bjorgaas Social Welfare Foundation. In 2016, the Company established a volunteer society and led the Company’s employees to engage in public welfare services and care for ecology and historical relics. The Company also organized such diversified activities as beach cleanup, mountain cleanup, volunteers engaged in sorting out books, volunteer service of Andrew Charity Association, guide to native Formosa plants, restoration of relics and activation of visit to results, etc..

In the recent years, the Company also continued to sponsor the charity entities, such as Andrew Charity Association and Harmony House in Wenshan District. In November 2019, the Company organized the secondhand items charity market and raised NT$50,000 in total, which was donated to Andrew Charity Association and Harmony House in Wenshan District. In 2018, the Company has been founded for 40th anniversary. Therefore, the Company planned a project for assisting the elderly and youth. From 2018 to 2019, the Company has successively donated about 6,000 vacuum braised pots to more than 30 social welfare organizations, including nursing homes, veterans' homes, food banks, social welfare foundations and moral philanthropy society, etc., to support these organizations to take care of poor families and the elderly, e.g. gifts for Respect-the-Senior Festival, Christmas, winter relief, Neighbor Day and blood donation, etc.. The outbreak of COVID 19 in January 2020 resulted in the significant declination of blood doners, thereby causing the blood inventory to get tight. The Company donated 4,000 vacuum braised pots in February 2020 as the gift for blood donation at various locations of Taipei Blood Center, in order to help raise the public willingness to donate blood.

In order to support arts and cultures, the Company also donates funds to non-profit-seeking entities dedicated to promoting arts and cultures or sponsors high-quality arts and cultural organizations. For example, in 2018 and 2019, the Company donated funds to O-Bank Foundation to promote arts and cultures appreciation. In 2018, the Company organized two musical appreciation events at National Concert Hall to shorten the distance between the workers and the public and music & arts. In 2018 and 2019, the Company sponsored the concert tour of AYO in Asia.

For the emergency relief, when the society suffers from catastrophic disasters, the Company always stands out and donate fund to relieve the disaster. In the recent years, the Company has donated funds for the catastrophic disasters including 311 Earthquake in Japan in 2011, Kaohsiung Explosion in 2014, and Tainan Earthquake in 2016.

In order to promote economical and financial development, the Company continues to actively participate in financial education and training, and promote modern financial philosophy and professional knowledge. For example, in 2019, in response to the "Financial Knowledge Popularization Program" boosted by the competent authority, the Company worked with Tamkang University, National Changhua University of Education and National Sun Yat-Sen University to organize the financial practices courses.

For customers' service, the various financial services provided by the Company to its customers would balance the safety and fairness, and the Company is used to settling the customers' complaints or disputes in good faith and rapidly. Meanwhile, the Company's managers all perform their duties with due diligence as a good administrator, uphold the spirit of self-love and self-regulation, strictly supervise the employees' business conduct, professional ethics and professional service quality, and disclose the complete information about the Company's corporate governance, assetclocation and operating results to the investors honestly.

(II) Care for employees

In order to strengthen the care for employees and build the happy workplace, the Company has adopted the "Healthy Workplace Declaration" in 2016 as the policy to promote a healthy workplace. Meanwhile, the Company tried to create the healthy diet and sport atmosphere in the Company by organizing clubs, sport programs or sport games, installing smart sport equipment, organizing health improvement activities, and body weight control classes, etc..

In 2015, the Company passed the healthy workplace certification by Ministry of Health and Welfare, and received the “Badge of Health Activation” In 2015, the Company received an advanced badge, the “Badge of Health Promotion”, and also won the “2nd Place of Excellent Healthy Workplace in Taipei City” and “Teamwork Award for National Excellent Healthy Workplace”. In 2017, the Company was selected as a model enterprise of the Taipei City Smart and Health Workplace Program by Ministry of Health and Welfare. With continuous efforts spent by the Company, the Company continued to receive the “Badge of Health Promotion”, and in 2019, won the “1st Place of Excellent Healthy Workplace in Taipei City” and the highest honor, “Sustainable Excellence Award”, for the national excellent healthy workplace by Health Promotion Administration, Ministry of Health and Welfare.

Since the second half of 2017, the Company has successively introduced the employees’ physical fitness test and smart health equipment (e.g. the smart water bottle, smart lift desk and chair, smart mat in lobby, health station, and stair walking sensor, etc. to promote the self-health management program for the workers, and make use of the smart healthy equipment installed in lobby and on stairs, so that the workers may take advantage of break hours or spare time at work to take exercise nearby or engage in health management at the office premises conveniently. In 2019, the Company also made use of said devices and resources to organize the health improvement events covering the measurement competition at health station for 15 consecutive days, health cuisine party, sport class and physical fitness test, etc.. In 2019, the Company found through testing, questionnaire and interview that the proportion of employees with blood pressure higher than the standard value declined, and that 50% of the workers cook lunch on their own; also, the number of employees who took sick/injury leave and the hours of such leave annually in the past three years also declined significantly, showing that the employees’ health awareness has been upgraded significantly.

In 2019, the Company worked with Summit Healthcare Co., Ltd., which was approved and certified by Ministry of Labor, to provide the professional advice on occupational safety and health for the Company’s employees and also the medical personnel’s onsite service.

(III) Responsibility for Environmental Protection

The Company believes that an enterprise should be identified as one member of the global village and, therefore, all of them should work together to love the earth, save energy and reduce carbon, and practice the environmental sustainability. The Company uses its best efforts to reduce paper, save water, save energy and reduce carbon to render less impact to the environment. Meanwhile, the Company demands that the suppliers should also follow the relevant regulations on environmental protection, safety or sanitation to practice the environmental sustainability together.

The Company believes that the most critical contribution which the financial service industry may make should be reduction of paper consumption. Therefore, it uses its best efforts to reduce paper consumption. For the most recent three years, it has cut its paper consumption gradually. Its paper consumption was 1,160 cases in 2017, 1,155 cases in 2018 and 1150 cases in 2019. In order to save energy and reduce carbon, the Company's annual power consumption in 2017, 2018 and 2019 was 609,600 degrees, 488,760 degrees and 449,160 degrees, the water consumption 1,190 degrees 1,199 degrees and 1189 degrees, and the carbon dioxide emissions 384,048 kg, and 307,918 kg and 282,970 kg, respectively. Apparently, the Company's paper, power and water consumption and carbon dioxide emissions for the most recent three years have decreased. Therefore, the Company should be held having fulfilled its environmental sustainability policy.

In order to fulfill the environmental sustainability, the Company adopts the supplier policy. The Company uses the office equipment and supplies, computers and peripheral equipment bearing the environmental protection mark, and also demands that the suppliers should comply with the relevant regulations on such issues as environmental protection, safety or sanitation, provide toxic-free products, and work with the Company to upgrade the corporate social responsibility. For example, when purchasing the toner for copy machine, the Company will ask the relevant supplier to show the environmental protection mark. The Company's main supplier refers to the one who engages in printing the Company's annual report in Chinese and English languages each year. The Company's annual report printing supplier is the only one leading printing plant which is awarded the accreditation of golden environmental protection mark by Environmental Protection Administration throughout the nation. The Company is engaged in the financial business, instead of manufacturing. Therefore, the Company has no factories engaged in production of goods and no ISO 14001 or similar environmental management system certification is applicable to the Company.

Further, as of the August 2018, the Company has particularly ordered the meal held in the container made of iron for workers who work overtime at the end of each month, in order to respond to the policy for prohibition of disposable and melamine tableware adopted by Department of Environmental Protection, Taipei City Government. On March 12, 2019, the Company was awarded the certificate of gratitude by Taipei City Government publicly.

1. Policy for reduction of paper consumption

(1) Input of various personnel receipts and customer interview records into the computer system to save paper.

(2) Posting of meeting minutes on computer or engagement in discussion on a decision-making supporting system.

(3) Adoption of video conference to cut the business traveling expenses for the personnel.

(4) Completion of the electronic archive system to achieve the paperless operation completely.

(5) Adoption of the online review on vouchers and archiving in electronic form to reduce paper consumption.

(6) Strongly recommending presentation of the meeting minutes in an electronic form, and communication of interest rate report and guarantee review results via email.

(7) Since the middle of October 2019, the Company has changed the access to the copy machine. Employees who intend to use the copy machine must swipe their ID badges over the copy machine at first, and then may make the machine function. According to the statistics, since November 2019, the paper consumption has declined significantly from the same period in last year.

(8) Active promotion of the paperless policy to all level resulted in the paper consumption declined from 1,160 packs in 2017 to 1,155 packs in 2018 and even 1,150 packs in 2019. In the future, the Company will keep aiming to cut the paper consumption by 10% after three years.

2. Policy for saving energy and reducing carbon

(1) Ask the employees to turn off the light at lunch break time and shut down their PCs absolutely after work.

(2) Reduce the quantity of the light bulbs and tubes in public zones, and replace them with LED lights.

(3) Set the air conditioner temperature at 26°C permanently in summertime.

(4) Turn off the lighting power supply at lunch break time comprehensively.

(5) Replace the fluorescent tubes in the parking lots at the basement with LED tubes.

(6) Conduct the investigation into air quality in offices every day to maintain the fair air quality in offices; install one indoor air quality monitor in each of the left and right areas of the Company dedicated to monitoring the air quality in offices for 24 hours a day, so that the central control room of the building will notify the Company to make correction of any abnormality detected by the monitor at any time.

(7) Clean up the air conditioners at office premises periodically.

(8) Replace the filter cartridge periodically to ensure the sanitation of drinking water.

(9) Practice the sorting of solid waste and recycling.

(10) Save gasoline: Rent PHEV vehicles as company vehicles to reduce the gasoline consumption substantially and also carbon dioxide emissions.

3. Policy for saving water consumption

(1) Adopt inductive faucets in rest rooms.

(2) Cut the water consumption of the toilets for gentlemen.

(3) Cut the water consumption of the kitchen counter to save water.

4. Adoption of video conference to cut the business traveling expenses for the personnel.

(1) Financial asset and liability management committee meeting (once per month)

(2) Business review meeting (once per week)

(3) Morning conference between Fixed Income Products Department of the Company and the five branch companies (three times per week)

(4) Compliance training course of Legal & Compliance Department with the five branch companies (once per six months)

(5) Lunar New Year greeting of the headquarters and branch companies via video

(6) Farewell party for the management's retirement.

Four. Number of employees in non-managerial positions, average salary and median salary, and difference in comparison with those of the preceding year

Item	2019	2018
Number of full-time employees in non-managerial positions (persons)	132	128
“Average salary “of full-time employees in non-managerial positions (NT$ thousand)	1,475	1,455
“median salary “of full-time employees in non-managerial positions (NT$ thousand)	1,275	1,270

Five. Information Technology and Facilities

I. Construction and maintenance of main information system

(I) Business trading system (including NTD/foreign currency bills system, NTD/foreign currency bonds system, NTD/foreign currency capita system, NTD/foreign currency financial derivatives system, fund and stock system, guarantee system, NTD/foreign currency accounting system, NTD/foreign currency risk management system, payroll system, anti-money laundering system and CRS system, etc.) installed on the AIX RS6000 host, which was self-developed and self-maintained.

(II) Intranet, HR system (including employees' application for business travels, online sign-in/sign-off and related OA e-form), electronic official document system, electronic report system, CRM system, credit investigation procedure system, BI decision-making supporting system, safe deposit access system, money laundering control KYC/CRS audit system and legal & compliance system installed on the Windows host, which was self-developed and self-maintained.

(III) The inter-bank remittance system and CB system were developed by the suppliers contracted by the Company, which are installed on the AIX RS6000 host, to be self-administered, but maintained by contractors.

(IV) The security information-related systems and network equipment, including next-generation firewall, spam interception system, anti-virus system, resource management system, DLP system, network security web browsing and filtering system, endpoint control system, HDPS Commvault backup system, privileged account management system and the Email Apt attack defense system constructed in 2019 to prevent hackers from attacking the Company via email maliciously, as well as network Switch device, are self-administered but maintained by contractors.

II. Major information system disaster backup and security protection policy

（I） The business trading system data would be backed up immediately, and after 15 minutes remotely. The data center and data storage device at the same site are equipped with HA backup mechanism. Upon outbreak of failure in the data center, the HA backup mechanism will be automatically activated and switched to the backup host or data storage device at the same site to ensure that the business trading may keep operating to mitigate the impact rendered against the business therefor.

（II） OA-related system (including intranet, HR system, electronic official document system, electronic report system, CRM system, credit investigation procedure system, BI decision-making supporting system, safe deposit access system and money laundering control KYC audit system) is installed on the VMWare virtual platform. Upon outbreak of failure in the VMWare system host, the HA backup mechanism will be automatically activated and switch the online system to the backup VMWare system host at the same site to upgrade the availability and safety of the system.

(III) Set up a remote backup data center in Taoyuan, and use the HDPS Commvault backup system to perform the backup of the business trading system and OA-related system at the same site and remotely. In order to ensure that the remote backup data center in Taoyuan can meet the information system backup function, the Company will organize the remote backup stimulation drill with respect to the business trading system and OA-related system on a yearly basis, and will also organize the remote on-site stimulation drill for once per two years. Upon outbreak of a failure in the formal and backup equipment in the same data center, the business trading system and OA-related system may be switched to the remote backup environment manually to keep operating and also keep the Company's operation uninterrupted.

(IV) In consideration of the information security, the Company adopts the following security protection policies:

1. Construction of the information security protection system:

Build the next-generation firewall, spam interception system, anti-virus system, resource management system, DLP system, network security web browsing and filtering system, endpoint control system, privileged account management system, as well as the Email Apt attack defense system constructed in 2019, to provide the Company with a safer network access environment.

2. Implementation of weakness scanning and penetration testing:

The Company will retain the information suppliers to conduct weakness scanning on the information equipment throughout the Company periodically each year, and will fix and update the bugs in the systems or strengthen the protection in a feasible manner with respect to the weakness and bugs identified according to the scanning results to mitigate the entire information security risk. The Company will also retain the information suppliers to conduct the penetration testing on the Company’s servers, hosts and website periodically each year to discover and fix the weakness exposed externally as early as possible.

3. Organization of social engineering exercise via emails:

The Company will organize the social engineering exercise via email for the whole employees and explain the exercise results for twice per year, in order to enable the employees to understand the risk over access to emails and raise their awareness toward the crisis from the social engineering attacks. Meanwhile, the Company will organize the information security promotional education and training for 3 hours each year to raise the employees’ awareness toward information security.

4. Restrictions on installation of software and account management:

Withdraw the employees’ highest authority of access to their PCs, restrict the employees from installing software privately, prevent the employees’ PCs from being installed with the software containing malicious programs to reduce the possibility of the Company's information system being hacked; set the password of each information system administrator and employee login ID as controlled via systems in accordance with the relevant password policy. The privileged account management system engages in administering the important information system administrators’ accounts to reduce the misuse of the system administrators’ accounts and prevent the important data from being disclosed or prevent the system from being hacked if the administrators’ accounts are stolen.

(V) **In order to ensure the security of the information system physically, the** main information systems will be installed in the data centers, and the systems' host power will be supplied by the UPS system to prevent the system from immediate shutdown caused by temporary power outages. Meanwhile, in order to maintain the environment and equipment safety in the data centers, the Company installs the environmental monitoring system, central control system for the air conditioners, automatic air-jet fire protection system, access control system and monitoring system, etc. If any power failure, water leakage, temperature/humidity abnormality and fire, etc. are detected, the dedicated personnel will receive the automatic phone call, and the fire extinguisher will be activated automatically to deal with the abnormalities as early as possible lest the damage should be expanded.

III. Future development or procurement projects

(I) The Company plans to procure Windows 2016 to rebuild the Company's new Domain Server, in order to deal with the bugs in information security of the Company's original Domain Server caused by the Windows 2008 ceasing to update. The Company also plans to install the new Domain Server system on Vmware virtual system, so as to upgrade the system's availability via Vmware dual kit HA backup mechanism.

(II) The Company plans to appoint the information security suppliers to evaluate the information security strength in the overall information environment in terms of the Company's network, system and terminal, in order to verify the defects in the information security of the overall framework, provide suggestions about improvement and enhance the Company's information security protection capacity.

(III) The Company plans to implement the USB malware software protection system to filter the employees' USB files and prevent malware from invading the Company's information system via the USB, thereby posing the information security risk to the Company.

Six. Relations between laborers and employer

I. Current major labor agreements and status of implementation

(I) Employee benefit measures

The Company's employee benefit measures consist of those provided by the Company and Employee Benefits Committee respectively, which are stated as following:

1. Provided by the Company

(1) Insurance: In addition to the labor insurance and national health insurance, the Company also maintains the term group life insurance for the employees and their parents, spouses and underage children.

(2) Meal allowance.

(3) Team bonding activities and health checkup for employees.

2. Provided by the Employee Benefits Committee

The Employee Benefits Committee was established in December 1978, which provides various benefits, allowances, and subsidies to employees' clubs, and organizes various activities subject to the status of budget. The subsidies consist of gifts for three major festivals, birthday, marriage, childbirth, funeral, retirement, social clubs, arts appreciation, and critical diseases and injuries, etc.

(II) Working environment and employee personal safety protection measures

1. Execute the visitors' access registration and control, designate dedicated personnel to clean up the environment at the office premises, replace the filter cartridge per quarter, and conduct water quality inspection periodically.
2. Elevators and fire extinguishers will be maintained periodically, and fire protection equipment including sprinklers, stair lighting and emergency exits are inspected on a monthly basis. A qualified fire protection company will be entrusted to declare the maintenance status of various equipments each year, and the public safety inspection of the building will be conducted once per two years. The same are approved upon re-examination by the competent authority.
3. Organize the employees' fire protection drill once per six months.
4. Clean up and disinfect the environment periodically per two months.
5. Provide medical personnel's onsite service twice per month.
6. Organize on-line training on occupational safety and health per year.

(III) Pension system

The Company establishes the employee pension regulations. The pension shall be payable to the employees pursuant to the regulations when the employees apply for retirement.

The general employees have contributed 7.52% of the total salary paid to them on a monthly basis as the "reserve for pension" from July 1999 to December 2004. Since 2005, the employees have contributed 7% of the total salary paid to them on a monthly basis as the reserve for pension to the Pension Fund Supervisory Committee for custody, and the same were deposited into Bank of Taiwan in the name of the Committee, and the interest accruing thereon were used to pay the pension payable under the old system. Further, for the employees who selected the new labor pension system as of July 2005, the Company would contribute 6% of their monthly salary on a monthly basis and deposit the same into the account maintained at Bureau of Labor Insurance in their personal name.

Appoint the employees to contribute the "pension fund" on a monthly basis, and state the pension expenses, and have the same utilized by the Pension Fund Supervisory Committee.

(IV) Employees' code of conduct and ethics

According to the Labor Standards Act and related laws, the Company establishes its work rules, instructions to employees' service, Code of Ethics, Procedure for Ethical Management and Guidelines for Conduct, and principles to be followed by the sales personnel remuneration system requiring that the employees should comply with the Company's regulations and rules and abide by the management's reasonable direction. The management shall direct employees friendly and perform the performance assessment in line with the work objectives strictly. The management and subordinates or co-workers shall respect each other, uphold honesty and integrity, act rigorously, work diligently, abandon bad habits, maintain the Company's corporate identity, and perform their duties with due diligence; comply with labor laws and the Company's regulations to maintain the safety and sanitation of the workplace and its surrounding environments and prevent theft, fire or other natural calamities. The Company upholds the core management philosophy for "Gratitude, Cherishment and Improvement", and all of the employees shall follow the self-discipline principles and value the business ethics.

(V) Other important agreements

The Company established the labor-management council in accordance with the Regulations Governing Implementation of Labor-Management Council Meetings on September 17, 2015. The management and labors delegate five representatives respectively to negotiate with each other in the spirit of teamwork and cooperation at the labor-management meeting to strengthen the management-labor relationship, promote the management-labor cooperation, and also discuss about such motions as employment terms and conditions, employees' benefits and upgrading of work efficiency.

II. Losses as a result of labor disputes for the most recent year

None.

Seven. Important Contracts

The Company is a bills finance company engaged in transactions with its customers in accordance with related laws and the Company's internal regulations. Other than the guarantee, certification and underwriting contracts related to its operations, the Company never concludes any supply contracts or technical cooperation contracts, and has no engineering contracts still surviving. All of the important contracts of the Company refer to lease contracts which are excluded from any restrictive clauses and render no material adverse effect to the Company's business.

Contract type	Counterpart	Contract beginning and ending date	Main contents	Restrictive clauses
Lease	Lessor: O-Bank Lessee: Headquarters of China Bills Finance Corporation	January 1, 2015 to December 31, 2019	1. Scope: 4F, No. 99, Sec. 2, Tiding Blvd., Neihu Dist., Taipei City, occupying an area totaling 679.85 pings. 2. The monthly rent is NT$1,070,764.	None
Lease	Lessor: O-Bank Lessee: Headquarters of China Bills Finance Corporation	January 1, 2020 to December 31, 2020	1. Scope: 4F, No. 99, Sec. 2, Tiding Blvd., Neihu Dist., Taipei City, occupying an area totaling 679.85 pings. 2. The monthly rent is NT$1,070,764.	None
Lease	Lessor: Mingtai Insurance CO., LTD. Lessee: Banqiao Branch of China Bills Finance Corporation	October 16, 2016 to October 15, 2021	1.Scope: 3F, No. 51, Sec. 1, Wenhua Rd., Banqiao District, New Taipei City, occupying an area totaling 108.16 pings. 2. The monthly rent is NT$147,000.	None

Financial Status

One. Summary Five-Year Balance Sheets and Consolidated Income Statement

I. Condensed balance sheet

Unit: NT$ thousand

Item \ Year		Financial information for the most recent five years				
		2019	2018	2017	2016	2015
Cash and cash equivalents Due from the central bank and call loans to banks		244,731	261,832	307,501	1,357,590	294,198
Financial assets at fair value through profit or loss		92,084,805	97,455,257	111,377,286	107,982,899	116,358,172
Financial assets at fair value through other comprehensive income		103,117,226	98,395,152	None	None	None
Available-for-sale financial assets		None	None	98,011,594	90,637,886	83,810,345
Securities purchased under resell agreements		100,013	991,363	5,682,864	200,092	4,100,000
Receivables, net		853,563	1,291,700	1,249,639	1,276,545	1,221,950
Current tax assets		315,759	286,330	246,136	119,050	155,041
Financial assets held to maturity		None	None	None	None	None
Other financial assets, net		549,676	548,988	173,478	177,924	178,805
Property and equipment, net		154,192	150,208	155,116	157,643	157,921
Right-of-use asset, net		4,735	None	None	None	None
Deferred tax assets		67,138	101,386	109,557	105,326	113,228
Other assets, net		47,721	48,815	3,099,233	1,324,136	1,192,495
Total Assets		**197,539,559**	**199,531,031**	**220,412,404**	**203,339,091**	**207,582,155**
Call loans from banks and overdrafts on banks		14,500,869	26,544,504	18,137,720	14,822,790	11,010,000
Commercial paper issued, net		None	499,881	2,999,557	2,499,824	None
Financial liabilities at fair value through profit or loss		5,122	5,885	8,624	27,883	7,284
Securities sold under repurchase agreements		156,689,837	147,046,457	173,976,038	161,213,032	171,238,096
Accounts payable		715,039	451,695	475,561	689,356	1,381,783
Current tax liabilities		None	None	None	None	None
Other financial liabilities		None	None	None	None	None
Provisions		1,398,066	1,396,246	1,524,181	1,530,697	1,469,907
Lease liability		4,773	None	None	None	None
Deferred tax liabilities		51,120	4,898	93	5,645	13,970
Other liabilities		319,271	282,972	265,698	112,806	75,778
Total Liabilities	**Before distribution**	**173,684,097**	**176,232,538**	**197,387,472**	**180,902,033**	**185,196,818**
	After distribution	(Note 1)	**177,293,476**	**198,340,974**	**182,030,119**	**186,311,475**
Equity attributable to the parent		**23,855,462**	**23,298,493**	**23,024,932**	**22,437,058**	**22,385,337**
Capital stock	13,429,600	13,429,600	13,429,600	13,429,600	13,429,600	13,429,600
	After distribution	(Note 1)	13,429,600	13,429,600	13,429,600	13,429,600
Capital surplus		7,308	4,113	2,474	2,474	2,474
Retained earnings	Before distribution	9,800,304	9,520,568	9,009,745	8,781,359	8,277,678
	After distribution	(Note 1)	8,459,630	8,056,243	7,653,273	7,163,021
Other equity		618,250	344,212	583,113	223,625	675,585
Treasury stock		None	None	None	None	None
Non-controlling interests		None	None	None	None	None
Total equity	**Before distribution**	**23,855,462**	**23,298,493**	**23,024,932**	**22,437,058**	**22,385,337**
	After distribution	(Note 1)	**22,237,555**	**22,071,430**	**21,308,972**	**21,270,680**

Note 1: The motion for distribution of earnings in 2019 has been approved by the Board of Directors but has not yet been resolved by the shareholders' meeting by the date of publication of this annual report.

Note 2: Said financial information has been audited and certified by independent auditors.

II. Condensed income statement

Unit: NT$ thousand

Item \ Year	Financial information for the most recent five years				
	2019	2018	2017	2016	2015
Interest revenue	2,010,422	1,920,107	1,980,066	1,962,670	1,981,815
Less: interest expenses	(1,154,448)	(948,419)	(821,148)	(683,459)	(901,156)
Net interest income	855,974	971,688	1,158,918	1,279,211	1,080,659
Net income other than interest	1,158,794	1,005,520	936,028	1,033,284	1,144,013
Net revenue	**2,014,768**	**1,977,208**	**2,094,946**	**2,312,495**	**2,224,672**
Provisions	(4,476)	131,603	7,283	184,790	180,401
Operating expenses	(456,814)	(478,583)	(476,026)	(497,284)	(487,809)
Income before income tax from continuing operations	**1,553,478**	**1,630,228**	**1,626,203**	**2,000,001**	**1,917,264**
Income tax gains (expenses)	(308,825)	(294,809)	(275,139)	(366,483)	(307,568)
Net income from continuing operations	**1,244,653**	**1,335,419**	**1,351,064**	**1,633,518**	**1,609,696**
Income (loss) from discontinued operations	None	None	None	None	None
Net profit (net loss) - current period	**1,244,653**	**1,335,419**	**1,351,064**	**1,633,518**	**1,609,696**
Other comprehensive income (net after tax) - current period	370,059	(236,507)	364,896	(467,140)	275,541
Total comprehensive income – current period	1,614,712	1,098,912	1,715,960	1,166,378	1,885,237
Net profit attributable to the owner of parent	**1,244,653**	**1,335,419**	**1,351,064**	**1,633,518**	**1,609,696**
Net profit attributable to the non-controlling interest	None	None	None	None	None
Net profit from total comprehensive income attributable to the owner of parent	**1,614,712**	**1,098,912**	**1,715,960**	**1,166,378**	**1,885,237**
Total comprehensive income attributable to the non-controlling equity	None	None	None	None	None
Earnings per share (NT$)	0.93	0.99	1.01	1.22	1.20

Note: Said financial information has been audited and certified by the independent auditors.

III. Independent auditors over the past five years and their audit opinions

Year	CPA Firm	Independent auditor		Audit opinion
2019	Deloitte Taiwan	Joe Chen	Eric Lin	Unqualified opinions
2018	Deloitte Taiwan	Jui-Chan Huang	Chen-Hsiu Yang	Unqualified opinions
2017	Deloitte Taiwan	Jui-Chan Huang	Chen-Hsiu Yang	Unqualified opinions
2016	Deloitte Taiwan	Jui-Chan Huang	Chen-Hsiu Yang	Unqualified opinions
2015	Deloitte Taiwan	Jui-Chan Huang	Chen-Hsiu Yang	Unqualified opinions

Two. Financial analysis for the most recent five years

Analysis Item (Note 2) / Year		Financial analysis for the most recent five years (Note 1)				
		2019	2018	2017	2016	2015
Operational ability	Average days of the holding period of bills/bonds	7.37	8.12	7.91	7.52	6.81
	Non-performing guarantee ratio (%)	0	0	0	0	0
	Total asset turnover (counts)	0.01	0.01	0.01	0.01	0.01
	Average revenues per employee (NT$1,000)	13,522	13,360	14,060	15,315	15,449
	Average earnings per employee (NT$1,000)	8,353	9,023	9,068	10,818	11,178
Profitability	Return on assets (%)	0.63	0.64	0.64	0.80	0.85
	Return on shareholders' equity (%)	5.28	5.77	5.94	7.29	7.34
	Profit margin (%)	61.78	67.54	64.49	70.64	72.36
	Earnings per share (NT$)	0.93	0.99	1.01	1.22	1.20
Financial structure	Ratio of liabilities to assets (%)	87.25	87.67	88.91	88.26	88.55
	Property and equipment to equity (%)	0.65	0.64	0.67	0.70	0.71
Growth rate	Asset growth rate (%)	-1.00	-9.47	8.40	-2.04	22.17
	Profit growth rate (%)	-4.71	0.25	-18.69	4.32	15.62
Cash flow (Note 7)	Cash flow ratio (%)	7.92	Not applicable	Not applicable	Not applicable	1.35
	Cash flow adequacy ratio (%)	98.32	Not applicable	Not applicable	Not applicable	Not applicable
Total balance of guarantee secured by stakeholders (NT$1,000)		0	0	0	0	0
Total balance of guarantee secured by stakeholders to total balance of guarantee (%)		0	0	0	0	0
Operating scale (Note 8)	Asset market share (%)	19.69	19.70	21.35	20.65	22.17
	Net-worth market share (%)	18.57	18.83	18.81	19.15	19.13
	Market share of guarantee and endorsement of bills (%)	19.15	19.08	18.90	19.12	18.14
	Market share of issuance of and initial subscription for bills/bonds (%)	19.28	17.83	19.36	20.29	21.38
	Market share of bills/bonds transactions (%)	19.43	15.63	15.91	17.60	19.14
Capital adequacy	Capital adequacy ratio (%)	12.70	12.88	13.19	13.48	13.70
	Eligible regulatory capital (NT$1,000)	23,602,903	22,938,478	22,185,185	22,551,610	21,984,364

Analysis Item (Note 2) \ Year		Financial analysis for the most recent five years (Note 1)				
		2019	**2018**	**2017**	**2016**	**2015**
	Total risk-weighted assets (NT$1,000)	185,890,483	178,050,233	168,237,587	167,356,987	160,492,875
	Tier 1 capital to total risk-weighted assets (%)	12.48	12.80	13.02	13.26	13.38

Please explain the reasons for changes in each financial ratio during the most recent two years. (Analysis is not required if the magnitude of increase or decrease is less than 20%).

1. The asset growth rate increasing by 89%: Primarily because of the concurrent operation of bills finance business resulting in the Company's increase in the bills in 2019 from 2018.
2. Profit growth rate decreasing by 198%: Primarily because of the declination of the profit in 2019 from 2018.

Note 1: The figures applied by the financial analysis for said years have been audited and certified by the independent auditors.
Note 2: The following calculation formulas must be listed at the end of the foregoing table:

1. Operational ability
   (1) Average days of the holding period of bills/bonds=365/turnover of bills/bonds (Note 3)
   (2) Non-performing guarantee ratio=Non-performing guarantee (including overdue receivables)/total guarantee (including overdue receivables)
   (3) Total asset turnover=Revenue (Note 4)/Average total assets
   (4) Average revenues per employee = Revenue (Note 4)/Total number of employees (exclusive of directors)
   (5) Average earnings per employee = Net earnings after tax/Total number of employees (exclusive of directors)
2. Profitability
   (1) Return on assets = Income (loss) after tax/Average total assets
   (2) Return on shareholders' equity = Income (loss) after tax/Average total equity
   (3) Net profit margin = Income (loss) after tax/Revenue (Note 4)
   (4) Earnings per share = (Income (loss) attributable to the owner of parent-Preferred stock dividend)/Weighted average number of outstanding shares (Note 5)
3. Financial structure
   (1) Ratio of liabilities to total assets = Total liabilities (Note 6)/Total assets
   (2) Property and equipment to equity=Property and equipment, net/Total equity
4. Growth rate
   (1) Asset growth rate = (total assets during the current year - total assets during the previous year)/total assets during the previous year
   (2) Profit growth rate = (Income (loss) before tax during the current year - Income (loss) before tax during the previous year)/Income (loss) before tax during the previous year
5. Cash flow
   (1) Cash flow ratio = Net cash flow from operating activities/(Call loans from banks and overdrafts on banks + commercial paper issued + financial liabilities at fair value through profit or loss + Securities sold under repurchase agreements + Accounts payable-current portion)
   (2) Cash flow adequacy ratio = Net cash flow from operating activities during the most recent five years/(capital expenditures + cash dividends) during the most recent five years
6. Operating scale
   (1) Asset market share = Total assets/Total assets of all bills finance companies
   (2) Net-worth market share = Net worth/Total net worth of all bills finance companies
   (3) Market share of guarantee and endorsement of bills=Balance of guarantee and endorsement of bills/Total balance of guarantee and endorsement of bills by all bills finance companies
   (4) Market share of issuance of and initial subscription for bills/bonds=Amount of issuance of and initial subscription for bills/bonds / Total amount of issuance of and initial subscription for bills/bonds by all bills finance companies
   (5) Market share of bills/bonds transactions=Amount of bills/bonds transactions/Total amount of bills/bonds transactions by all bills finance companies

7. Capital adequacy
   (1) Capital adequacy ratio = Eligible regulatory capital/Risk-weighted assets
   (2) Eligible regulatory capital=Tier 1 capital+Eligible Tier 2 capital+Eligible and Authorized Tier 3 capital
   (3) Total risk-weighted assets=Credit risk-weighted assets=(Operation risk capital requirement+Market risk capital requirement)x12.5
   (4) Tier 1 capital to total risk-weighted assets=Tier 1 capital/Total risk-weighted assets

Note 3: Turnover of bills/bonds=Amount of bills/bonds transactions/Average balance of bills/bonds

Note 4: The revenue means the total of interest income and non-interest income.

Note 5: When calculating the earnings per share referred to in the preceding paragraph, please note that:

1. The weighted average number of common shares shall apply, instead of the number of outstanding shares at the end of the year.
2. In the case of capital increase or treasury stock transactions, the calculation shall take the weighted average number of outstanding shares.
3. In the case of recapitalization from earnings or recapitalization from capital surplus, the calculation of earnings per share for the previous year and for a half of year shall make adjustment retroactively subject to the proportion of capital increase, irrelevant with the issuance period for the capital increase.
4. If the preferred stock refers to non-convertible cumulative preferred stock, the stock dividend for the current year (whether allocated or not) shall be deducted from the net income after tax or add the net loss after tax.
5. If the preferred stock is not cumulative one, the preferred stock dividend shall be deducted from the net income after tax, if any. Notwithstanding, no adjustment is required, in the case of loss.

Note 6: The total liabilities exclude the guarantee liability provision.

Note 7: Not applicable, in the case of net cash outflow from operating activities.

Note 8: The source of data refers to the “Financial Statistics Abstract” issued by Banking Bureau of FSC.

Three. Audit Cudit Committee's Report on the 2019 Financial Statements

See Page 149.

Four. 2019 Financial Statements

See Pages 150~223.

Five. The 2019 Entity Financial Statement Audited and Certified by Independent Auditors

The Company has no subsidiaries and, therefore, the entity financial statement is as same as the financial statement. Please see Pages150~223.

Six. Any Financing Problems Encountered by the Company or Its Affiliates Which Might Affect the Company's Financial Status

None.

Audit Committee's Report

The Company's 2019 financial statements reviewed by the Audit Committee and resolved by the Board of Directors meeting have been audited and certified by Joe Chen, CPA & Eric Lin, CPA of Deloitte & Touche, who gave an unqualified opinion on the audit report. Meanwhile, after completing the audit on the Company's 2019 business report, substantial property catalogue and motion of distribution of earnings, the Audit Committee believes that they are free of material misstatement, and thus produces this report according to Article 14-4 of the Securities and Exchange Act whereunder Article 219 of the Company Act may apply *mutatis mutandis.*

To: 2020 General Shareholders' Meeting of China Bills Finance Corporation

Audit Committee of China Bills Finance Corporation

Convener: Chung-Ho Chen

February 26, 2020

Deloitte

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders

China Bills Finance Corporation

Opinion

We have audited the accompanying financial statements of China Bills Finance Corporation (the Company), which comprise the balance sheets as of December 31, 2019 and 2018, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Publicly Bills Finance Companies, Regulations Governing the Preparation of Financial Reports by Securities Firms 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 Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Estimated Impairment of Financial Guarantee Contracts

As of December 31, 2019, the Company's estimated reserve for losses on guarantee for the Company's financial guarantee contracts entered into with credit clients was $1,325,077 thousand. In accordance with the requirements of IFRS 9, "Financial Instruments", the Company recognized the reserve for guarantee liabilities based on the assessed and estimated occurrence of expected losses on financial guarantee contracts. In addition, the reserve for guarantee liabilities was calculated and classified in accordance with 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 Debts" (Regulations Governing the Procedures for Bad Debts) and related regulations.

Please refer to Notes 4, 5, 20 and 37 (f) for relevant information and accounting policy for financial guarantee contracts.

The Company should assess the classification of credit assets and recognize the reserve for guarantee liabilities in accordance with the "Regulations Governing the Procedures for Bad Debts". The assessment and reservation involve subjective judgment and estimates, which will directly affect the related accrued amounts. Thus, the estimated impairment of financial guarantee contracts is deemed to be 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:

1. We understood the internal controls about the estimated impairment of reserve for guarantee liabilities of financial guarantee contracts and we tested the effectiveness of the operation of the controls.

2. We reviewed the management's loss reserves evaluation report of credit assets, checked the completeness of credit assets on the loss reserves evaluation report, and evaluated the appropriateness of classification. We also recalculated the amount of reserve for guarantee liabilities shown on the provision for loss reserves evaluation report to confirm the mathematical accuracy of provision for loss reserves.

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

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

In preparing the financial statements, management is responsible for assessing the Company'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 Company 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 Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

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

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

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 25, 2020

Notice to Readers

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

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

CHINA BILLS FINANCE CORPORATION

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

	2019		2018	
ASSETS	**Amount**	**%**	**Amount**	**%**
CASH AND CASH EQUIVALENTS (Notes 4 and 6)	$ 244,731	-	$ 261,832	-
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 7 and 33)	92,084,805	47	97,455,257	49
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 4, 8, 9 and 33)	103,117,226	52	98,395,152	49
SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Notes 4, 10 and 34)	100,013	-	991,363	1
RECEIVABLES, NET (Notes 4 and 11)	853,563	1	1,291,700	1
CURRENT TAX ASSETS (Notes 4 and 30)	315,759	-	286,330	-
OTHER FINANCIAL ASSETS, NET (Notes 4, 12 and 33)	549,676	-	548,988	-
PROPERTY AND EQUIPMENT, NET (Notes 4 and 13)	154,192	-	150,208	-
RIGHT-OF-USE ASSETS, NET (Notes 4, 14 and 32)	4,735	-	-	-
DEFERRED TAX ASSETS (Notes 4 and 30)	67,138	-	101,386	-
OTHER ASSETS, NET (Note 15)	47,721	-	48,815	-
TOTAL	$ 197,539,559	100	$ 199,531,031	100
LIABILITIES AND EQUITY				
CALL LOANS FROM BANKS AND OVERDRAFTS ON BANKS (Note 16)	$ 14,500,869	7	$ 26,544,504	13
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4 and 7)	5,122	-	5,885	-
SECURITIES SOLD UNDER REPURCHASE AGREEMENTS (Notes 4, 17, 32 and 34)	156,689,837	79	147,046,457	74
ACCOUNTS PAYABLE (Note 18)	715,039	1	451,695	-
COMMERCIAL PAPER ISSUED, NET (Note 19)	-	-	499,881	-
PROVISIONS (Notes 4, 5 and 20)	1,398,066	1	1,396,246	1
LEASE LIABILITIES (Notes 4 and 14)	4,773	-	-	-
DEFERRED TAX LIABILITIES (Notes 4 and 30)	51,120	-	4,898	-
OTHER LIABILITIES	319,271	-	282,972	-
Total liabilities	173,684,097	88	176,232,538	88
EQUITY (Notes 4 and 22)				
Ordinary share capital	13,429,600	7	13,429,600	7
Capital surplus	7,308	-	4,113	-
Retained earnings				
Legal reserve	7,681,488	4	7,280,862	4
Special reserve	769,120	-	769,120	-
Unappropriated earnings	1,349,696	1	1,470,586	1
Total retained earnings	9,800,304	5	9,520,568	5
Other equity	618,250	-	344,212	-
Total equity	23,855,462	12	23,298,493	12
TOTAL	$ 197,539,559	100	$ 199,531,031	100

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

CHINA BILLS FINANCE CORPORATION

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

	2019		2018	
	Amount	%	Amount	%
NET INTEREST				
Interest revenues (Notes 4 and 23)	$ 2,010,422	100	$ 1,920,107	97
Deduct: Interest expenses (Notes 4, 23 and 32)	(1,154,448)	(58)	(948,419)	(48)
Net interest	855,974	42	971,688	49
NET REVENUES OTHER THAN INTEREST				
Service fee income, net (Notes 4 and 24)	983,401	49	873,548	44
Gains on financial assets and liabilities at fair value through profit or loss (Notes 4, 7, 25 and 32)	97,309	5	51,257	3
Realized gains or losses on financial assets at fair value through other comprehensive income (Notes 4 and 26)	111,783	6	57,259	3
Foreign exchange gains or losses, net (Notes 4 and 27)	(24,318)	(1)	14,498	1
Reversed (recognized) impairment loss (Notes 4 and 9)	(12,108)	(1)	6,699	-
Other non-interest gains, net	2,727	-	2,259	-
TOTAL NET REVENUES	2,014,768	100	1,977,208	100
REVERSAL (PROVISIONS) (Notes 4 and 20)	(4,476)	-	131,603	7
OPERATING EXPENSES (Notes 4, 28, 29 and 32)				
Employee benefit expenses	(323,801)	(16)	(336,068)	(17)
Depreciation and amortization	(24,484)	(1)	(8,426)	-
Others	(108,529)	(6)	(134,089)	(7)
Total operating expenses	(456,814)	(23)	(478,583)	(24)
INCOME BEFORE INCOME TAX	1,553,478	77	1,630,228	83
INCOME TAX EXPENSE (Notes 4 and 30)	(308,825)	(15)	(294,809)	(15)
NET INCOME FOR THE YEAR	1,244,653	62	1,335,419	68

(Continued)

CHINA BILLS FINANCE CORPORATION

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

	2019		2018	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Notes 4 and 21)	$ 470	-	$ 2,301	-
Unrealized gains or losses on investments in equity instruments designated as at fair value through other comprehensive income (Notes 4 and 22)	184,442	9	35,964	2
Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 4 and 30)	(94)	-	2,381	-
	184,818	9	40,646	2
Items that may be reclassified subsequently to profit or loss:				
Unrealized gains or losses on investments in debt instruments at fair value through other comprehensive income (Notes 4 and 22)	252,831	12	(294,462)	(15)
Income tax relating to items that may be reclassified subsequently to profit or loss (Notes 4 and 30)	(67,590)	(3)	17,309	1
Items that will be reclassified subsequently to profit or loss for period, net of income tax	185,241	9	(277,153)	(14)
Other comprehensive income (loss) for the year, net of income tax	370,059	18	(236,507)	(12)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 1,614,712	80	$ 1,098,912	56
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 31)				
Basic	$ 0.93		$ 0.99	
Diluted	$ 0.93		$ 0.99	

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

CHINA BILLS FINANCE CORPORATION

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

			Retained Earnings (Notes 4 and 22)			Other Equity (Notes 4 and 22)		
	Share Capital (Notes 4 and 22)	Capital Surplus (Notes 4 and 22)	Legal Reserve	Special Reserve	Unappropriated Earnings	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Comprehensive Income	Total Equity
BALANCE AT JANUARY 1, 2018	$ 13,429,600	$ 2,474	$ 6,875,543	$ 769,120	$ 1,365,082	$ 583,113	$ -	$ 23,024,932
Effect of retrospective application and retrospective restatement	-	-	-	-	31,091	(583,113)	678,534	126,512
BALANCE AT JANUARY 1, 2018 APPLIED RETROSPECTIVELY	13,429,600	2,474	6,875,543	769,120	1,396,173	-	678,534	23,151,444
Legal reserve	-	-	405,319	-	(405,319)	-	-	-
Cash dividends distributed	-	-	-	-	(953,502)	-	-	(953,502)
Unclaimed dividends	-	1,639	-	-	-	-	-	1,639
Net income for the year ended December 31, 2018	-	-	-	-	1,335,419	-	-	1,335,419
Other comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	4,682	-	(241,189)	(236,507)
Total comprehensive income for the year ended December 31, 2018	-	-	-	-	1,340,101	-	(241,189)	1,098,912
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	93,133	-	(93,133)	-
BALANCE AT DECEMBER 31, 2018	13,429,600	4,113	7,280,862	769,120	1,470,586	-	344,212	23,298,493
Legal reserve	-	-	400,626	-	(400,626)	-	-	-
Cash dividends distributed	-	-	-	-	(1,060,938)	-	-	(1,060,938)
Unclaimed dividends	-	3,195	-	-	-	-	-	3,195
Net income for the year ended December 31, 2019	-	-	-	-	1,244,653	-	-	1,244,653
Other comprehensive income for the year ended December 31, 2019	-	-	-	-	376	-	369,683	370,059
Total comprehensive income for the year ended December 31, 2019	-	-	-	-	1,245,029	-	369,683	1,614,712
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	95,645	-	(95,645)	-
BALANCE AT DECEMBER 31, 2019	$ 13,429,600	$ 7,308	$ 7,681,488	$ 769,120	$ 1,349,696	$ -	$ 618,250	$ 23,855,462

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

CHINA BILLS FINANCE CORPORATION

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

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 1,553,478	$ 1,630,228
Adjustments for:		
Recognized (reversed) expected credit loss/impairment loss	27,108	(126,099)
Net gain on valuation of financial assets and liabilities at fair value through profit or loss	(35,188)	(27,896)
Depreciation expenses	21,908	6,215
Amortization expenses	2,576	2,211
Interest expenses	1,154,448	948,419
Interest revenues	(2,010,422)	(1,920,107)
Dividend revenues	(27,718)	(42,754)
Gain (loss) on disposal of property and equipment	(113)	203
Changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	5,404,877	16,347,186
Financial assets at fair value through other comprehensive income	(4,364,498)	(196,577)
Securities purchased under resale agreements	891,350	4,691,501
Receivables and non-accrual loans	232,029	(116,431)
Other financial assets	(688)	(19,304)
Other assets	3,235	(754)
Securities sold under repurchase agreements	9,643,380	(26,929,581)
Payables	250,400	(27,500)
Provisions	(12,710)	(6,234)
Other liabilities	36,299	17,274
Interest received	2,216,530	1,994,477
Dividend received	27,718	42,754
Interest paid	(1,137,975)	(942,822)
Income tax paid	(257,878)	(319,646)
Net cash generated from (used in) operating activities	13,618,146	(4,995,237)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property and equipment	(10,116)	(1,998)
Proceeds from disposal of property and equipment	464	488
Increase in refundable deposits	(271)	-
Decrease in refundable deposits	-	89
Increase in other assets	(4,446)	(2,293)
Net cash generated from (used in) investing activities	(14,369)	(3,714)

(Continued)

CHINA BILLS FINANCE CORPORATION

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

	2019	2018
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in call loans from banks and overdrafts	$ -	$ 8,406,784
Decrease in call loans from banks and overdrafts	(12,043,635)	-
Decrease in commercial paper payable	(500,000)	(2,500,000)
Repayment of the principal portion of lease liabilities	(16,305)	-
Cash dividend paid	(1,060,938)	(953,502)
Net cash generated from (used in) financing activities	(13,620,878)	4,953,282
NET DECREASE IN CASH AND CASH EQUIVALENTS	(17,101)	(45,669)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	261,832	307,501
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 244,731	$ 261,832

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

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

In accordance with the Company Law and other related laws, China Bills Finance Corporation (the “Company”) was incorporated in October 1978. The Company’s shares have been listed on the Taiwan Stock Exchange (TSE). As of December 31, 2019, the Company had headquarters located in Taipei, with five branches located in Banqiao, Taoyuan, Taichung, Tainan and Kaohsiung.

The Company’s main activities are the (a) certifying and underwriting of short-term bills and bank debentures; (b) brokering or undertaking proprietary trading of short-term bills, bank debentures, government and corporate bonds, and foreign bonds; (c) guaranteeing short-term bills; (d) providing financial consulting services to enterprises; (e) processing interbank call loans; (f) equity investments; (g) fixed-income security trading; (h) foreign-currency bills investment; and (h) doing other businesses as authorized by relevant authorities.

As of December 31, 2019 and 2018, the Company had 158 and 157 employees, respectively.

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Company’s board of directors on February 25, 2020.

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

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

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

1) IFRS 16 “Leases”

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

<u>Definition of a lease</u>

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

The Company as lessee

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

The Company elects to apply IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized in retained earnings on January 1, 2019. Comparative information is restated.

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

The Company also applies the following practical expedients:

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

The lessee's weighted average incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 was 1.66%. The difference between the (i) lease liabilities recognized and (ii) operating lease commitments disclosed under IAS 17 on December 31, 2018 was explained as follows:

The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	$ 20,184
Less: Recognition exemption for leases of low-value assets	(893)
Undiscounted amount on January 1, 2019	$ 19,291
Discounted amount using the incremental borrowing rate on January 1, 2019	$ 19,050
Lease liabilities recognized on January 1, 2019	$ 19,050

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

	As Originally Stated on January 1, 2019	**Adjustments Arising from Initial Application**	**Adjusted on January 1, 2019**
Right-of-use assets	$ -	$ 19,050	$ 19,050
Total effect on assets		$ 19,050	
Lease liabilities - current	$ -	$ 19,050	$ 19,050
Total effect on liabilities		$ 19,050	

2) Amendments to IFRS 9 “Prepayment Features with Negative Compensation”

IFRS 9 stipulates that if a contractual term of a financial asset permits the issuer (i.e. the debtor) to prepay a debt instrument or permits the holder (i.e. the creditor) to put a debt instrument back to the issuer before maturity and the prepayment amount substantially represents unpaid amounts of the principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination, the financial asset has contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. The amendments further explain that reasonable compensation may be paid or received by either of the parties, i.e. a party may receive reasonable compensation when it chooses to terminate the contract early.

b. The IFRSs endorsed by the Financial Supervisory Commission (FSC) for application starting from 2020

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

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

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

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

As of the date the financial statements were authorized for issue, the Company assessed that the above amendments would not have significant impact on the Company. However, the Company is continuously assessing the possible impact that the application of other standards and interpretations might have on the Company’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

c. Not yet applied new IFRSs announced by IASB but not yet endorsed and issued into effect by the FSC

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

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

Basis of Preparation

The financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value, and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements are grouped into the following Levels 1 to 3 based on the degree at which the fair value measurement inputs are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

a. Level 1 inputs are quoted prices (unadjusted) in active markets;

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

c. Level 3 inputs are unobservable inputs for the asset or liability.

Classification of Current and Non-current Assets and Liabilities

The operating cycle in the bills finance industry cannot be clearly identified; thus, accounts included in the financial statements of the Company were not classified as current or noncurrent. Nevertheless, accounts are properly categorized by the nature of each account and are sequenced by their liquidity.

Foreign Currencies

Monetary transactions in foreign currencies are recognized at the spot exchange rates at the dates of the transactions. On the settlement of the transactions, the gain or loss resulting from the application of exchange rates different from those used on initial recognition are recognized in profit or loss in the settlement period.

Cash and Cash Equivalents

Cash and cash equivalents include demand deposits and time deposits with original maturities less than three months. In terms of statements of cash flows, cash and cash equivalents include due from the Central Bank and call loans to banks that meet the definition of cash and cash equivalents in IAS 7 as endorsed by the FSC.

Securities Purchased/Sold Under Resell/Repurchase Agreements

Securities purchased under resell agreements and securities sold under repurchase agreements are treated as collateralized financing transactions. Interest earned on resell agreements or interest incurred on repurchase agreements is recognized on an accrual basis.

In the case of outright sale of government bonds purchased under resell agreements, the Company recognizes on financial liabilities at fair value through profit or loss of outright sale, and recognizes the realized gain or loss when government bonds purchased under resell agreements are replenished in the settlement period.

Financial Instruments

Financial assets and financial liabilities are recognized when the Company 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 issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) 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 fair value through profit or loss are recognized immediately in profit or loss.

a. Financial assets

   All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

   1) Measurement category

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

      a) Financial asset at FVTPL

         Financial asset is classified as at FVTPL when the financial asset is mandatorily classified or it is 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 FVTOCI criteria.

         Financial assets at FVTPL are subsequently measured at fair value, and remeasurement gains or losses on such financial assets (including any dividends or interest earned) are recognized in profit or loss. Fair value is determined in the manner described in Note 36.

      b) Investments in debt instruments at FVTOCI

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

         i. The financial asset is held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of the financial assets; and

         ii. 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.

         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 income 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.

c) Investments in equity instruments at FVTOCI

On initial recognition, the Company may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is 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, they will be transferred to retained earnings.

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

d) Financial assets at amortized cost

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

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

ii. 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, trade receivables at amortized cost and other, are measured at amortized cost, which equals to gross carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

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

i. Purchased or originated credit-impaired financial asset, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset; and

ii. Financial asset that has subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset.

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

i. Significant financial difficulty of the issuer or the borrower;

ii. Breach of contract, such as a default;

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

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

2) Impairment of financial assets

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

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

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

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

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

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

In addition to valuating impairment loss of receivables and recognizing allowance or bad debts under IFRS 9, the Company 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 Company's provision procedures, and recognize the higher of allowance of and debts between the above regulations expect.

The Company recognizes an impairment loss and reversal of impairment 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 the financial asset.

Credits deemed uncollectible may be written off upon approval by the board of directors.

3) Derecognition of financial assets

The Company 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 that 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 that had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

b. Financial liabilities

1) Subsequent measurement

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

a) Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss when the financial liability is either held for trading or it is designated as at fair value through profit or loss.

Financial liabilities held for trading are stated at fair value, and remeasurement gains or losses on such financial liabilities (including any dividends or interest paid) are recognized in profit or loss. Fair value is determined in the manner described in Note 36.

b) Financial guarantee contracts

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

i. The amount of the loss allowance determined in accordance with IFRS 9; and

ii. 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, assessment is also performed 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 higher adequacy provision between the above regulations is recognized.

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

2) Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

c. Derivative financial instruments

The Company enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange swap contracts, interest rate swaps and convertible bond asset swap contracts.

Derivatives are initially recognized at fair value at the date 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. When the fair value of derivative financial instruments is positive, the derivative is recognized as a financial asset; otherwise, the derivative is recognized as a financial liability.

Derivatives embedded in hybrid contracts that contain financial asset hosts 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 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-accrual Loans

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 Financial Supervisory Commission, receivables and the balances of guaranteed and endorsed credits that are unpaid within six months after maturity are transferred to non-accrual loans.

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation and accumulated impairment loss.

Depreciation of property and equipment is recognized using the straight-line method. Each significant part is depreciated separately. 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 estimate accounted for on a prospective basis.

Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Impairment of Tangible and Intangible Assets Other Than Goodwill

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, for any indication of 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.

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.

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

Provisions

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

If the Company is under a contract for which the unavoidable costs of meeting contract obligations exceed the economic benefits expected to be received from the contract, the contract is considered onerous. The present obligations arising under this onerous contract are recognized and related provisions are set made.

Revenue Recognition

Service fee income are recognized when a major part of the earnings process has been completed and cash has been collected. Interest revenues are estimated on an accrual basis.

Dividend income from investments is recognized when the shareholder's right to receive payment has been established and if it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably.

Interest revenues from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on an accrual basis by reference to the principal outstanding and at the effective interest rate applicable.

Leases

2019

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

The Company as lessee

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

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

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

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments 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 Company 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 future lease payments resulting from a change in a lease term, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the balance sheets.

2018

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

a. The Company as lessee

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

   Lease incentives received under operating leases are recognized as liabilities. The aggregate benefit of incentives is recognized as a reduction of rental expenses on a straight-line basis.

b. Leasehold land for own use

   When a lease includes both land and building elements, the Company assesses the classification of each element separately as a finance or an operating lease based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Company. The minimum lease payments are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

   If the allocation of the lease payments can be made reliably, each element is accounted for separately in accordance with its lease classification. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease unless it is clear that both elements are operating leases; in which case, the entire lease is classified as an operating lease.

Employee Benefits

a. Short-term employee benefits

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

b. Retirement benefit cost

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

   Defined benefit costs (including service cost, net interest and remeasurement) under the 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 liability (asset) are recognized as employee benefit expenses in the period they occur. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

   Net defined benefit liability (asset) represents the actual deficit (surplus) in the Company's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

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 on unappropriated earnings is provided for 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 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 difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be used.

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 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 using applicable tax rates and laws that have been enacted or substantially enacted by the end of the reporting period in which the liability is settled or the asset realized. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

c. Current and deferred taxes

Current and deferred taxes are recognized in profit or loss, but when these taxes relate to items that are recognized in other comprehensive income or directly in equity, the current and deferred taxes are also recognized in other comprehensive income or directly in equity respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Estimated Impairment of Financial Guarantee Contracts

In accordance with 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", the Company's assessment of the adequacy of reserve for guarantee liabilities is focused on whether or not, guarantee liabilities and related cash outflows are likely to occur. Evidences for making such judgement includes observable data indicating adverse movement in payment status of the debtor or industry news relevant to the debtor's financial position. The Company periodically reviews judgement factors and assumptions in order to minimize the difference between estimated loss and actual loss.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2019	2018
Checking accounts and demand deposits	$ 244,696	$ 261,832
Post-dated checks for clearance	35	-
	$ 244,731	$ 261,832

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2019	2018
Financial assets mandatorily classified as at fair value through profit or loss		
Derivative financial instruments		
Currency swap contracts	$ 10,115	$ 1,598
Purchase commitment contracts	164	-
Non-derivative financial instruments		
Investment in short-term bills	82,462,513	90,620,652
Bond investments	220,195	293,692
Domestic quoted shares	217,569	-
Fixed-rate commercial paper	50,800	40,920
Beneficial certificates	500,000	-
Hybrid financial assets		
Convertible bond asset swap contracts	8,623,449	6,498,395
Financial assets at fair value through profit or loss	$ 92,084,805	$ 97,455,257
Financial liabilities held for trading		
Derivative financial instruments		
Purchase commitment contracts	$ 660	$ 961
Non-derivative financial instruments		
Variable rate commercial paper	4,462	4,924
Financial liabilities at fair value through profit or loss	$ 5,122	$ 5,885

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

	December 31	
	2019	2018
Convertible bond assets swap contracts	$ 8,617,600	$ 6,504,500
Purchase commitment contracts	750,000	700,000
Currency swap contracts	903,180	614,660

The Company used transactions of derivative financial instruments to acquire fixed returns and reduce the cash flow risk arising from interest rate and exchange rate fluctuations.

As of December 31, 2019 and 2018, the face values of financial assets at fair value through profit or loss under repurchase agreements was $62,715,800 thousand and $62,414,535 thousand, respectively.

The profit and loss arising from financial assets and liabilities at fair value through profit and loss of 2019 and 2018 were as follows:

	For the Year Ended December 31	
	2019	2018
Financial assets at fair value through profit or loss		
Realized profit	$ 71,701	$ 39,173
Valuation profit	34,425	25,157
	$ 106,126	$ 64,330
Financial liabilities at fair value through profit or loss		
Realized loss	$ (9,580)	$ (15,812)
Valuation profit	763	2,739
	$ (8,817)	$ (13,073)

Note 33 shows the financial assets at FVTPL that were classified as pledged assets.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2019	2018
Investments in equity instruments	$ 1,400,515	$ 1,465,852
Investments in debt instruments	101,716,711	96,929,300
	$ 103,117,226	$ 98,395,152

a. Investments in equity instruments

	December 31	
	2019	2018
Domestic investments		
Listed shares and emerging market shares	$ 896,548	$ 1,042,839
Unlisted shares	356,967	294,613
Beneficial securities on real estate investment trust	147,000	128,400
	$ 1,400,515	$ 1,465,852

As of December 31, 2019 and 2018 domestic unlisted shares held by the Company were as follows:

	December 31	
	2019	2018
Domestic unlisted shares		
Taiwan Depository and Clearing Corporation	$ 108,504	$ 103,031
Taiwan Futures Exchange Corporation	87,028	84,575
Taiwan Asset Management Corporation	69,314	66,939
Core Pacific City Corporation	92,121	40,068
	$ 356,967	$ 294,613

These investments in equity instruments 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.

The Company adjusted the capital adequacy ratio by disposal of shares classified as at FVTOCI. For the year ended December 31, 2019 and 2018, the fair value of shares disposed which classified as at FVTOCI were $1,056,943 thousand and $898,645 thousand and the accumulated gains and losses related to the sold assets were $95,645 thousand gain and $93,133 thousand gain which were transferred from other equity to retained earnings, respectively.

Dividends of $26,704 thousand and $40,009 thousand were recognized during 2019 and 2018, respectively, and those related to investments held at December 31, 2019 and 2018 were $24,467 thousand and $25,084 thousand, respectively.

b. Investments in debt instruments

	December 31	
	2019	2018
Domestic investments		
Government bonds	$ 23,559,064	$ 25,887,990
Corporate bonds	49,106,862	48,925,826
Bank debentures	9,933,130	9,264,657
Overseas investments		
Overseas government bonds	1,738,360	-
Overseas Corporate bonds	6,910,923	2,968,239
Overseas Bank debentures	10,468,372	9,882,588
	$ 101,716,711	$ 96,929,300

Refer to Note 9 for information relating to the credit risk and impairment assessment about these investments in debt instruments at FVTOCI.

Note 33 shows the investments in debt instruments at FVTOCI that were classified as pledged assets.

As of December 31, 2019 and 2018, the face value of debt instruments at FVTOCI under repurchase agreements was $90,117,159 thousand and $80,163,136 thousand, respectively.

9. CREDIT RISK MANAGEMENT FOR INVESTMENTS IN DEBT INSTRUMENTS

Investments in debt instruments were classified as at FVTOCI.

	December 31	
	2019	**2018**
Gross carrying amount	$ 101,226,208	$ 96,679,480
Adjustment to fair value	490,503	249,820
	$ 101,716,711	$ 96,929,300
Allowance for impairment loss	$ (36,753)	$ (24,645)

The Company invests only 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 Company's exposure and the external credit ratings are continuously monitored. The Company reviews changes in bond yields and other public information and makes an assessment whether there has been a significant increase in credit risk since the last period to the reporting date.

In order to minimize credit risk, the Company has tasked its credit management committee to develop and maintain a credit risk grading framework to categorize 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.

In determining the expected credit losses for debt instrument investments, the Company considers the historical default rates of each credit rating supplied by external rating agencies, the current financial condition of debtors, and industry forecast in estimating 12-month or lifetime expected credit losses. The Company’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 ECL
Doubtful	There has been a significant increase in credit risk since initial recognition	Lifetime ECL - not credit-impaired
In default	There is evidence indicating the asset is credit-impaired	Lifetime ECL - credit-impaired

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

December 31, 2019

Category	Expected Loss Rate	Gross Carrying Amount
Performing	0.0189%-0.393%	$ 99,826,168
Doubtful	0.2008%-0.227%	1,400,040
In default	-	-

December 31, 2018

Category	Expected Loss Rate	Gross Carrying Amount
Performing	0.0014%-0.4050%	$ 96,679,480
Doubtful	-	-
In default	-	-

The movements of the allowance for impairment loss of investments in debt instruments at FVTOCI were as follows:

	Credit Rating		
	Performing (12-month ECLs)	Doubtful (Lifetime ECLs - Not Credit - Impaired)	In default (Lifetime ECLs - Credit - Impaired)
Balance at January 1, 2019	$ 24,645	$ -	$ -
Transfers			
From performing to doubtful	(923)	923	-
Recognition	4,895	7,213	-
Balance at December 31, 2019	$ 28,617	$ 8,136	$ -
Balance at January 1, 2018	$ 31,344	$ -	$ -
Reversal	(6,699)	-	-
Balance at December 31, 2018	$ 24,645	$ -	$ -

10. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

As of December 31, 2019 and 2018, bonds and bills purchased were under resell agreements in the amounts of $100,030 thousand and $991,720 thousand before January 2020 and January 2019, respectively.

As of December 31, 2019 and 2018, bonds and bills purchased under resell agreements were sold under repurchase agreements in the face values of $100,000 thousand and $990,000 thousand, respectively.

11. RECEIVABLES, NET

	December 31 2019	December 31 2018
Interest receivables, net	$ 826,091	$ 1,032,199
Receivables on bond sales	21,723	249,634
Others receivables	5,749	9,867
	$ 853,563	$ 1,291,700

12. OTHER FINANCIAL ASSETS, NET

	December 31 2019	December 31 2018
Deposits placed with authorities for bank clearing	$ 525,000	$ 525,000
Futures margins	24,676	23,988
	$ 549,676	$ 548,988

13. PROPERTY AND EQUIPMENT, NET

	Land	Buildings	Transportation Equipment	Machinery and Computer Equipment	Office and Other Equipment	Lease Improvement	Equipment under Installation and Construction in Progress	Total
Cost								
Balance at January 1, 2018	$ 83,337	$ 94,088	$ 11,279	$ 50,486	$ 17,723	$ 6,825	$ -	$ 263,738
Additions	-	-	690	836	472	-	-	1,998
Disposals	-	-	(1,594)	(1,621)	(375)	-	-	(3,590)
Balance at December 31, 2018	$ 83,337	$ 94,088	$ 10,375	$ 49,701	$ 17,820	$ 6,825	$ -	$ 262,146
Accumulated depreciation								
Balance at January 1, 2018	$ -	$ 46,551	$ 7,045	$ 34,878	$ 14,570	$ 5,578	$ -	$ 108,622
Disposals	-	-	(1,323)	(1,249)	(327)	-	-	(2,899)
Depreciation expense	-	1,966	1,088	2,652	493	16	-	6,215
Balance at December 31, 2018	$ -	$ 48,517	$ 6,810	$ 36,281	$ 14,736	$ 5,594	$ -	$ 111,938
Net amount at December 31, 2018	$ 83,337	$ 45,571	$ 3,565	$ 13,420	$ 3,084	$ 1,231	$ -	$ 150,208
Cost								
Balance at January 1, 2019	$ 83,337	$ 94,088	$ 10,375	$ 49,701	$ 17,820	$ 6,825	$ -	$ 262,146
Additions	-	99	1,476	2,629	25	-	5,887	10,116
Disposals	-	-	(1,650)	(232)	-	-	-	(1,882)
Balance at December 31, 2019	$ 83,337	$ 94,187	$ 10,201	$ 52,098	$ 17,845	$ 6,825	$ 5,887	$ 270,380
Accumulated depreciation								
Balance at January 1, 2019	$ -	$ 48,517	$ 6,810	$ 36,281	$ 14,736	$ 5,594	$ -	$ 111,938
Disposals	-	-	(1,357)	(174)	-	-	-	(1,531)
Depreciation expense	-	1,656	1,058	2,544	507	16	-	5,781
Balance at December 31, 2019	$ -	$ 50,173	$ 6,511	$ 38,651	$ 15,243	$ 5,610	$ -	$ 116,188
Net amount at December 31, 2019	$ 83,337	$ 44,014	$ 3,690	$ 13,447	$ 2,602	$ 1,215	$ 5,887	$ 154,192

The above items of property and equipment are depreciated on a straight-line basis over the estimated useful life of the asset:

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

There were no property and equipment pledged by the Company to secure its borrowing or its issued guarantees.

14. LEASE ARRANGEMENTS

a. Right-of-use assets - 2019

	December 31, 2019
Carrying amounts	
Buildings	$ 3,144
Transportation equipment	1,591
	$ 4,735

		For the Year Ended December 31, 2019
Additions to right-of-use assets	$ 1 , 8	$ 1,812
Depreciation charge for right-of-use assets		
Buildings		$ 14,868
Transportation equipment		1,259
		$ 16,127

b. Lease liabilities - 2019

	December 31, 2019
Carrying amounts	$ 4,773

Discount rates for lease liabilities were as follows:

	December 31, 2019
Buildings	1.626%
Transportation equipment	2.283%-2.414%

c. Other lease information

2019

	For the Year Ended December 31, 2019
Expenses relating to low-value asset leases	$ 647
Total cash outflow for leases	$ (16,952)

The Company leases certain other equipment which qualify as short-term leases and certain office and other equipment which qualify as low-value asset leases. The Company has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

2018

The future minimum lease payments of non-cancellable operating lease commitments were as follows:

	December 31, 2018
Not later than 1 year	$ 16,155
Later than 1 year and not later than 5 years	4,028
	$ 20,183

15. OTHER ASSETS, NET

	December 31	
	2019	2018
Refundable deposits	$ 40,124	$ 39,853
Long-term prepaid expenses	5,626	3,756
Prepaid expenses	1,797	3,284
Others	174	1,922
	$ 47,721	$ 48,815

As of December 31, 2019 and 2018, the refundable deposits were as follows:

	December 31	
	2019	2018
Deposits placed with the Over the Counter (OTC) exchange for OTC transactions	$ 5,000	$ 5,000
Others	35,124	34,853
	$ 40,124	$ 39,853

The refundable deposits above were deposited in cash and time deposits.

16. CALL LOANS FROM BANKS AND OVERDRAFTS ON BANKS

As of December 31, 2019 and 2018, the balances of call loans from banks and overdrafts on banks amounted to $14,500,869 thousand and $26,544,504 thousand, respectively, with interest rate ranges of 0.54%-2.57% and 0.60%-4.80%, and the latest due date were January 2020 and January 2019, respectively.

As of December 31, 2019 and 2018, the credit lines of call loans from banks and overdrafts were $136,579,680 thousand and $131,278,643 thousand, respectively.

17. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

As of December 31, 2019 and 2018, bonds and bills in the amounts of $156,689,837 thousand and $147,046,457 thousand, had been sold under repurchase agreements for $156,809,643 thousand and $147,142,872 thousand before their maturities in December 2020 and June 2019, respectively.

18. PAYABLES

	December 31	
	2019	2018
Payable for bonds purchased	$ 249,554	$ 11,300
Employee awards payable	134,561	134,679
Withholding tax payable held by prior parties	67,838	93,605
Payable for shares purchased	66,634	44,656
Interest payables	64,304	59,006
Payable for custody	56,585	33,795
Compensation to directors and employees	39,833	41,801
Others	35,730	32,853
	$ 715,039	$ 451,695

19. COMMERCIAL PAPER ISSUED, NET

	December 31	
	2019	2018
Commercial paper issued	$ -	$ 500,000
Less: Discount on commercial paper issued	-	(119)
	$ -	$ 499,881

As of December 31, 2018, the latest due date was January 14, 2019 with interest rate of 0.65%.

20. PROVISIONS

	December 31	
	2019	2018
Reserve for losses on guarantees	$ 1,325,077	$ 1,310,077
Provision for employee benefits	72,989	86,169
	$ 1,398,066	$ 1,396,246

Reversal (provisions) were as follows:

	For the Year Ended December 31	
	2019	2018
Amounts collected from prior years' write-off	$ 10,524	$ 12,203
Amounts reserved for loss on guarantees	(15,000)	119,400
	$ (4,476)	$ 131,603

21. RETIREMENT BENEFITS PLANS

a. Defined contribution plans

The Company adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, the Company makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plans

The Company adopted the defined benefit plan under the Labor Standard Law, under which pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company contribute amounts within the range of 15% 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 Company assesses the balance in the pension fund. If the pension fund balance is inadequate for the payment of the retirement benefits of employees who will qualify for retirement in the next year, the Company is required to fund the difference through an appropriation that should be made by the end of March of the next year. The pension fund is managed by the Bureau of Labor (the "Bureau") under Ministry of Labor; the Company has no right to influence the Bureau's fund investment policy and strategy.

The amount included in the balance sheet arising from the Company's obligation in respect of its defined benefit plans was as follows:

	December 31	
	2019	**2018**
Present value of funded defined benefit obligation	$ 260,115	$ 250,064
Fair value of plan assets	(187,126)	(163,895)
Net liability arising from defined benefit obligation	$ 72,989	$ 86,169

Movements of the net defined benefit liability (asset) were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
Balance at January 1, 2018	$ 268,163	$ 173,459	$ 94,704
Service cost			
Current service cost	2,686	-	2,686
Net interest revenue	2,884	1,821	1,063
Recognized in profit or loss	5,570	1,821	3,749
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	4,707	(4,707)
Actuarial loss - changes in financial assumptions	2,940	-	2,940
Actuarial gain - experience adjustments	(534)	-	(534)
Recognized in other comprehensive income	2,406	4,707	(2,301)
Contributions from the employer	-	9,983	(9,983)
Benefits paid	(26,075)	(26,075)	-
Balance at December 31, 2018	$ 250,064	$ 163,895	$ 86,169
Balance at January 1, 2019	$ 250,064	$ 163,895	$ 86,169
Service cost			
Current service cost	2,488	-	2,488
Net interest revenue	2,501	1,691	810
Recognized in profit or loss	4,989	1,691	3,298
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	5,532	(5,532)
Actuarial loss - changes in demographic assumptions	5,657	-	5,657
Actuarial loss - changes in financial assumptions	1	-	1
Actuarial gain - experience adjustments	(596)	-	(596)
Recognized in other comprehensive income	5,062	5,532	(470)
Contributions from the employer	-	13,078	(13,078)
Others	-	2,930	(2,930)
Balance at December 31, 2019	$ 260,115	$ 187,126	$ 72,989

The Company is exposed to the following risks on its defined benefit plan:

1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is made at the discretion of the Bureau of Labor (BOL) or the BOL's designated investment manager. However, in accordance with relevant regulations, the return on plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk: A decrease in the government/corporate 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 plan's debt investments.

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

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

	December 31	
	2019	2018
Discount rates	0.750%	1.000%
Expected rates of salary increase	2.500%	2.500%

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

	December 31	
	2019	2018
Discount rates		
0.25% increase	$ (5,657)	$ (5,828)
0.25% decrease	$ 5,856	$ 6,040
Expected rates of salary increase		
0.25% increase	$ 5,654	$ 5,846
0.25% decrease	$ (5,492)	$ (5,671)

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation because it is unlikely that the change in assumptions would occur independently of each other as some of the assumptions may be correlated.

	December 31	
	2019	2018
The expected contributions to the plan for the next year	$ 4,582	$ 4,524
The average duration of the defined benefit obligation	9.0 years	9.6 years

22. EQUITY

a. Ordinary share capital

	December 31	
	2019	2018
Number of shares authorized (in thousands)	1,678,700	1,678,700
Shares authorized	$ 16,787,700	$ 16,787,000
Number of shares issued and fully paid (in thousands of shares)	1,342,960	1,342,960
Shares issued	$ 13,429,600	$ 13,429,600

b. Capital surplus

	December 31	
	2019	2018
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital		
Treasury share transactions	$ 2,474	$ 2,474
May only be used to offset a deficit		
Unclaimed dividends	4,834	1,639
	$ 7,308	$ 4,113

c. Retained earnings and dividend policy

The proposed consequential amendments to the Company's Articles of Incorporation were approved in the shareholders' meeting on June 8, 2018 as follows:

Before modification

The Company's Articles of Incorporation provide that the annual net income, less any losses of prior years, should be appropriated as follows:

1) Legal reserve, 30%;

2) Special reserve, if needed; and

3) Dividends.

After modification

The Company's Articles of Incorporation provide that the annual net income, less accumulated losses, should be appropriated as follows:

1) Legal reserve, 30%;

2) Special reserve, if needed; and

3) Dividends.

The Company's dividend policy is as follows:

1) The Company distributes a portion of the reserves in accordance with regulations, and the Company cannot distribute dividends if it has no earnings in the current period.

2) Because the Company is a fiercely competitive financial industry, which industrial growth has slowed down. As a result, dividends are distributed not only principally in cash, but also in stock. And should be at least 40% of total dividends.

3) The Company has the right to adjust its dividend policy in accordance with economic conditions, industry developments, and the Company's demand for funds.

Information on the bonus to employees and remuneration to directors proposed by the Company's board of directors is referred in Note 28.

Legal reserve should be appropriated from earnings until the legal reserve equals the Company's paid-in capital. Legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Under Rule No. 1010012865 and Rule No. 1010047490 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", the Company should appropriate or reverse to a special reserve. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses and thereafter distributed.

The appropriations of earnings for 2018 and 2017 proposed by the Company's board of directors and approved in the shareholders' meeting on May 31, 2019 and June 8, 2018, respectively, were as follows:

	Appropriation of Earnings For the Year Ended December 31		Dividends Per Share (NT$) For the Year Ended December 31	
	2018	**2017**	**2018**	**2017**
Legal reserve	$ 400,626	$ 405,319		
Cash dividends	1,060,938	953,502	$ 0.79	$ 0.71

The appropriation of earnings for 2019 had been proposed by the Company's board of directors on February 25, 2020. The appropriation and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 373,395	
Cash dividends	966,931	$ 0.72

The appropriation of earnings for 2019 are subject to the resolution of the shareholders' meeting to be held on May 28, 2020.

d. Other equity items

Unrealized valuation gain/loss on financial assets at FVTOCI

	For the Year Ended December 31	
	2019	**2018**
Balance at January 1	$ 344,212	$ 678,534
Recognized during the period		
Unrealized gain or loss		
Debt instruments	258,212	(253,204)
Equity instruments	184,442	35,964
Adjustments of expected credit losses in debt instruments	12,108	(6,699)
Reclassification adjustments		
Disposal of investments in debt instruments	(85,079)	(17,250)
Other comprehensive income recognized in the period	369,683	(241,189)
Cumulative unrealized gain on equity instruments transferred to retained earnings due to disposal	(95,645)	(93,133)
Balance at December 31	$ 618,250	$ 344,212

23. NET INTEREST

	For the Year Ended December 31	
	2019	2018
Interest revenues		
Bonds	$ 1,324,195	$ 1,291,829
Short-term bills	561,796	515,685
Convertible bond asset swap	119,364	97,362
Securities purchased under resell agreements	4,032	13,890
Others	1,035	1,341
	2,010,422	1,920,107
Interest expenses		
Bonds sold under repurchase agreements	(675,980)	(556,010)
Bills sold under repurchase agreements	(343,960)	(271,767)
Call loans from banks	(127,077)	(110,492)
Convertible bond asset swap	(2,102)	(1,950)
Lease liabilities	(216)	-
Others	(5,113)	(8,200)
	(1,154,448)	(948,419)
	$ 855,974	$ 971,688

24. SERVICE FEE INCOME, NET

	For the Year Ended December 31	
	2019	2018
Service fee income		
Guarantee business	$ 686,189	$ 616,626
Underwriting business	287,245	245,511
Others	14,816	24,118
	988,250	886,255
Service charge		
Others	(4,849)	(12,707)
	$ 983,401	$ 873,548

25. GAINS (LOSSES) ON FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT LOSS

	For the Year Ended December 31	
	2019	2018
Short-term bills	$ 49,976	$ 88,676
Bonds	27,130	12,034
Dividend revenue	1,014	2,745
Stocks and mutual funds	6,548	(42,539)
Derivative financial instruments	12,641	(9,659)
	$ 97,309	$ 51,257

26. REALIZED GAINS/(LOSSES) ON FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	For the Year Ended December 31	
	2019	2018
Government bonds	$ 22,385	$ 63,676
Corporate bonds	38,081	(4,907)
Bank debentures	24,613	(41,519)
Dividend revenue	26,704	40,009
	$ 111,783	$ 57,259

27. FOREIGN EXCHANGE GAINS (LOSSES), NET

	For the Year Ended December 31	
	2019	2018
Gross amount of foreign currency exchange gain	$ 35,133	$ 52,239
Gross amount of foreign currency exchange loss	(59,451)	(37,741)
Net foreign exchange gain or loss	$ (24,318)	$ 14,498

28. EMPLOYEE BENEFITS EXPENSES, DEPRECIATION AND AMORTIZATION

	For the Year Ended December 31	
	2019	2018
Employee benefit		
Salaries and wages (include compensation to employees)	$ 251,229	$ 258,414
Labor insurance and national health insurance	13,601	13,182
Remuneration to directors	28,477	29,498
Pension (Note 21)	8,084	13,351
Others	22,410	21,623
Depreciation	21,908	6,215
Amortization	2,576	2,211

For the year ended December 31, 2019, the Company reversed pension of $2,930 thousand due to the difference of actuarial report from prior years.

If the Company has profit in the year, the profit shall be reserved as employees' and the directors' compensation and resolved with the consent of the majority of the directors present at the meeting attended by more than two-thirds of the total directors. However, in case of accumulated losses, profit shall first be reserved to cover the losses.

The Company's compensation policy is as follows:

a. Employees: 1% to 2.5% of the profit;
b. Directors: 2.5% of the profit as limit, excluding independent directors.

The profit mentioned above is net profit before income tax without compensation to the employees and remuneration to directors.

The employees' compensation may be distributed by stock or cash. The directors' compensation should only be distributed by cash. The appropriations of earnings for employees' and the directors' compensation should be approved by the Company's board of directors and reported to the shareholders in their meeting.

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

Accrual rate

	For the Year Ended December 31	
	2019	**2018**
Compensation to employees-cash	1.25%	1.25%
Remuneration to directors	1.25%	1.25%

Amount

	For the Year Ended December 31	
	2019	**2018**
Compensation to employees - cash	$ 19,917	$ 20,901
Remuneration to directors	$ 19,917	$ 20,901

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

The compensation to employees and remuneration to directors for 2018 and 2017 resolved by the Company's board of directors on February 26, 2019 and March 20, 2018, respectively, were as below:

	For the Year Ended December 31	
	2018	**2017**
Compensation to employees - cash	$ 20,901	$ 20,848
Remuneration to directors	$ 20,901	$ 20,848

There was no significant difference between the actual amounts of compensation to employees and remuneration to directors paid and the amounts recognized in the financial statements for the year ended December 31, 2018 and 2017.

The compensation to employees and remuneration to directors for 2019 resolved by the Company's board of directors on February 25, 2020 were as follows:

	For the Year Ended December 31, 2019
Compensation to employees	$ 19,917
Remuneration to directors	$ 19,917

Information on the compensation to employees and remuneration to directors resolved by the Company's board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

29. OTHER OPERATING EXPENSES

	For the Year Ended December 31	
	2019	2018
Taxation	$ 39,401	$ 37,361
Annual fee and allocated	6,198	6,022
Stock service fee	4,659	18,070
Donations	880	811
Rental	647	28,893
Others	56,744	42,932
	$ 108,529	$ 134,089

30. INCOME TAXES

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	For the Year Ended December 31	
	2019	2018
Current tax		
In respect of the current year	$ 296,039	$ 264,438
Adjustments for prior periods	-	(2,295)
	296,039	262,143
Deferred tax		
In respect of the current year	12,786	47,450
Adjustments to deferred tax attributable to changes in tax rates and laws	-	(14,784)
	12,786	32,666
Income tax expense recognized in profit or loss	$ 308,825	$ 294,809

A reconciliation of accounting profit and income tax expenses is as follows:

	For the Year Ended December 31	
	2019	2018
Profit before tax	$ 1,553,478	$ 1,630,228
Income tax expense calculated at the statutory rate (20%)	$ 310,696	$ 326,046
Nondeductible expenses in determining taxable income	(2,905)	(12,468)
Unrecognized deductible temporary differences	1,034	(1,690)
Adjustments to deferred tax attributable to changes in tax rates and laws	-	(14,784)
Adjustments for prior years' tax	-	(2,295)
Income tax expense recognized in profit or loss	$ 308,825	$ 294,809

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

b. Income tax recognized directly in other comprehensive income

	For the Year Ended December 31	
	2019	**2018**
Deferred tax		
Effect of change in tax rate	$ -	$ (4,533)
In respect of the current year		
Unrealized gains or losses on financial assets at FVTOCI	(67,590)	(15,617)
Remeasurement of defined benefit plans	(94)	460
	$ (67,684)	$ (19,690)

c. Current tax assets and liabilities

	December 31	
	2019	**2018**
Current tax assets		
Tax refund receivable	$ 315,759	$ 286,330

d. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2019

	Opening Balance	**Recognized in Profit or Loss**	**Recognized in Other Comprehensive Income**	**Closing Balance**
Deferred tax assets				
Temporary differences				
Reserve for losses on guarantees	$ 52,914	$ (4,714)	$ -	$ 48,200
Defined benefit obligation	17,235	(2,542)	(94)	14,599
Asset impairment	4,339	-	-	4,339
FVTOCI financial assets	26,898	-	(26,898)	-
	$ 101,386	$ (7,256)	$ (26,992)	$ 67,138
Deferred tax liabilities				
Temporary differences				
FVTPL financial assets	$ 4,898	$ 5,530	$ -	$ 10,428
FVTOCI financial assets	-	-	40,692	40,692
	$ 4,898	$ 5,530	$ 40,692	$ 51,120

For the year ended December 31, 2018

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax assets				
Temporary differences				
Reserve for losses on guarantees	$ 73,253	$ (20,339)	$ -	$ 52,914
Defined benefit obligation	16,101	(1,247)	2,381	17,235
Asset impairment	10,614	(6,275)	-	4,339
FVTOCI financial assets	9,589	-	17,309	26,898
	$ 109,557	$ (27,861)	$ 19,690	$ 101,386
Deferred tax liabilities				
Temporary differences				
FVTPL financial assets	$ 93	$ 4,805	$ -	$ 4,898

e. Income tax assessments

The tax returns through 2016, except for 2015, have been examined by the tax authorities.

31. EARNINGS PER SHARE

Earnings and weighted average number of ordinary shares used in calculating earnings per share were as follows:

	For the Year Ended December 31 2019	2018
Earnings used in the computation of basic earnings per share	$ 1,244,653	$ 1,335,419

Weighted average number of ordinary shares outstanding (in thousand shares):

	For the Year Ended December 31 2019	2018
Weighted average number of ordinary shares in the computation of basic earnings per share	1,342,960	1,342,960
Effect of potentially dilutive ordinary shares:		
Employees' compensation issued to employees	1,558	1,520
Weighted average number of ordinary shares used in the computation of diluted earnings per share	1,344,518	1,344,480

Unit: NT$ Per Share

	For the Year Ended December 31	
	2019	2018
Basic earnings per share	$ 0.93	$ 0.99
Diluted earnings per share	$ 0.93	$ 0.99

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

32. RELATED PARTY TRANSACTIONS

a. The related parties and their relationship with the Company are summarized as follows:

Related Party	Relationship with the Company
O-Bank	Parent of the Company
O-Bank Education Foundation (OBTEF)	O-Bank is the major donor of the foundation
Others	Individuals and close relatives of the Company's major management

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

1) Security transactions under repurchase agreements

For the year ended December 31, 2019

Related Party	Securities Sold Under Repurchase Agreements	December 31, 2019	Intervals of Interest Rate	Interest Expense
Others	$ 776,020	$ 46,612	0.36%-2.68%	$ 778

For the year ended December 31, 2018

Related Party	Securities Sold Under Repurchase Agreements	December 31, 2018	Intervals of Interest Rate	Interest Expense
Others	$ 713,027	$ 38,346	0.31%-2.55%	$ 573

2) Bonds and short-term bills acquired

For the year ended December 31, 2019

Related Party	Bills	Bonds	Total
Parent company:			
O-Bank	$ -	$ 49,824	$ 49,824

For the year ended December 31, 2018

Related Party	Bills	Bonds	Total
Parent company:			
O-Bank	$ -	$ 449,787	$ 449,787

3) Bonds and short-term bills sold

For the year ended December 31, 2019

Related Party	Amounts	Gain (Loss) on Disposal of Financial Assets at Fair Value Through Profit or Loss
Parent company:		
O-Bank	$ 99,609	$ 156

For the year ended December 31, 2018

Related Party	Amounts	Gain (Loss) on Disposal of Financial Assets at Fair Value Through Profit or Loss
Parent company:		
O-Bank	$ 399,234	$ (175)

4) Lease arrangements

Acquisition of right-of-use assets, property and plant and equipment

On October 27, 2011, November 13, 2014 and December 30, 2019, the Company entered into operating lease agreements with O-Bank for the use of O-Bank's building and parking lots. The lease period is from January 1, 2012 through December 31, 2019 and January 1, 2020 through December 31, 2020, and the monthly rental fee is $1,099 thousand and $1,101 thousand, respectively.

Related Party Category/Name	For the Year Ended December 31 2019	2018
Acquisition of right-of-use assets		
Parent company		
O-Bank	$ 13,071	$ -

Related Party Category/Name	For the Year Ended December 31 2019	2018
Interest expense		
Parent company:		
O-Bank	$ 115	$ -
Lease expense (accounted as other operating expenses)		
Parent company:		
O-Bank	$ -	$ 13,188

5) Donations

For the year ended December 31, 2019 and 2018, the Company's donation expense (recorded under other operating expense) to O-Bank Education Foundation for supporting national academic and cultural activities were $880 thousand and $800 thousand, respectively.

c. Compensation of key management personnel

	For the Year Ended December 31 2019	2018
Short-term employee benefits	$ 67,809	$ 69,017
Post-employment benefits	4,922	5,250
	$ 72,731	$ 74,267

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

33. PLEDGED ASSETS

The following assets were provided as collaterals for call loans from banks and overdrafts:

	December 31		
	2019	2018	Purposes
Financial assets at fair value through profit or loss			
Negotiable certificate of deposits	$ 1,601,618	$ 1,600,617	Credit line for loans
Negotiable certificate of deposits	700,147	700,057	Deposits placed with authorities to carry out bills finance businesses
Negotiable certificate of deposits	1,700,165	1,700,356	Deposits placed with bank overdrafts
Financial assets at fair value through other comprehensive income			
Government bonds	90,473	90,059	OTC online deposits refund
Government bonds	35,184	35,023	Deposits placed with authorities to operate as a security dealer
Other financial assets			
Certificate of deposits	525,000	525,000	Deposits placed with bank overdrafts

34. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Company as of December 31, 2019 were as follows:

Bonds and bills sold under repurchase agreements (at repurchase price)	$ 156,809,643
Bonds and bills purchased under resell agreements (at resell price)	100,030
Guaranteed commercial paper	108,292,200
Fixed-rate commercial paper commitments	14,600,000
Benchmark interest rate commercial paper commitments	30,613,000
Purchase commitment contracts	750,000

35. CAPITAL RISK MANAGEMENT

a. Overview

The basic goal of the Company's capital risk management is to maintain the regulatory capital and the capital adequacy ratio based on the minimum requirements of the authorities and the Basel Accords framework. For enhanced risk taking and an efficient and effective resource allocation, the Company evaluates its capital requirement in consideration of the nature of its risks and various risk scenarios.

b. Capital management process

The Company maintains a capital adequacy ratio based on the requirements of the authorities, which is reported to the Company's president of the assets and liabilities committee monthly and to the authorities quarterly.

c. Capital adequacy rate

(Unit: In Thousands of New Taiwan Dollars, %)

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

Note: 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 sheet.

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."

36. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments that are not measured at fair value

For financial assets and financial liabilities that are not measured at fair value (e.g., cash and cash equivalents, receivables, other financial assets, net and accounts payable), their carrying amounts as recognized in the financial statements approximately reflect their fair values.

b. Definitions of the fair value hierarchy

1) Level 1 - inputs are quoted prices in active markets (for identical assets or liabilities that the Company can assess at the measurement date). Active markets feature all of the following conditions: (i) the products traded in the market are homogeneous, (ii) market participants anytime in the market, and (iii) price information that is available to the public. The investment in listed shares, beneficial certificates, convertible bonds and derivative instruments with quoted prices in active markets belong to this level.

2) Level 2 - inputs are those other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly (i.e., prices) or indirectly (i.e., derived from prices). The investments in government bonds, corporate bonds, bank debentures and a part of derivative instruments belong to this level.

3) Level 3 - inputs are not based on observable market data (i.e., unobservable inputs). The investment in a part of a derivative instrument, a hybrid asset and an equity instrument belong to this level.

c. Valuation techniques and assumptions applied for the purpose of measuring the fair values

Financial instruments 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. 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 those generally used by other market participants to price financial instruments.

If the market price quotation from a stock exchange, brokers, underwriters, Industrial Trade Unions, pricing service agencies or competent authorities can be frequently obtained on time, and the price represents the actual and frequent transactions at arm's length, then a financial instrument is deemed to have an active market. If financial instruments do not satisfy the criteria above, they are regarded as not having active market. In general, significant price variance between the purchase price and selling price, or extremely low trading volume are all indicators of an inactive market.

Except for reference to quoted market prices, the fair value of financial instruments may be estimated also through the use of available valuation technique or counterparties. Fair value measured by a valuation technique is estimated by reference to the fair values of other financial instruments with similar terms and characteristics, or by using cash flows discounting method, or using model calculation based on the market information available on the balance sheet date.

Fair values of derivative financial instruments are based on quoted market prices. If quoted market prices are not available, then the fair values are determined by the discounted cash flow method.

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

1) The fair value hierarchy

Item	December 31, 2019			
	Total	Level 1	Level 2	Level 3
Non-derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss				
Financial assets mandatorily at FVTPL				
Shares	$ 217,569	$ 217,569	$ -	$ -
Bonds	220,195	120,203	99,992	-
Bills	82,462,513	-	82,462,513	-
Fix-rate commercial paper	50,800	-	50,800	-
Beneficial certificates	500,000	-	500,000	-
Financial assets at FVTOCI				
Shares	1,253,515	896,548	-	356,967
Bonds	101,716,711	-	101,716,711	-
Beneficial securities on real estate investment trust	147,000	147,000	-	-

(Continued)

Item	December 31, 2019			
	Total	Level 1	Level 2	Level 3
Liabilities				
Financial liabilities at fair value through profit or loss	$ 4,462	$ -	$ 4,462	$ -
Derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss	8,633,728	-	10,279	8,623,449
Liabilities				
Financial liabilities at fair value through profit or loss	660	-	660	-

(Concluded)

Item	December 31, 2018			
	Total	Level 1	Level 2	Level 3
Non-derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss				
Financial assets mandatorily at FVTPL				
Bonds	$ 293,692	$ 293,692	$ -	$ -
Bills	90,620,652	-	90,620,652	-
Fix-rate commercial paper	40,920	-	40,920	-
Financial assets at FVTOCI				
Shares	1,337,452	1,042,839	-	294,613
Bonds	96,929,300	-	96,929,300	-
Beneficial securities on real estate investment trust	128,400	128,400	-	-
Liabilities				
Financial liabilities at fair value through profit or loss	4,924	-	4,924	-
Derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss	6,499,993	-	1,598	6,498,395
Liabilities				
Financial liabilities at fair value through profit or loss	961	-	961	-

2) The Company had no significant transfers between Levels 1 and 2 for the year ended December 31, 2019 and 2018.

3) Reconciliation of Level 3 items of financial instruments

For the year ended December 31, 2019

Financial Assets	Financial Assets at Fair Value Through Profit or Loss Hybrid Financial Assets	Financial Assets at Fair Value Through Other Comprehensive Income Equity Instruments	Total
Balance at January 1, 2019	$ 6,498,395	$ 294,613	$ 6,793,008
Recognized in profit or loss	11,954	-	11,954
Recognized in other comprehensive income (unrealized valuation gain or loss of equity instruments on financial assets at FVTOCI)	-	62,354	62,354
Purchases	10,184,500	-	10,184,500
Sales	(8,071,400)	-	(8,071,400)
Balance at December 31, 2019	$ 8,623,449	$ 356,967	$ 8,980,416

For the year ended December 31, 2018

Financial Assets	Financial Assets at Fair Value Through Profit or Loss Hybrid Financial Assets	Financial Assets at Fair Value Through Other Comprehensive Income Equity Instruments	Total
Balance at January 1, 2018	$ 6,891,357	$ 295,306	$ 7,186,663
Recognized in profit or loss	7,538	-	7,538
Recognized in other comprehensive income (unrealized valuation gain or loss of equity instruments on financial assets at FVTOCI)	-	14,307	14,307
Purchases	8,755,000	-	8,755,000
Sales	(9,155,500)	-	(9,155,500)
Return of capital	-	(15,000)	(15,000)
Balance at December 31, 2018	$ 6,498,395	$ 294,613	$ 6,793,008

Unrealized gain and loss recognized in profit or loss for the year ended December 31, 2019 and 2018 for the assets held on the balance sheet date amounted to net gain of $11,954 thousand and gain of $7,538 thousand, respectively.

4) Quantitative information of Level 3 financial instruments

Level 3 items (those with unobservable inputs) included financial assets at fair value through profit or loss and derivative financial instruments. Level 3 items of the Company contain only one significant unobservable inputs.

The quantitative information of significant unobservable input was as follows:

	Fair Value at December 31, 2019	Valuation Techniques	Significant Unobservable Inputs	Range	Relationship Between Inputs and Fair Value
Financial assets at fair value through profit or loss					
Hybrid financial assets	$ 8,623,449	Discounted cash flow method	a) Discount rate	0.6345%-0.8300%	The higher of discount rate, the lower of fair value. The higher of liquidity risk premium, the lower of fair value.
			b) Liquidity risk premium	39BP-220BP	
Financial assets at fair value through other comprehensive income					
Unlisted shares	356,967	Asset method	a) Lack of liquidity discount	10%	The higher of liquidity and control discount, the lower of fair value.
			b) Lack of control discount	10%	

	Fair Value at December 31, 2018	Valuation Techniques	Significant Unobservable Inputs	Range	Relationship Between Inputs and Fair Value
Financial assets at fair value through profit or loss					
Hybrid financial assets	$ 6,498,395	Discounted cash flow method	a) Discount rate	0.3317%-0.8378%	The higher of discount rate, the lower of fair value. The higher of liquidity risk premium, the lower of fair value.
			b) Liquidity risk premium	39BP-80BP	
Financial assets at fair value through other comprehensive income					
Unlisted shares	294,613	Asset method	a) Lack of liquidity discount	10%	The higher of liquidity and control discount, the lower of fair value.
			b) Lack of control discount	10%	

5) Process for valuation of Level 3 items

The team responsible for financial instrument valuation under the risk management division is responsible for determining fair value based on independent information on the market situation. To confirm the valuation result, the Company periodically reviews the valuation model, conducts back testing, updates valuation model parameters and adjusts each parameter, if necessary.

6) The sensitivity analysis of Level 3 items

The method for measuring the fair value of financial instruments is found to be reasonable. However, measurement parameters are subject to fluctuations or movements. The impact on income and other comprehensive income based on parameter movements was as follows:

Items	Inputs	Discount Rate Movement: Upward/ Downward	Effect on Income		Effect on Other Comprehensive Income	
			Advantages	Disadvantages	Advantages	Disadvantages
December 31, 2019						
Assets						
Hybrid financial assets	Discount rate	Upward 1 BP	$ -	$ 1,244	$ -	$ -
Unlisted shares	Lack of liquidity and control discount	Upward 10%	-	-	-	44,070

Items	Inputs	Discount Rate Movement: Upward/ Downward	Effect on Income		Effect on Other Comprehensive Income	
			Advantages	Disadvantages	Advantages	Disadvantages
December 31, 2018						
Assets						
Hybrid financial assets	Discount rate	Upward 1 BP	$ -	$ 918	$ -	$ -
Unlisted shares	Lack of liquidity and control discount	Upward 10%	-	-	-	36,372

Advantages and disadvantages refer to changes in fair value. The fair value was computed by valuation techniques using unobservable parameters in varying degrees. The table above refers to change in fair value as result of a single input. The correlation and variation of inputs were not considered in the table.

e. Transfers of financial assets

Transferred financial assets not derecognized

Most of the transferred financial assets of the Company that were not fully derecognized were securities sold under repurchase agreements. Under the terms of these transfers, the right to the cash flows of the transferred financial assets would be transferred to other entities, and the associated liabilities of the Company's obligation to repurchase the transferred financial assets at a fixed price in the future would be recognized. Since the Company is restricted from using, selling, or pledging the transferred financial assets within the transaction period, and is still exposed to interest rate risks and credit risks on these assets, the transferred financial assets were not fully derecognized.

The financial assets that were not fully derecognized and the associated financial liabilities were as follows:

December 31, 2019

Category of Financial Assets	Carrying Amount of Transferred Financial Assets	Carrying Amount of Associated Financial Liabilities
Financial assets at fair value through gain or loss		
Bills sold under repurchase agreements	$ 61,832,316	$ 61,873,869
Bonds sold under repurchase agreements	787,443	777,184
Financial assets at FVTOCI		
Bonds sold under repurchase agreements	92,085,581	93,927,924
Securities purchased under resell agreements		
Bonds sold under repurchase agreements	100,013	110,860

December 31, 2018

Category of Financial Assets	Carrying Amount of Transferred Financial Assets	Carrying Amount of Associated Financial Liabilities
Financial assets at fair value through gain or loss		
Bills sold under repurchase agreements	$ 62,130,724	$ 62,123,793
Bonds sold under repurchase agreements	209,428	210,087
Financial assets at FVTOCI		
Bonds sold under repurchase agreements	82,615,244	83,704,574
Securities purchased under resell agreements		
Bonds sold under repurchase agreements	991,363	1,008,003

f. Offsetting financial assets and financial liabilities

Certain transactions of the Company covered by enforceable master netting agreements or similar agreements, or under similar repurchase agreements may not meet all offsetting criteria under IFRSs. However, in these transactions, financial liabilities are allowed to be offset against financial assets when any of the counterparties specifies to settle at net amounts. If no counterparty specifies to settle at net amounts, the transactions will be settled at gross amounts instead. One of the counterparties can decide to settle at net amounts if the other party of the transaction defaults.

The tables below present the quantitative information on the balance sheet financial assets and financial liabilities that have been offset or are covered by enforceable master netting arrangements or similar agreements.

December 31, 2019

Financial Assets	Gross Amounts of Recognized Financial Assets	Gross Amounts of Recognized Financial Liabilities Set Off in the Balance Sheet	Net Amounts of Financial Assets Presented in the Balance Sheet	Related Amounts Not Set Off in the Balance Sheet: Financial Instruments (Note)	Related Amounts Not Set Off in the Balance Sheet: Cash Collateral Received	Net Amount
Derivative financial instruments	$ 10,279	$ -	$ 10,279	$ -	$ -	$ 10,279

Financial Liabilities	Gross Amounts of Recognized Financial Liabilities	Gross Amounts of Recognized Financial Assets Set Off in the Balance Sheet	Net Amounts of Financial Liabilities Presented in the Balance Sheet	Related Amounts Not Set Off in the Balance Sheet: Financial Instruments (Note)	Related Amounts Not Set Off in the Balance Sheet: Cash Collateral Pledged	Net Amount
Repurchase agreements	$ 156,689,837	$ -	$ 156,689,837	$ 154,805,353	$ -	$ 1,884,484

December 31, 2018

Financial Assets	Gross Amounts of Recognized Financial Assets	Gross Amounts of Recognized Financial Liabilities Set Off in the Balance Sheet	Net Amounts of Financial Assets Presented in the Balance Sheet	Related Amounts Not Set Off in the Balance Sheet: Financial Instruments (Note)	Related Amounts Not Set Off in the Balance Sheet: Cash Collateral Received	Net Amount
Derivative financial instruments	$ 1,598	$ -	$ 1,598	$ -	$ -	$ 1,598

Financial Liabilities	Gross Amounts of Recognized Financial Liabilities	Gross Amounts of Recognized Financial Assets Set Off in the Balance Sheet	Net Amounts of Financial Liabilities Presented in the Balance Sheet	Related Amounts Not Set Off in the Balance Sheet		Net Amount
				Financial Instruments (Note)	Cash Collateral Pledged	
Repurchase agreements	$ 147,046,457	$ -	$ 147,046,457	$ 145,946,759	$ -	$ 1,099,698

Note: Included non-cash financial collaterals.

37. FINANCIAL RISK MANAGEMENT

a. Overview

The main goals of risk management, besides meeting the requirements of authorities, are to manage risk assets and liabilities systematically, avoid financial crisis and pursue sustainable development. To attain these goals, the Company runs various risk management systems and promotes a culture toward risk management, with the approval of the board of directors and management. The Company's risk management process covers various aspects of its operations and involves the efficient disclosure and control of operating risks through the implementation of procedures for risk identification, measurement, reporting, handling, and supervision.

b. Risk management framework and process

The board of directors occupies the highest level in the Company's risk management framework and supervises the implementation of risk management procedures. The general manager leads the business risk management and financial asset and liability management committee; the business evaluation committee and investment evaluation committee, which are under the president, deal with market, credit, and operational risks; and the internal auditing office supervises risk control.

The Company's risk management process involves the formulation of risk management policies and the implementation of risk management procedures, which consist of identifying, valuating, monitoring and reporting of risks. The board of directors determines the Company's risk threshold and sets authorization levels on risk acceptance, and the risk management department identifies and monitors various kinds of risks and reports these risks to the management for decision making.

c. Financial risk management policy

1) Credit risk

The Company manages credit quality of bills, bonds, equity investments and derivatives to maintain possible losses and liquidity risk arising from credit risk. The Company prepares a variety of report forms focusing on credit conditions, statics of business, risk exposure, risk management and reports to the management and the authority regularly.

2) Market risk

The Company evaluates market risk factors affecting bills, bonds, equity investments and derivatives for the impact of these factors on the Company's net worth and profit and loss and takes measures to control market risk. The management division summarizes stop-loss control report forms and makes daily reports to the management for ongoing risk supervision. It also summarizes value at risk, conclusions of interest rate stress tests and status of profit and loss on financial assets and gives related updates to the financial asset and liability management committee.

3) Operational risk

The operating, financial and information technology divisions conduct thorough self-inspections every six months and general self-inspections every month. The internal auditing office does a routine audit and a special audit at least annually of the operating, financial and information technology divisions and a special audit at least annually of other management divisions, and monitors the improvement of these divisions on the basis of audit results.

4) Liquidity risk

The fixed return division is in charge of financial gap analysis, and the risk management division is responsible for the daily monitoring of total amounts of liabilities and performing liquidity stress tests regularly to control risk.

d. Resource and definition of risk

1) Credit risk

Credit risk refers to a debtor or a counterparty's failure to meet contract terms or to repay principal and interest. It includes (a) the issuer default risk arising from the Company's guaranteeing of bills and from the brokering and trading of bills and bonds, (b) the counterparty default risk on derivatives, and (c) default risk arising from the Company's own equity investments.

2) Market risk

Market risk pertains to the impact on the Company's net worth and profit and loss of changes in market factors affecting bills, bonds, equity investments and derivatives.

3) Operational risk

Operational risk refers to additional costs or expenses due to operating or internal management negligence or other reasons.

4) Liquidity risk

Liquidity risk pertains to losses the Company may suffer because of failure to finance its operations or to liquidate its assets fast enough to meet matured payment obligations or because of adverse changes in market rates. A liquidity gap occurs when liquid assets are not enough to cover any liabilities incurred by the Company.

e. Hedge policy and supervision

1) Credit risk

The "Loan Review System" is used to monitor debt accounts after the loan approval. In addition, the risk management division and relevant divisions determine the credit limit for each frequent borrower, and this limit is approved by the Company president. These divisions provide credit information periodically on the status of issuers of bonds and shares and guarantors as well as the credit-evaluation of counterparties to commodity derivative transactions so that the Company can measure each credit risk.

2) Market risk

The Company makes hedges against cash flow risks and adverse fluctuations of fair value through single or portfolio hedge instruments to offset the effects of negative interest rate and price changes on the financial assets held by the Company. It uses interest rate swap contracts as hedging instruments and makes hedge effectiveness tests on an ongoing basis.

3) Operational risk

Mutual authentication of transactions is applied, i.e., the business division is responsible for authorizing and approving transactions, and the operating division is responsible for processing and recording transactions. In addition, through enhanced employee training, automation of operating processes and establishing standard operating procedures, the Company reduces operational risk effectively.

4) Liquidity risk

The Company has a mechanism for monitoring liquidity. It has also set up a financial gap limit per period, and the fixed return division is responsible for observing this limit. Under an authorized personnel's approval, the Company takes appropriate measures to ensure payment by a counterparty once the financial gap limit is exceeded. For unexpected liquidity risks, the Company has set up an emergency reaction plan.

f. Expected credit losses calculation

In the assessment of impairment and calculation of expected credit losses, the Company considers reasonable and supportable information (that can be obtained without incurring excessive costs or inputs) about past events, current conditions and reasonable and supportable forecasts of future economic conditions. The Company determines at the reporting date whether there has been a significant increase in credit risk since initial recognition or whether credit impairment has occurred, and recognizes expected credit losses according to which stage the asset belongs: No significant increase in credit risk or low credit risk at balance sheet date (Stage 1), significant increase in credit risk (Stage 2), and credit impaired (Stage 3).

The definition of each stage and the recognition of expected credit loss are as follows:

	Stage 1	**Stage 2**	**Stage 3**
Definition	Financial asset which has low credit risk at reporting date, or there has not been a significant increase in credit risk since initial recognition.	Credit risk of financial asset has significant increase since initial recognition but not impaired.	The credit of financial asset is impaired at reporting date.
Recognition of expected credit loss	12 months expected credit losses	The lifetime expected credit losses (ECLs)	The lifetime expected credit losses (ECLs)

In calculating expected credit losses under IFRS 9, the Company applies key judgement and assumptions as follows:

1) Determination of a significant increase in credit risk after initial recognition

The Company assesses the changes in default risk over the lifetime of credit assets and bond investments of financial assets at FVTOCI to determine whether there has been a significant increase in credit risk.

a) Credit business

The main indicators of significant increase in credit risk of the Company's credit business:

i. The repayment of principal and interest has been 1 to 3 months pass due.

ii. The debtor only pays interest or initiates debt negotiations.

iii. The debtor was notified as a dishonored account.

iv. The debtor's loans from other financial institutions have been delayed.

v. The debtor has other records of bad credit.

b) Bonds and bills investments

Indicators that the Company's bonds and bills investments have significant increase in credit risk are as follows:

i. The repayment including interests is over 30 days.

ii. Domestic currency: Credit rating at reporting date compared to initial recognition, the credit rating has decreased from twA to between twA- and twCCC- or from between twA- and twBBB- to between twBB+ and twCCC-.

iii. Foreign currency: Credit rating at reporting date compared to initial recognition, the credit rating has decreased from Baa3 to between Ba1 and Caa3 or from between Ba1 and Ba3 to between B1 and Caa3.

2) Definition of default and credit impaired financial assets

a) Credit business

i. The balance of guarantees and endorsement credits has been 3 months overdue.

ii. The debtor's loans from other financial institutions have been reclassified as overdue loan or written off as bad debt.

iii. The debtor has filed for reorganization and bankruptcy.

iv. The debtor has other records of bad credit.

b) Bonds and bills investments

The Company's bonds and bills investments with any item below are considered as credit-impaired:

i. The repayment including interests has been 3 months overdue.

ii. The credit is rated as in default at reporting date.

iii. The issuer has filed for the bankruptcy, reorganization or other procedure of debt redemptions.

3) Write-off policy

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", the credit shall be written off as bad debt after deduction of the estimated recoverable portion:

a) All or part of the debt is unrecoverable due to the dissolution, flight, settlement, bankruptcy or other reason of the debtor.

b) The debt cannot be repaid, or no financial benefit would accrue from execution after deduction of senior mortgages on the collateral and the property of the primary and secondary debtor.

c) Where there are no buyers for the collateral and the property of the primary and secondary debtor after being auctioned at successively lower prices, and their assumption would bring no financial benefit for the bills finance company.

d) More than one year have elapsed since the maturity date of the non-performing or non-accrual credit and collection efforts have failed.

e) Any uncollateralized non-performing or non-accrual credit shall be written off as bad debt within six months after the maturity date, provided that this requirement shall not apply when it can be proven that a claim against the property of the primary or secondary debtor would yield benefit.

4) Measurement of expected credit losses

The model of expected credit losses is composed of probability of default, loss given default, and exposure at default.

a) Credit business

i. Probability of default:

i) Stage 1: Number of declining client in the current year ÷ number of client at the beginning of the year. The average of the current evaluation period is the probability of default which evaluation period is current 5 years. If the current evaluation period is 5 years, then the average of the 5 years is the probability of default.

ii) Stage 2: Number of default client in the current year ÷ number of Stage 2 client at the beginning of the year. The average of 5 years is the probability of default. However, under the conservative principle, the higher rate between Stage 1 and Stage 2 will be used to calculate the expected credit losses.

ii. Loss given default (1 - recovery rate), the way to calculate recovery rate is as follows:

To calculate 5 years recovery rate, the Company uses the effective interest rate (average of issued interest rate in primary market in the current year) to discount the client's recovery amount who default from 2008.

iii. Exposure at default: The amount of self-guarantee, which is off balance sheet and calculated by commercial paper guarantee contracts.

b) Bonds and Bills investments

i. Probability of default: Adopt data of external credit ratings.

ii. Loss given default: Basel of credit risk of internal ratings, the loss given default based on foundation approach.

iii. Exposure at default: Total book cost (including interest receivable).

5) Consideration of forward-looking information

a) Credit business

i. Refer to major message of Market Observation Post System and external credit ratings.

ii. The Company's credit contracts are all within a year, which adequately considered the comprehensive forward-looking information of clients' background, financial situation, operation performance, investment performance, repayment ability, peer comparison, and industry development of internal credit process and internal credit rating.

b) Bonds and bills investments

The rating is forward-looking according to rating criteria refer to institution of external rating.

g. Material financial risk

1) Credit risk

The financial instruments held by the Company may give rise to losses if counterparties fail to meet their contract obligations. Thus, when guaranteeing commercial paper, the Company makes a careful credit evaluation, and if necessary, requires issuers to offer adequate collaterals. Collaterals are often cash, realty, securities or other assets. If counterparties default, the Company may compulsorily execute its rights to claim the collaterals to lower its credit risks effectively. However, in the disclosure of the maximum exposure to credit risks, the fair value of collaterals is not included.

For commercial paper, the Company may need to pay the paper holders on maturity if the issuers default. Thus, the contractual amounts do not represent actual future cash flows.

Assuming that a credit is completely used and the collaterals lose their values, the credit risk amount equals the contract amount, and a maximum exposure risk may arise.

a) The balances of commercial paper guarantee contracts, amounts used of guarantee contracts and ratios of guarantees with collateral, which are off balance sheet risks the Company has are as follows:

i. As for December 31, 2019 and 2018, guarantees with collateral accounted for 60.27% and 50.65%, respectively, of the total guarantees given by the Company.

ii. As for December 31, 2019 and 2018, balances of commercial paper guarantee contracts, which were off-balance sheet risks owned by the Company amounted to $188,047 million and $187,929 million (amounts used of guarantee contracts were $108,292 million and $104,435 million), respectively.

iii. The maximum exposures to credit risks on balance-sheet assets, without consideration of the related guarantees, approximate the assets' carrying amounts. Refer to notes in the financial statements.

iv. The movements for reserve of guarantee liabilities

The movements for reserve of guarantee liabilities were as follows:

For the year ended December 31, 2019

	Stage 1 Performing (12-month ECL)	Stage 2 Doubtful (Lifetime ECL-Assessment Collectively)	Stage 3 Doubtful (Lifetime ECL-Assessment Individually)	Recognition of Impairment under IFRS 9	Recognition of Impairment Difference 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"	Total
Balance at January 1, 2019	$ 43,401	$ 64	$ -	$ 43,465	$ 1,266,612	$ 1,310,077
Changes from credit assets recognized at the beginning of the period						
The impairment allowance for credit assets derecognized in the current period	(3,507)	-	-	(3,507)	-	(3,507)
Originated or purchased new credit assets	4,055	-	-	4,055	-	4,055
Recognition of impairment difference 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"	-	-	-	-	43,131	43,131
Changes of model/risk parameter	(28,636)	(43)	-	(28,679)	-	(28,679)
Balance at December 31, 2019	$ 15,313	$ 21	$ -	$ 15,334	$ 1,309,743	$ 1,325,077

For the year ended December 31, 2018

	Stage 1 Performing (12-month ECL)	Stage 2 Doubtful (Lifetime ECL-Assessment Collectively)	Stage 3 Doubtful (Lifetime ECL-Assessment Individually)	Recognition of Impairment under IFRS 9	Recognition of Impairment Difference 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"	Total
Balance at January 1, 2018	$ 57,979	$ 244	$ -	$ 58,223	$ 1,371,254	$ 1,429,477
Changes from credit assets recognized at the beginning of the period						
The impairment allowance for credit assets derecognized in the current period	(10,510)	(107)	-	(10,617)	-	(10,617)
Originated or purchased new credit assets	12,463	-	-	12,463	-	12,463
Recognition of impairment difference 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"	-	-	-	-	(104,642)	(104,642)
Changes of model/risk parameter	(16,531)	(73)	-	(16,604)	-	(16,604)
Balance at December 31, 2018	$ 43,401	$ 64	$ -	$ 43,465	$ 1,266,612	$ 1,310,077

v. Exposure to credit risk

The amounts of the Company's maximum exposure to credit risk and impairment allowance were as follows:

December 31, 2019

	On- and off- Balance Sheet Credit Assets				
			Stage 3		
	Stage 1 Performing (12-month ECL)	Stage 2 Doubtful (Lifetime ECL)	Doubtful (Lifetime ECL)	Credit Impairment of Purchase	Total
Rating level					
Internal rating 1-2	$ 108,179,879	$ 147,400	$ -	$ -	$ 108,327,279
Internal rating 3-4	-	-	-	-	-
Defect	-	-	-	-	-
Total book value	$ 108,179,879	$ 147,400	$ -	$ -	$ 108,327,279
Impairment allowance	$ 15,313	$ 21	$ -	$ -	$ 15,334
Recognition of impairment 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"	1,177,714	132,029	-	-	1,309,743
	$ 1,193,027	$ 132,050	$ -	$ -	$ 1,325,077

December 31, 2018

	On- and off- Balance Sheet Credit Assets				
			Stage 3		
	Stage 1 Performing (12-month ECL)	Stage 2 Doubtful (Lifetime ECL)	Doubtful (Lifetime ECL)	Credit Impairment of Purchase	Total
Rating level					
Internal rating 1-2	$ 104,321,788	$ 155,000	$ -	$ -	$ 104,476,788
Internal rating 3-4	-	-	-	-	-
Defect	-	-	-	-	-
Total book value	$ 104,321,788	$ 155,000	$ -	$ -	$ 104,476,788
Impairment allowance	$ 43,401	$ 64	$ -	$ -	$ 43,465
Recognition of impairment 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"	1,127,226	139,386	-	-	1,266,612
	$ 1,170,627	$ 139,450	$ -	$ -	$ 1,310,077

vi. The amounts of the Company's maximum exposure to credit risk of financial instruments were not applicable regulations of impairment and as follows:

	December 31	
	2019	**2018**
Financial assets as at fair value through profit or loss		
Derivative financial instrument		
Currency swap contracts	$ 10,115	$ 1,598
Purchase commitment contracts	164	-
Non-derivative financial assets		
Investment in short-term bills	82,462,513	90,620,652
Bond investments	220,195	293,692
Domestic quoted shares	217,569	-
Fixed-rate commercial paper	50,800	40,920
Beneficial certificates	500,000	-
Hybrid financial assets		
Convertible bond asset swap contracts	8,623,449	6,498,395
	92,084,805	97,455,257
Financial assets at FVTOCI		
Investments in equity instruments	1,400,515	1,465,852
	$ 93,485,320	$ 98,921,109

b) Concentration of credit risk

Significant concentration of credit risk occurs when counterparties to financial asset transactions are individuals or a group of individuals engaged in similar activities or activities in the same region, which would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. The check for significant concentration of credit risk includes the nature of a counterparty's operating activity. Transactions the Company engaged in do not significantly concentrate on the same counterparty or customer.

As of December 31, 2019 and 2018, the Company's concentrations of credit risk arising from guaranteeing commercial paper were as follows (in millions of New Taiwan dollars):

i. By industry

	December 31			
	2019		**2018**	
Industry Sector	**Carrying Amounts**	**Maximum Amounts Exposed to Credit Risk**	**Carrying Amounts**	**Maximum Amounts Exposed to Credit Risk**
Finance and insurance	$ 36,287	$ 36,287	$ 37,759	$ 37,759
Real estate	26,013	26,013	23,956	23,956
Manufacturer	23,824	23,824	23,236	23,236
Wholesaling and retailing	9,895	9,895	9,286	9,286
Others	12,273	12,273	10,198	10,198
	$ 108,292	$ 108,292	$ 104,435	$ 104,435

ii. By collateral

	December 31			
	2019		2018	
Collateral Sector	Carrying Amounts	% to Total	Carrying Amounts	%to Total
Without collateral	$ 43,021	39.73	$ 51,543	49.35
With collateral				
Real estate	37,706	34.82	27,357	26.19
Shares	24,931	23.02	20,673	19.80
Bond	2,207	2.04	3,819	3.66
Bills	427	0.39	1,043	1.00
	$ 108,292	100.00	$ 104,435	100.00

c) Credit quality and impairment assessment

- Some financial assets such as cash and cash equivalents, due from Central Bank and call loan to banks, refundable deposits, operating deposits and settlement funds are regarded as very low credit risk owing to the good credit rating of counterparties. Except for the above, the risk levels of the Company's financial assets were as follows:

i. Low risk: Credit quality and contractual capacity is above average.

ii. Medium risk: Credit quality and contractual capacity is average.

iii. High risk: Credit quality and contractual capacity is lower than average.

iv. Each of these levels has internal and external credit rating equivalents in the following table. The "Risk Level" and "Rating" are not highly associated. This table is used for similarity matrix.

Risk Level	Rating
Low risk	twAAA to twBBB-
Medium risk	twBB+ to twBB
High risk	twBB- to twC

2) Market risk

Market risk refers to interest rate risk and fluctuation in shares price risk. The Company weighs market risk mainly by profit and loss analysis, through which profits and losses are evaluated individually on the basis of the nature of financial assets, such as interest rate futures, shares index futures and options. Other financial assets, such as interest rate swaps, convertible bond asset swaps and bond options, are evaluated by their theoretical prices and reference prices published by the authorities. The Company also observes daily the fluctuation of profits and losses on the financial assets. In addition, interest rate risk commodities are reviewed using sensitivity analysis tools which include duration, DV01, etc.

The Company enters into interest rate swap contracts to hedge against the future cash flow risk arising from floating interest rate assets and liabilities, which are exposed to market rate fluctuations, and manages risk from changes in fair value by using factor sensitivity measures. For related information, refer to Note 38.

The sensitivity analysis of interest rate-sensitive commodities assuming a 0.01% rise in market rates is as follows:

		December 31, 2019	
Financial Asset	**Face Value**	**Average Duration (Year)**	**Influence to Fair Value Per 0.01 Fluctuation in Market Value**
Bills	$ 82,573,479	0.1165	$ 961
Bonds	109,606,394	3.1172	31,160

		December 31, 2018	
Financial Asset	**Face Value**	**Average Duration (Year)**	**Influence to Fair Value Per 0.01 Fluctuation in Market Value**
Bills	$ 90,746,288	0.1281	$ 1,161
Bonds	102,090,535	2.6480	24,556

3) Liquidity risk

a) There is no liquidity risk arising from non-performance of contractual obligations because capital and working capital are sufficient to cover all the contractual obligations. In addition, liquidity risk is quite low since cash requirement is not material on the maturity dates of derivative financial instruments.

The basic rule for the Company's operating and management activities is to handle assets and liabilities in the order of their maturity, considering the interest-rate and liquidity gap; however, assets and liabilities cannot be completely matched because of the differences in types and uncertainty of transaction terms, and these differences may affect profits and losses. The Company evaluates liquidity by maturity analysis, which is shown in the following table:

In Thousands of New Taiwan Dollars

	December 31, 2019						
	1-30 Days	**31-90 Days**	**91-180 Days**	**181-365 Days**	**Over 1 Year-7 Years**	**Over 7 Years**	**Total**
Assets							
Cash and cash equivalents	$ 244,731	$ -	$ -	$ -	$ -	$ -	$ 244,731
Financial assets at fair value through profit or loss	70,923,532	12,903,542	765,252	1,421,897	6,070,582		92,084,805
Securities purchased under resell agreements	100,030	-	-	-	-	-	100,030
Receivables	197,935	232,984	208,407	114,341	99,889	-	853,556
Financial assets at FVTOCI	2,202,611	2,003,399	4,408,040	6,511,160	80,509,919	7,482,097	103,117,226
Other financial assets	-	-	-	-	549,676	-	549,676
Refundable deposits	-	-	-	-	-	40,124	40,124
	73,668,839	15,139,925	5,381,699	8,047,398	87,230,066	7,522,221	196,990,148
Liabilities							
Call loans from banks and overdrafts on banks	14,500,869	-	-	-	-	-	14,500,869
Financial liabilities at fair value through profit or loss	5,122	-	-	-	-	-	5,122
Securities sold under repurchase agreements	117,389,066	38,101,977	1,019,705	298,895	-	-	156,809,643
Accounts payable	492,438	14,338	103,821	-	42,073	-	652,670
Lease liabilities	564	209	773	1,545	1,752	-	4,843
	132,388,059	38,116,524	1,124,299	300,440	43,825	-	171,973,147
Net liquidity gap	$ (58,719,220)	$ (22,976,599)	$ 4,257,400	$ 7,746,958	$ 87,186,241	$ 7,522,221	$ 25,017,001

	December 31, 2018						
	1-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year-7 Years	Over 7 Years	Total
Assets							
Cash and cash equivalents	$ 261,832	$ -	$ -	$ -	$ -	$ -	$ 261,832
Financial assets at fair value through profit or loss	78,817,843	12,731,162	573,982	1,323,381	4,008,889	-	97,455,257
Securities purchased under resell agreements	991,720	-	-	-	-	-	991,720
Receivables	526,654	257,811	305,744	140,523	60,746	-	1,291,478
Financial assets at FVTOCI	862,092	1,351,794	4,750,949	4,524,038	86,268,369	637,910	98,395,152
Other financial assets	-	-	-	-	548,988	-	548,988
Refundable deposits	-	-	-	-	-	39,853	39,853
	81,460,141	14,340,767	5,630,675	5,987,942	90,886,992	677,763	198,984,280
Liabilities							
Call loans from banks and overdrafts on banks	26,544,504	-	-	-	-	-	26,544,504
Commercial paper issued, net	500,000	-	-	-	-	-	500,000
Financial liabilities at fair value through profit or loss	5,885	-	-	-	-	-	5,885
Securities sold under repurchase agreements	121,143,255	24,815,574	981,113	202,930	-	-	147,142,872
Accounts payable	103,302	129,492	1,109	129,947	33,907	-	397,757
	148,296,946	24,945,066	982,222	332,877	33,907	-	174,591,018
Net liquidity gap	$ (66,836,805)	$ (10,604,299)	$ 4,648,453	$ 5,655,065	$ 90,853,085	$ 677,763	$ 24,393,262

	December 31, 2019						
	1-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year-7 Years	Over 7 Years	Total
Currency swap							
Inflow	$ 912,640	$ -	$ -	$ -	$ -	$ -	$ 912,640
Outflow	903,180	-	-	-	-	-	903,180
Total inflows	$ 912,640	$ -	$ -	$ -	$ -	$ -	$ 912,640
Total outflows	$ 903,180	$ -	$ -	$ -	$ -	$ -	$ 903,180

	December 31, 2018						
	1-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year-7 Years	Over 7 Years	Total
Currency swap							
Inflow	$ 615,753	$ -	$ -	$ -	$ -	$ -	$ 615,753
Outflow	614,660	-	-	-	-	-	614,660
Total inflows	$ 615,753	$ -	$ -	$ -	$ -	$ -	$ 615,753
Total outflows	$ 614,660	$ -	$ -	$ -	$ -	$ -	$ 614,660

b) Maturity analysis of off-balance sheet items

The following table shows the Company's maturity analysis of off-balance sheet items based on residual maturity from the balance-sheet date to the contract maturity date. The amounts of guaranteed and endorsed commercial paper are included in accordance with the earliest date of performance obligation.

	1 Month	Over 1 Month-3 Months	Over 3 Months-6 Months	Over 6 Months-1 Year	Over 1 Year	Total
December 31, 2019						
Off-balance sheet item Guaranteed commercial paper	$ 31,643,300	$ 65,391,300	$ 8,425,200	$ 2,832,400	$ -	$ 108,292,200
December 31, 2018						
Off-balance sheet item Guaranteed commercial paper	33,205,900	61,395,400	6,022,200	3,811,400	-	104,434,900

4) Foreign exchange risk

a) Foreign exchange risk faced by the Company refers to movements in fair values of foreign currency denominated assets less foreign currency denominated liability plus derivative position as a result of exchange rate fluctuations that may result in losses to the Company.

b) In terms of foreign exchange risk management, the Company mainly supervises position limits and loss limits on relevant businesses. Related control measures include daily supervision on exposure position, price assessment, and control over loss limits; and reporting to the Asset and Liability Management Committee monthly.

c) Company's foreign exchange risk exposure

(Expressed in Thousands of New Taiwan Dollars)

	December 31, 2019	
	USD	**CNY**
Cash and cash equivalents	$ 41,787	$ 3,915
Financial assets at FVTOCI	19,074,499	43,151
Receivables, net	130,871	777
Other financial assets	19,990	-
Total assets	19,267,147	47,843
Call loans from banks and overdrafts on banks	1,950,869	-
Securities sold under repurchase agreements	15,563,206	-
Accounts payable	31,792	-
Total liabilities	17,545,867	-
On-balance sheet foreign exchange gap	$ 1,721,280	$ 47,843
Off-balance sheet currency swaps	$ 903,180	$ -
Exchange rate to NTD	30.106	4.316
Foreign exchange loss	$ (22,829)	$ (1,489)

	December 31, 2018	
	USD	**CNY**
Cash and cash equivalents	$ 28,551	$ 2,080
Financial assets at FVTOCI	12,806,103	44,726
Receivables, net	85,007	805
Other financial assets	19,300	-
Total assets	12,938,961	47,611
Call loans from banks and overdrafts on banks	2,704,504	-
Securities sold under repurchase agreements	9,238,647	-
Accounts payable	25,140	-
Total liabilities	11,968,291	-
On-balance sheet foreign exchange gap	$ 970,670	$ 47,611
Off-balance sheet currency swaps	$ (614,660)	$ -
Exchange rate to NTD	30.733	4.4735
Foreign exchange gain (loss)	$ 14,561	$ (63)

d) Sensitivity analysis

Risk	Extent of Variation	December 31, 2019 Effect on Profit or Loss	December 31, 2019 Effect on Other Comprehensive Income
Foreign exchange risk	Exchange rate of NTD to USD and to RMB appreciated by 1%	$ (8,252)	$ -
Foreign exchange risk	Exchange rate of NTD to USD and to RMB depreciated by 1%	8,252	-

Risk	Extent of Variation	December 31, 2018 Effect on Profit or Loss	December 31, 2018 Effect on Other Comprehensive Income
Foreign exchange risk	Exchange rate of NTD to USD and to RMB appreciated by 1%	$ (4,303)	$ -
Foreign exchange risk	Exchange rate of NTD to USD and to RMB depreciated by 1%	4,303	-

5) Equity securities risk management

a) The Company's equity securities market risk comprises the risk of individual equity security coming from the security's market price changes and the general market risk coming from overall equity securities market price changes.

b) For equity securities risk management, the Company has set trading strategies for three categories of positions: (a) positions held for selling and earning capital gains in the short-term; (b) positions held for earning dividends; (c) positions held for earning capital gains derived from stocks that price in on promising industries or robust profitability in the long-term, and (d) setting annual loss limits to the tolerable scopes.

c) Related control measures include: Daily market price valuation to control loss limits and monthly reporting to the Risk Management Committee.

38. DISCLOSURES IN CONFORMITY WITH THE REGULATIONS GOVERNING THE PREPARATION OF FINANCIAL REPORTS BY PUBLIC BILLS FINANCE COMPANIES

a. Asset quality

In Thousands of New Taiwan Dollars, %

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

Note: Each items is filled out by "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".

b. The principal operation

In Thousands of New Taiwan Dollars

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

c. Concentrations of credit extensions

In Thousands of New Taiwan Dollars, %

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

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

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

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

d. Concentrations of assets, liabilities and off-balance sheet items

Information on the concentrations of assets, liabilities and off-balance sheet items is shown in Note 37.

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

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

f. Information on interest rate sensitivity

December 31, 2019

In Millions of New Taiwan Dollars, %

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	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 sensitivity gap	(86,958)	7,717	6,948	94,970	22,677
Net worth					23,855
Ratio of interest rate-sensitive assets to liabilities					113.25
Ratio of interest rate sensitivity gap to net worth					95.06

December 31, 2018

In Millions of New Taiwan Dollars, %

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

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

Note 2: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets ÷ Interest rate-sensitive liabilities.

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

g. Table of funding sources used

December 31, 2019

In Millions of New Taiwan Dollars, %

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

December 31, 2018

In Millions of New Taiwan Dollars, %

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

h. Matters requiring special notation

Items \ Period	December 31, 2019	December 31, 2018
Within the past year, a responsible person or professional employee violated the law in the course of business, resulting in an indictment by a prosecutor	None	None
Within the past year, a fine was levied on CBF 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 on CBF	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.

39. CASH FLOW INFORMATION

Changes in Liabilities Arising from Financing Activities

For the year ended December 31, 2019

	Opening Balance	Cash Flows	Non-cash Changes		Closing Balance
			New Leases	Others	
Call loans from banks and overdrafts on banks	$ 26,544,504	$ (12,043,635)	$ -	$ -	$ 14,500,869
Commercial papers issued	499,881	(500,000)	-	119	-
Lease liabilities	19,050	(16,305)	1,812	216	4,773
	$ 27,063,435	$ (12,559,940)	$ 1,812	$ 335	$ 14,505,642

For the year ended December 31, 2018

	Opening Balance	Cash Flows	Non-cash Changes	Closing Balance
			Others	
Call loans from banks and overdrafts on banks	$ 18,137,720	$ 8,406,784	$ -	$ 26,554,504
Commercial papers issued	2,999,557	(2,500,000)	324	499,881
	$ 21,137,277	$ 5,906,784	$ 324	$ 27,054,385

40. INFORMATION ON SIGNIFICANT TRANSACTIONS AND INVESTEES AND PROPORTIONATE SHARE IN INVESTEES

a. Related information of significant transactions for the year ended December 31, 2019:

1) Marketable securities acquired and disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital: None

2) Acquisition of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital: None

3) Disposal of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital: None

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

5) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: None

6) Sale of nonperforming loans information: None

7) Information on asset securitization under the “Regulations for Financial Asset Securitization”: None

8) Intercompany relationships and significant intercompany transactions: None

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

b. Name, locations and other information on investees: None

c. Investment in Mainland China: None

41. OPERATING SEGMENTS

The information reported to the Company's chief operating decision makers for the assessment of segment performance focuses mainly on types of goods or services delivered or provided. The Company's reportable segments are as follows:

Segment Revenues and Results

An analysis of the Company's revenues and results by reportable segment is as follows:

	Segment Revenues and Results For the Year Ended December 31, 2019				
	Headquarters				
	Bills and Bonds	Equity Products	Others	Branches	Total
Bills	$ 667,409	$ -	$ -	$ 510,796	$ 1,178,205
Bonds	412,275	25,278	-	269,632	707,185
Shares and beneficial certificates	-	17,751	15,888	-	33,639
Derivatives	(1,062)	130,500	-	-	129,438
Gain from reportable segments	1,078,622	173,529	15,888	780,428	2,048,467
Net revenues other than interest	(15,350)	-	-	(6,241)	(21,591)
Impairment losses recognized on financial assets	(12,108)	-	-	-	(12,108)
Provisions	(4,614)	-	-	138	(4,476)
Operating expenses	(194,330)	(37,519)	-	(224,965)	(456,814)
Income before income tax	$ 852,220	$ 136,010	$ 15,888	$ 549,360	$ 1,553,478

	Segment Revenues and Results For the Year Ended December 31, 2018			
	Headquarters			
	Bills and Bonds	Equity Products	Branches	Total
Bills	$ 649,056	$ -	$ 486,293	$ 1,135,349
Bonds	415,726	15,553	308,994	740,273
Shares and beneficial certificates	-	(16,428)	-	(16,428)
Derivatives	(16,967)	102,304	-	85,337
Gain from reportable segments	1,047,815	101,429	795,287	1,944,531
Net revenues other than interest	28,553	-	(2,575)	25,978
Reversal of impairment gains recognize on financial assets	6,699	-	-	6,699
Provisions	126,937	-	4,666	131,603
Operating expenses	(198,884)	(47,901)	(231,798)	(478,583)
Income before income tax	$ 1,011,120	$ 53,528	$ 565,580	$ 1,630,228

Segment result is measured at income before income tax, and this measure is reported to the chief operating decision makers for the purposes of resource allocation and assessment of segment performance. The Company's branches in Banqiao, Taoyuan, Taichung, Tainan and Kaohsiung are categorized as single segment because they have the same type of products or services.

	Segment Assets	
	December 31	
	2019	2018
Headquarters	$ 152,300,058	$ 157,792,232
Branches	59,080,536	57,173,417
Write-off of internal transactions	(13,841,035)	(15,434,618)
Total assets	$ 197,539,559	$ 199,531,031

Discussion and Analysis of Financial Status and Financial Performance, and Risk Management

One. Financial position

Unit: NT$ thousand

Item \ Year	December 31, 2019	December 31, 2018	Variance		Explanation of ratio changes (Note)
	Amount	Amount	Amount	%	
Cash and cash equivalents, due from the Central Bank and call loans to banks	244,731	261,832	(17,101)	(7)	-
Financial assets at fair value through profit or loss	92,084,805	97,455,257	(5,370,452)	(6)	-
Financial assets at fair value through other comprehensive income	103,117,226	98,395,152	4,722,074	5	-
Available-for-sale financial assets	Nil	Nil	-	Not applicable	Not applicable
Securities purchased under resell agreements	100,013	991,363	(981,350)	(99)	Note 1
Receivables, net	853,563	1,291,700	(438,137)	(34)	Note 2
Current tax assets	315,759	286,330	29,429	10	-
Financial assets held to maturity	Nil	Nil	-	-	-
Other financial assets , net	549,676	548,988	688	0	-
Property and equipment, net	154,192	150,208	3,984	3	-
Right-of-use asset	4,735	Nil	4,735	Not applicable	Not applicable
Deferred tax assets	67,138	101,386	(34,248)	(34)	-

Item \ Year	December 31, 2019	December 31, 2018	Variance		Explanation of ratio changes (Note)
	Amount	Amount	Amount	%	
Other assets, net	47,721	48,815	(1,094)	(2)	-
Total Assets	**197,539,559**	**199,531,031**	**(1,991,472)**	**(1)**	**-**
Call loans from banks and overdrafts on banks	14,500,869	26,544,504	(12,043,635)	(45)	Note 3
Financial liabilities at fair value through profit or loss	5,122	5,885	(763)	(13)	-
Securities sold under repurchase agreements	156,689,837	147,046,457	9,643,380	7	-
Accounts payable	715,039	451,695	263,344	58	Note 4
Commercial paper issued, net	Nil	499,881	(499,881)	Not applicable	Not applicable
Current tax liabilities	Nil	Nil	-	-	-
Other financial liabilities	Nil	Nil	-	-	-
Provision	1,398,066	1,396,246	1,820	0	-
Lease liabilities	4,773	Nil	4,773	Not applicable	Not applicable
Deferred tax liabilities	51,120	4,898	46,222	944	-
Other liabilities	319,271	282,972	36,299	13	-
Total Liabilities	**173,684,097**	**176,232,538**	**(2,548,441)**	**(1)**	**-**
Capital stock	13,429,600	13,429,600	0	0	-
Capital surplus	7,308	4,113	3,195	78	-
Retained earnings	9,800,304	9,520,568	279,736	3	-
Other equity	618,250	344,212	274,038	80	Note5
Total equity	**23,855,462**	**23,298,493**	**556,969**	**2**	**-**

Explanation of ratio changes: (Required only in the case of the increase/decrease by more than 20% and over NT$100 million.)
1. Decrease in securities purchased under resell agreements: Primarily as a result of the decrease in the trading portfolio of securities repo trading customers and demand for trading volume at the end of 2019.
2. Decrease in receivables-net: Primarily as a result of the decrease in interest receivable and settlement for bonds in 2019.
3. Decrease in call loans from banks and overdrafts on banks: Primarily as a result of the adoption of diversified 2019 capital allocation.
4. Decrease in payables: Primarily as a result of the decrease in settlement for bonds in 2019.
5. Increase in other equity: Primarily as a result of the increase in valuation gain on FV/OCI position in 2019.

Two. Financial performance

Unit: NT$ thousand

Year / Item	2019	2018	Variance		Explanation of ratio changes (Note)
	Amount	Amount	Amount	%	
Net revenue	2,014,768	1,977,208	37,560	2	-
Provisions/reversals	(4,476)	131,603	136,079	103	Note 1
Operating expenses	(456,814)	(478,583)	(21,769)	(5)	-
Earnings before tax	**1,553,478**	**1,630,228**	**(76,750)**	**(5)**	**-**
Income tax expenses	(308,825)	(294,809)	14,016	5	-
Net income	**1,244,653**	**1,335,419**	**(90,766)**	**(7)**	**-**

Explanation of ratio changes: (Required only in the case of the increase/decrease by more than 20%.)
1: Primarily as a result of the reversal of the repayment of loan by accounts whose credit was demoted to guarantee liability allowance.

Three. Cash flow

I. Analysis of liquidity in the most recent year

Item \ Year	2019	2018	Increase (decrease) %
Cash flow ratio (%)	7.92%	Not applicable	Not applicable
Cash flow adequacy ratio (%) (Note)	98.32%	Not applicable	Not applicable
Explanation of increase/decrease: 1. Not applicable, in the case of net cash outflow from operating activities in 2018. 2. Not applicable, in the case of net cash outflow from operating activities for the most recent five years.			

II. Analysis of liquidity in the coming year

Unit: NT$ thousand

Cash - beginning Balance ①	Net cash flow from operating activities for the year ②	Cash inflow (outflow) for the year ③	Cash balance (deficit) ①+②+③	Corrective measures against insufficient cash position	
				Investment Plan	Financing Plan
244,731	(807,546)	999,062	453,348	Nil	Nil

1. Analysis of cash flows in 2019:
   (1) Operating activities: The net cash outflow, NT$ 807,546 thousand, is primarily as a result of the cash inflow from operating profit and cash outflow from the increase in financial instrument positions.
   (2) Cash inflow (outflow): The cash inflow, NT$999,062 thousand, is primarily as a result of the cash inflow from call loans and cash outflow from allocation of cash dividends.
2. Corrective measures against projected insufficient cash position and analysis of liquidity: None.

Four. Material capital expenditures in the most recent year and impact on business/finance:

None.

Five. Investment policy, the main reason for profit or loss, improvement plan and investment plan for the coming year

I. Investment policy and investment plan for the coming year

The Company established its investment policy, “Regulations Governing Investments by China Bills Finance Corporation”, based on the “Regulations Governing Investments by Bills Finance Business”, in response to the government's economic development plans or financial policies as the first priority. The Company has no new investment plan for the coming year.

II. The main reason for profit or loss and improvement plan

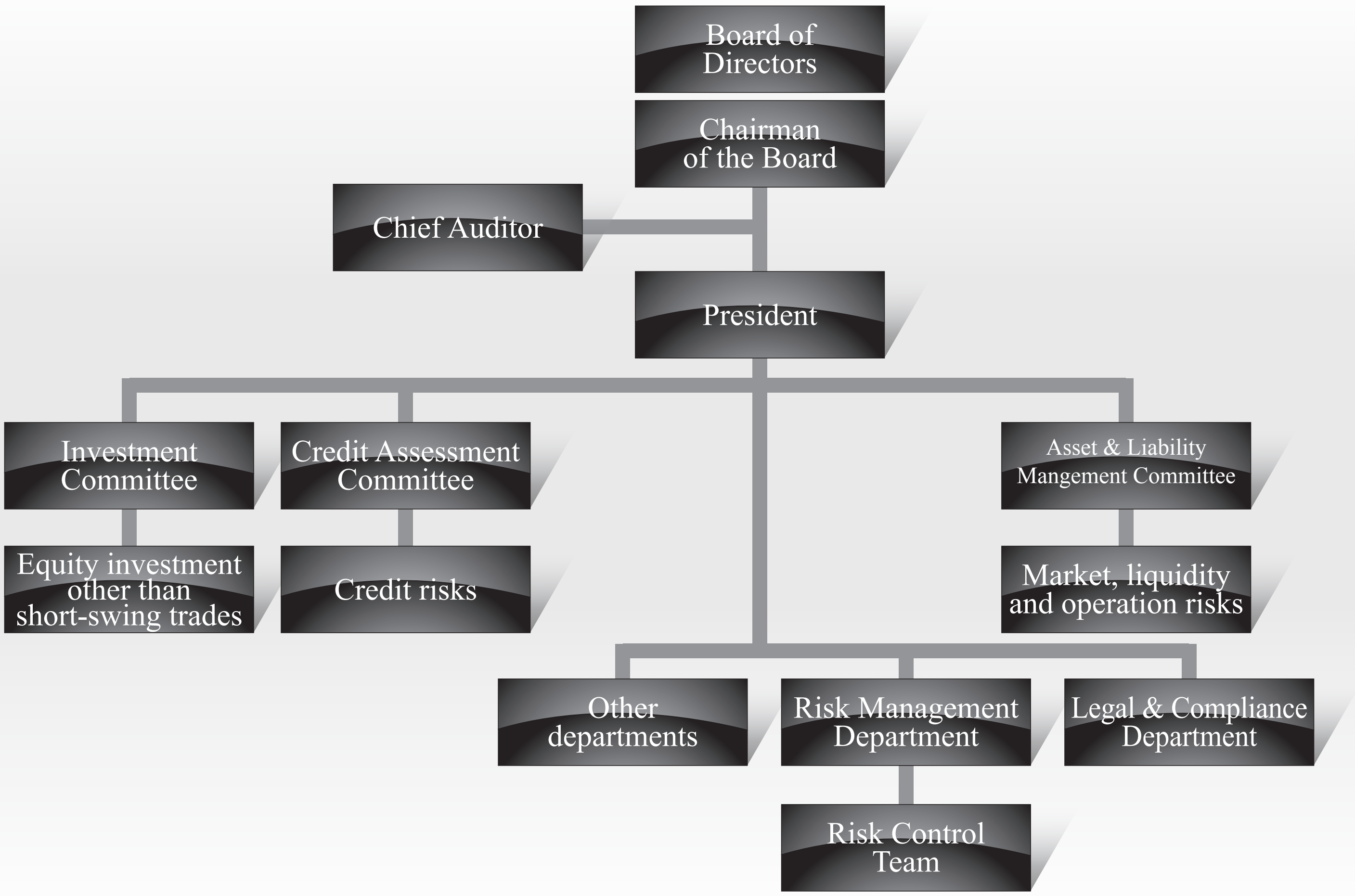
Benefited from the fair economy, the Company's invested enterprises were operating fairly. In 2019 the Company received the cash dividends allocated from the three invested enterprises including NT$6,501 thousand from Taiwan Depository & Clearing Corporation (TDCC), NT$5,487 thousand from Taiwan Futures Exchange , and NT$3,900 thousand from Taiwan Asset Management Corporation;therefore, the investment income should be considered fair. The Company will continue to practice its investment policies and also strengthen the equity management.

Six. Risk management

I. Risk management structure and policy

(I) Risk management structure

The Company's risk management structure bases the “Regulations Governing Guarantee Business” and “Regulations Governing Risks of Trading Business” as the enabling statutes. The Board of Directors shall be the ultimate policy-making unit for the Company’s risk management and responsible for authorization of the risk management policy & structure and construction of the risk management cultures throughout the Company to take the ultimate responsibility for the entire risk management. The President is responsible for executing the risk management policy and accounting for the policy to the Board of Directors. Risk Management Department is responsible for reviewing and controlling the risk control operations, and reporting the status thereof to the high-rank management and Board of Directors to control credit, market and liquidity risks. The risk control team subordinated to the Dept. is dedicated to processing the integrated management operations for various risks. Legal & Compliance Department is in charge of collection and compilation of the laws about various operations and drafting, approval and review of legal cases, and planning, management and implementation of the compliance system to control the legal risk.


Board of Directors
Chairman of the Board
Chief Auditor
President
Investment Committee
Credit Assessment Committee
Asset & Liability Mangement Committee
Equity investment other than short-swing trades
Credit risks
Market, liquidity and operation risks
Other departments
Risk Management Department
Legal & Compliance Department
Risk Control Team

The risk management policies aim to strive for the maximum interest for shareholders within the risk tolerance authorized by the Board of Directors. In line with external laws and the Company's internal regulations, the management departments reported the risk limits and stop-loss limits to be followed by various operations subject to the business types and annual budget target. The same shall be implemented upon authorization by the Board of Directors or authorized representatives.

In order to maintain the safety, liquidity and profitability of financial assets and liabilities, the Company established the “Credit Assessment Committee” and “Asset and Liability Management Committee”. In principle, the Credit Assessment Committee holds a meeting per week, and Asset and Liability Management Committee holds a meeting per month. In order to carefully assess the equity investment other than short-swing trades, the Company established the “Investment Review Committee” dedicated to reviewing various equity investments other than short-swing trades. In principle, the Committee also holds a meeting per month.

Credit Assessment Committee is primarily engaged in discussing:

1. Various credit risks (e.g., review on guarantor or endorser of commercial papers or bills, buying notes, underwriting of guarantee-free commercial papers, facility of trading counterparts of financial derivatives, and non-government bond purchase limit).
2. Review on the internal regulations governing guarantees.
3. Other credit risk-related operations.

Asset and Liability Management Committee is primarily engaged in discussing:

1. The Company's financial asset and liability portfolio and management policy (exclusive of the guarantee business).
2. Control over the balances of various risk positions related to financial assets and liabilities.
3. Forecast about the future interest rate trend and other financial developments.
4. Assessment on domestic/foreign economic and political environments and capital status.
5. Other management issues about the Company's financial assets and liabilities.

Investment Review Committee is primarily engaged in discussing:

1. Equity investment other than short-swing trades.
2. Other equity investment-related issues assigned by the senior management.

II. Qualitative and quantitative information about various risks

(I) Credit risk management system and capital requirement

Credit risk management system

2019

Item	Content
1. Credit risk strategy, target, policy and process	The Company's credit risk management forms the guarantee policy pursuant to the competent authorities' laws, and establishes related regulations by taking into consideration the safety, liquidity, yield, government's policy-oriented and business growth (see Fig. 1).
2. Credit risk management structure	(1) Guarantees: When underwriting any guarantees, the business units generally will negotiate with the customers at first. The guarantee units conduct comprehensive assessment and credit investigation based on the customers' financial and business positions, as well as the guarantee terms and conditions. If the cases are confirmed to be underwritten upon the assessment, the cases shall be transferred to Review Team of the Risk Management Dept. upon approval of the unit supervisors to have the Dept. propose the review comments on the customers, and then submitted to Business Review Committee or Board of Directors for review and approval case by case. (2) Trading counterparts of non-government bonds and financial derivatives: A. Before purchasing any non-government bonds, the business units shall apply for the purchase limits subject to the level of authority, pursuant to the Company's regulations governing bonds. B. The limits applicable to individual trading counterparts in the financial derivatives transactions to be underwritten by the business units shall be discussed at a meeting of the Credit Assessment Committee and also authorized by the Board of Directors. (3) Underwriting of guarantee-free commercial papers: Before underwriting any guarantee-free commercial papers, the business units shall conduct credit investigation, propose motions, review cases and organize meetings, like the guarantee operations, each year to apply for the risk limit.

Item	Content
3. Credit risk report and scope & characteristics of the measurement system	The report and scope of measurement shall cover the potential risks about the debtor's and trading counterpart's failure to perform contract or repay principal and interest. The guarantee business shall be reported to the management by the contents of guarantee, category of industry, the same related party, and affiliates. Meanwhile, the debtor's and trading counterpart's exposures shall also be compiled into the relevant business statistics and risk management reports to be submitted to the management, and reported to the competent authority pursuant to the relevant requirements periodically.
4. The policy for hedging and mitigation of credit risk, and strategy and procedure for monitoring and evading risks and for keeping the persistent effectiveness of the risk mitigation tools	The Company has established the "Guidelines Governing Guarantee Review" to continue supervising and controlling the customers' movements and strengthening the post-loan management. Risk Management Dept. and business units will also provide the information about credit ratings and credit of the bond/bill issuers and guarantors, equity product issuers, and trading counterparts of financial derivatives to help the assessment and follow-up on the credit risk. Meanwhile, Risk Management Dept. will set out the various credit limits with respect to various transactions, by individual financial institutions, the same enterprise and group, and have the same authorized by the President for control.
5. Approaches adopted by capital requirement	Standardized approach

Fig. 1: Credit risk strategy, target, policy and process

External laws

- Act Governing Bills Finance Business and related sub-laws
- Applicable provisions under Banking Act

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Guarantee policy

- Regulations Governing Guarantees

↓

Credit risk management

- Articles of Association of Credit Assessment Committee
- Articles of Association of Investment Review Committee
- Regulations Governing Level of Authority for Guarantee Business
- Regulations Governing Appraisal on Collaterals
- Regulations governing assessment on assets, provision of allowance for loss, and non-performing guarantees, overdue receivables and bad debts.
- Regulations Governing Underwriting of Short-Term Bills
- Regulations Governing Pricing of Guarantees
- Regulations Governing Inter-Bank Loans

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Post-loan management

- Guidelines Governing Guarantee Review
- Guidelines Governing Pre-Warning and Responsive Measures for Collaterals of Securities

Capital requirement and risk-weighted assets for market risk

(Standardized Approach)

Unit: NT$ thousand

Record date: December 31, 2019

Type of Risk Exposure	Capital requirement	Risk weighted assets
Sovereigns	0	0
Non Central -Government Public Sector Entities	420	5,248
Banks (including multilateral development banks)	232,196	2,902,437
Enterprises (including securities firms and insurance companies)	8,960,525	112,006,566
Retailed credit	76,844	960,550
Equity-securities investment	329,400	4,117,510

Type of Risk Exposure	Capital requirement	Risk weighted assets
Guarantees made for the parent company or any subsidiary, and guarantees made for the securities issued by the parent company or any subsidiary.	0	0
Other assets	18,196	227,453
Total	9,617,581	120,219,764

(II) Securitization risk management system, exposures, and capital requirement

Securitization risk management system

2019

Item	Content
1. Securitization management strategy and process	The Company's securitization risk management establishes the related internal regulations pursuant to the external laws. Specifically, the Company establishes the “Regulations Governing Bonds Trading and Risk Positions” with respect to the beneficiary certificate valid for more than one year, and the “Regulations Governing Asset-Based Short-Term Bills” with respect to the beneficiary certificate-current portion, in order to govern the limit management, limit review, risk management and business management about purchase of beneficiary certificates to pursue the optimization of risk and income.
2. Securitization management structure	Before purchasing any securitization products, the business units shall assess individual cases in detail and apply for the purchase limits subject to the level of authority, pursuant to the Company's “Regulations Governing Bonds Trading and Risk Positions” and “Regulations Governing Asset-Based Short-Term Bills”. Risk Management Dept. and other related units will also supervise and control the risk profiles of the securitization products.

Item	Content
3. Securitization risk report and scope & characteristics of the measurement system	Risk Management Dept. will value the exposures of various beneficiary certificates and asset-based short-term bills on a daily basis, and submit the summarization of the entire positions to the management to achieve the routine control. Further, it will submit the summarization of exposures and income to Financial Asset and Liability Management Committee on a monthly basis.
4. The policy for hedging and mitigation of securitization risk, and strategy and procedure for monitoring and evading risks and for keeping the persistent effectiveness of the risk mitigation tools.	The Company will evaluate various income positions for securitization products periodically, and review the credit, market and liquidity risk profiles for the securitization products. If necessary, the Company will evaluate the hedging cost and take appropriate measures to transfer risks.
5. Approaches adopted by capital requirement	Standardized approach

Status of securitization business

Record date: December 31, 2019

Type	Total amount issued	Outstanding balance	Balance of repurchase
Not applicable.			

(III) Operational risk management system and capital requirement

Operational risk management system

2019

Item	Content
1. Operational risk management strategy and process	For the time being, the Company's operational risk measurement focuses on the internal audit, compliance and self-audit on internal control. According to the Company’s “Regulations Governing Risks of Trading Business”, “Guidelines Governing Risk Controls”, “Guidelines Governing Compliance System”, “Regulations Governing Internal Control System and Self-Audit”, “Instructions to Prevention of Insider Trading” and “Regulations Governing Security of e-Repo Trading of Bonds”, the Company strengthens the management about internal audit, compliance and self-audit on internal control.

Item	Content
2. Operational risk management structure	The operational risk management aims to avoid the extra costs or losses potentially cased by the negligence in operations or internal control. Auditing Department is an independent internal audit unit dedicated to assessing the design of internal control and effectiveness of implementation thereof periodically. Meanwhile, the Company has retained independent external auditors to audit (or review) the internal control system related to financial statements periodically.
3. Operational risk report and scope & characteristics of the measurement system	The units dedicated to business, custody of property and information shall conduct the general self-audit at least once per six months, and the special audit-audit at least once per month. Auditing Department shall conduct the general audit and special audit on each unit dedicated to business, custody of property and information at least once per year, and conduct the special audit on the other management units at least once per year, and also follow up and control the deficiencies to be corrected based on the audit result.
4. The policy for hedging and mitigation of operational risk, and strategy and procedure for monitoring and evading risks and for keeping the persistent effectiveness of the risk mitigation tools.	Categorized into the front office and back office, based on the principles for division of functions. The business units are responsible for the authorization and approval about transactions in the front office. The operation units are responsible for execution and documentation of transactions in the back office. They both verify the accuracy of transactions mutually. Meanwhile, the standard operating procedures are established in order to strengthen the employees' training, computerized operation and review mechanism, and reduce the possibility for operational risk.
5. Approaches adopted by capital requirement	Basic Indicator Approach (BIA)

Capital requirement and risk-weighted assets for operational risk (BIA)

Unit: NT$ thousand

Record date: December 31, 2019

Type	Total amount issued	Outstanding balance	Balance of repurchase
2016	2,099,320		
2017	1,977,410		
2018	2,014,655		
Total	6,091,385	304,569	3,807,116

(IV) Market risk management system and capital requirement

Market risk management system

2019

Item	Content
1. Market risk management strategy and process	The Company's market risk management establishes the Regulations Governing Risks of Business Trading in accordance with the Act Governing Bills Finance Business and related sub-laws, and the management regulations applicable to various products as well (see Fig. 2 for details).
2. Market risk management structure	The senior manager in charge of the market risk management shall be served by the President, aided by Financial Asset and Liability Management Committee. Various business units serve as the execution units.
3. Market risk report and scope & characteristics of the measurement system	The report and scope of measurement shall cover the effects produced by the risk over bills, bonds, equity products and financial derivatives on the Company's net worth and income due to any changes in the market risk factors. Meanwhile, appropriate management policies will be adopted to control the market risk level to be borne by the Company. Risk Management Dept. will report to the management in the form of the summary table of the entire positions and stop-loss control report by month/year on a daily basis to achieve the routine control. Meanwhile, it will summarize the positions of various products, income and stress testing result on changes in interest rate and value at risk (VaR) to Financial Asset and Liability Management Committee on a monthly basis.
4. The policy for hedging and mitigation of market risk, and strategy and procedure for monitoring and evading risks and for keeping the persistent effectiveness of the risk mitigation tools	The hedging strategy aims to evade the cash flow risk or risk over changes in fair value through individual hedging tools or portfolio of hedging tools when the positions held by the Company suffer any changes in interest rate or price, in order to achieve the risk management target. The fair value or projected cash flow of the financial assets held by the Company might vary due to the changes in market interest rate and foreign exchange rate, if any. If the risk is assessed as material, the Company will sign the interest rate swap contract or engage in foreign exchange or other qualified hedging tools for the purpose of hedge.
5. Approaches adopted by capital requirement	Standardized approach

Fig. 2: Market risk strategy, target, policy and process

External laws

- Act Governing Bills Finance Business and related sub-laws

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Internal regulations

- Regulations Governing Risks of Business Trading

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Market risk management

- Guidelines Governing Risk Controls
- Regulations Governing Bonds Trading and Risk Positions
- Operating Procedure for Financial Derivatives Transactions
- Regulations Governing Investment in Equity Products
- Operating Procedure for FRCP and UCCP
- Operating Procedure for Proprietary Operations and Investment of Foreign Bonds
- Regulations Governing Foreign Short-Term Bills
- Regulations Governing Asset-Based Short-Term Bills

Capital requirement and risk-weighted assets for market risk

(Standardized Approach)

Unit: NT$ thousand

Record date: December 31, 2019

Type of Risk	Capital requirement	Risk weighted assets
Interest rate risk	4,805,429	60,067,863
Equity securities risk	77,564	969,550
Foreign exchange risk	51,159	639,487
Commodity risk	-	-
Options operated under Simplified Standardized Approach	-	-
Total	4,934,152	61,676,900

(V) Review and analysis on liquidity risk

1. Asset and liability maturity analysis

Unit: NT$ million
Record date: December 31, 2019

	Total	Balance until maturity				
		0 – 30 days	31 days – 90 days	91 days – 180 days	181 days – 1 year	Over 1 year
Assets	193,868	36,480	46,439	8,734	7,245	94,970
Liabilities	171,191	131,829	38,048	1,017	297	0
Gap	22,677	(95,349)	8,391	7,717	6,948	94,970
Accumulated gaps	22,677	(95,349)	(86,958)	(79,241)	(72,293)	22,677

2. Approach to manage asset liquidity and capital gap liquidity

The Company establishes the “Guidelines Governing Control Over Liquidity of Bond and Equity Product Risk” to control the asset liquidity in accordance with the “Regulations Governing Risks of Business Trading”. The Company sets the limit of credit by product, and reports the liquidity by product to Financial Asset and Liability Management Committee periodically.

According to the “Capital Liquidity Risk Management Policy”, the Company expressly defined that the liquidity risk shall be managed in a quantitative manner, the limit of risk management indicators shall be set, and 90% of the limit shall be set as the threshold for altering. Meanwhile, the Company produced the statements periodically and submitted the same to Financial Assets and Liabilities Management Committee, and designated the units dedicated to execution and monitoring of the liquidity risk. The execution unit shall adjust the gap in liquidity subject to the routine cash flows and changes in the market condition to ensure adequate liquidity. The monitoring unit shall check the adequacy of the execution’s execution process periodically. Further, the Company established the “Guidelines Governing Capital Gaps” to control the capital gap liquidity, defining each business unit’s daily capital gap, the maturity capital gaps throughout the Company, and limit of each customer's matured capital gap, net on each business day to control the liquidity risk at an appropriate level. The unit dedicated to risk management also controls the total major liabilities and percentage of maturity capital gaps to total assets for next 0~30 days at the end of month on a daily basis. The business units engage in stimulation and testing under different stress scenarios periodically, in hopes of establishing the routine maintenance mechanism and emergency response plan therefor.

III. Impact on the Company's financial standing due to changes in domestic or foreign policies and laws, and corresponding countermeasures:

(I) Material changes in the acts governing bills finance business in 2019 until the date of publication of the annual report

Date of Promulgation	Laws & Regulations	Changes/Additions	Effect/Countermeasures
November 12, 2018	Self-Discipline Standards for Information Security Protection by the Bills Finance Business	The Self-Discipline Standards are adopted in order to urge the member companies, for their own information business and information assets safety, to practice the self-discipline spirit and prevent the data processing procedure from incurring any security incident affecting the confidentiality, integrity and available of the information and system, and to ensure that the data processing operates effectively and safely.	**Effect/Countermeasures:** The Company adopts the "Information Security Policy" in response thereto.
November 26, 2018	Amendments to the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies"	1. In response to Taiwan's application of IFRS 16 "Lease" since 2019, the Company expands the scope of right-of-use assets. 2. In response to the definition of IFRS 9 "Financial Instrument", the Company expressly defines the scope of derivatives. 3. To expressly define the scope exclusive for professional investors, and lift the requirements about disclosure of certain transactions.	**Effect/Countermeasures:** In response to it, the Company amends the "Operating Procedure for the Acquisition and Disposal of Assets".

Date of Promulgation	Laws & Regulations	Changes/Additions	Effect/Countermeasures
February 20, 2019	Self-Discipline Standards for Liquidity Risk Management by the Bills Finance Business	According to FSC's Letter under Jin-Kaun-Yi-Piao-Zi No. 10702735190 dated September 12, 2018, the Company enhances the NTD capital liquidity management policy for the bills finance business.	Effect/Countermeasures: The Company adopts the "Capital Liquidity Risk Management Policy" in response thereto.
February 21, 2019	Amendments to the "Self-Discipline Standards for Underwriting of Guarantee-Free Promissory Notes by Bills Finance Association Members"	According to FSC's Letter under Jin-Kaun-Yi-Piao-Zi No. 10702735190 dated September 12, 2018,the Company enhances the control measures against the risk over guarantee-free promissory notes underwritten and held by bills finance business.	Effect/Countermeasures: 1. Considering that the bills finance business shall determine the limit of issuance by guarantee-free issuers and limit of guarantee-free promissory note of the same related party and group of non-government-state enterprise issuers, the Company amends its "Regulations Governing Underwriting of Short-term Bills and Notes". 2. For the other related self-discipline standards that refer to operating procedures, the Company adopts the "Operating Directions Governing Underwriting of Guarantee-Free Promissory Notes".

Date of Promulgation	Laws & Regulations	Changes/Additions	Effect/Countermeasures
March 26, 2019	Amendments to in Article 28-2 of the Securities and Exchange Act	1. In response to the needs by TWSE/TPEx-listed companies to inspire employees' morale, retain excellent talents, and boost industrial development, and in order to enable TWSE/TPEx-listed companies to have more flexible deadline for offering treasury stock to the employees as rewarding tools and to make use of various tools to pay remuneration to employees. 2. Extend the time limit of transfer of shares bought back from the Company to employees and the buyback for equity conversion in coordination with the issuance of corporate bonds with warrants, preferred shares with warrants, convertible corporate bonds, convertible preferred shares, or share subscription warrant from 3 years to 5 years.	**Effect/Countermeasures:** The Company amends the "Regulations Governing Buyback of the Company's Shares" in response thereto.
April 11, 2019	Amendments to the "Corporate Governance Best-Practice Principles for Bills Finance Corporations"	To expressly define the obligation, functions, position, qualifications and continuing education requirements of the Company's chief corporate governance officer.	**Effect/Countermeasures:** The Company amendments the "Corporate Governance Best-Practice Principles" in response thereto.

Date of Promulgation	Laws & Regulations	Changes/Additions	Effect/Countermeasures
July 30, 2019	FSC Jin-Guan-Yin-Piao-Zi No. 10802076891 of July 30, 2019	To prevent the stakeholders from interrupting the loan decision inadequately by taking advantage of their positions or internal relationship.	**Effect/Countermeasures:** 1. The Company adopts the “Regulations Governing Loan to Substantial Stakeholders” in response thereto. 2. To include the loan to substantial stakeholders into the internal control operating system to enhance the corporate governance.
September 2, 2019	Amendments to the “Template of Directions Governing Anti-Money Laundering and Countering the Financing of Terrorism of Bills Houses”	1. Amendments to Article 9: For the ML/TF transaction reporting procedure, if the bills house determines such transaction is a suspicious ML/TF transaction, the bills house should report to the Investigation Bureau, Ministry of Justice immediately upon authorization of the competent authority and within no later than 2 business days upon the authorization. 2. Addition to Article 10: For the requirements that places where property or property interests of a designated party to be sanctioned shall be reported to Investigation Bureau under Article 7 of the Counter-Terrorism Financing Act.	**Effect/Countermeasures:** Amend the Company's internal rules in response thereto: 1. In response to the Bills Finance Association, the Company amends its “Directions Governing Anti-Money Laundering and Countering the Financing of Terrorism”. 2. In response to the amendments to the requirements about time limit of reporting, the Company adjusts its operating procedure for controls.

Date of Promulgation	Laws & Regulations	Changes/Additions	Effect/Countermeasures
	Amendments to the "Guidelines for Bills Houses Regarding Assessment of Money Laundering and Terrorism Financing Risks and Adoption of Prevention Programs"	Only adjusted the text in line of the difference from amended provisions of the related laws and regulations, and the part related to said Guidelines.	**<u>Effect/Countermeasures:</u>** 1. The Company amended the "Policy for Assessment of Money Laundering and Terrorism Financing Risks and Adoption of Prevention" in response thereto. 2. Adjusted the text in line with the amendments.
October 7, 2019	Paragraph 1, Article 34 of the Occupational Safety and Health Act	The employers, together with the labors' representatives, shall adopt the safety and health work rules which satisfy their needs, which shall be published and enforced upon inspection by the labor inspection entity.	**<u>Effect/Countermeasures:</u>** The Company adopts the "Safety and Health Work Rules" in response thereto.
February 4, 2020	Paragraph 1, Article 23 of the Occupational Safety and Health Act, and Paragraph 1 & Paragraph 2 of Article 12-1 of the Occupational Safety and Health Management Regulations	The employer's plan to implement the labor health promotion and protection program in order to enhance the business units' safety and health management.	**<u>Effect/Countermeasures:</u>** 1. The Company adopts the "Occupational Safety and Health Management Program" in response thereto. 2. To work with the occupational safety and health consulting service organization duly certified by Ministry of Labor to provide the Company's officers and employees with the fine quality medical professionals' onsite service, and plan and implement health activities.

(II) Important related laws and regulations under research or to be implemented

Nil.

IV. Impact on the Company's financial standing due to technological or industrial changes, and corresponding countermeasures:

The Company's decision-making supporting system integrates internal/external critical information effectively and presents the same systematically. It provides the managers with the information about management to help their decision making and also provides the employees with the source of information about analysis on routine business.

Fixed Income Products Department establishes New Financial Instrument Team to keep concerning and promoting the new services and opportunities for the bills finance industry. In line with the FinTech innovation trend prevailing in the financial industry in the recent years, New Financial Instrument Team also engages in assessing the potential applications of the FinTech innovation to the bills finance industry and the Company.

V. Impact of changes in the corporate identity of the Company, and corresponding countermeasures:

The Company is identified as a historical company with outstanding goodwill and high trust from customers. It upholds the core management strategy focusing on the development based on "Gratitude, Contentment and Improvement". Under the existing fair foundation (Gratitude and Contentment), the Company secures its competitive strength through continuing learning, improvement and innovation, and provide customers, shareholders and employees with higher value (Improvement). Notwithstanding, in response to the current changes in financial trends, the Company also uses its best efforts to develop new business lines and new financial instruments, and move forward toward the target for becoming a professional fixed-income securities dealer.

VI. Expected benefit(s) and possible risk(s) of mergers and acquisitions:

Nil.

VII. Expected benefits, risks and responsive measures associated with business location expansions:

Nil.

VIII. Risk from concentrated operations, and corresponding countermeasures:

In order to evade the risk over concentrated operations, the Company controls the total guarantees or ratios of the same related party and the same affiliate, and also controls the limits by category of industry, type of collateral and business line. Meanwhile, the Company establishes the Risk Control Team subordinated to Risk Management Dept. to integrate the identification, measurement, control and report of the Company's risk profiles, in hopes of controlling the tolerable risk limit authorized by the Board of Directors.

IX. Effect and risk caused by the changes of the right to manage to the Company, and the countermeasures thereof:

O-Bank remained the Company's largest shareholder. PJ Group also joined the operations of the Board of Directors as new director to create the maximum interest for the shareholders together.

X. Effects, risks and countermeasures following a major transfer or conversion of shareholding by directors, or shareholders with more than 1% ownership interest:

Nil.

XI. Litigation or non-litigation matters:

(I) For the Company

Nil.

(II) For any director, President, or major shareholder with more than 1% ownership interest, and affiliated company

1. For the director and President

   Please see XI.(I) Penalties imposed during the most recent two years and until the date of publication of the annual report for illegalities and major deficiencies, and improvements made on Page 94 hereof.

2. For any major shareholder with more than 1% ownership interest, and affiliated company

Name of Shareholder	Litigation or non-litigation matters	Remarks
O-Bank	Note1	Note2
PJ Asset Management Co., Ltd.	Nil	
He Zhu Investment Co., Ltd.	Nil	
Yuan Tong Investment Co., Ltd.	Nil	
CitiBank (Taiwan) as Trustee of Norges Bank Investment Account	Nil	
J.P. Morgan Chase Bank N.A., Taipei Branch as Trustee of Vanguard Emerging Markets Stock Index Fund, a Series of Vanguard International Equity Index Funds Investment Account	Nil	
Standard Chartered Bank, Dunhua Branch as Trustee of iShares MSCI Emerging Market ETF Investment Account	Nil	
J. P. Morgan Chase Bank N.A., Taipei Branch as Trustee of Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	Nil	

Note 1: O-Bank responded to the Company in writing on February 19, 2020, indicating that "Yi Jing Yang Enterprises Co., Ltd. is suspected of engaging in false transactions in order to apply for the factoring financing with it and thereby causes damages to it; in this regard, it has filed a criminal complaint against Yi Jing Yang Enterprises Co., Ltd. and related parties, and Taipei District Prosecutors' Office initiated the indictment in January 2020; meanwhile, it filed the monetary claim with the Civil Division of Taiwan Taipei District Court pursuant to laws in January 2020.".

Note 2: The Company inquired in writing with the major shareholders with more than 1% ownership interest of the Company on February 15, 2020 (based on the roster of shareholders who suspended transfer of shares on July 4, 2019) for the information about major litigation, non-litigious or administrative legal action, convicted or pending, in the most recent years, which were likely to pose significant impact to shareholders' equity or security prices of the Company. The answer should be none, if no such information is made available from the shareholders. By the due date for response, namely February 25, none of said companies has provided such information.

XII. Other significant risks and corresponding countermeasures

(I) Information security policy and assessment & analysis on risk

In order to enhance the Company's information security management and ensure the security of the Company's information, system, equipment and network security, the Company establishes the Company's "Information Security Policy" to be followed by the Company in accordance with the "Self-Discipline Standards for Information Security Protection by the Bills Finance Business" established by the R.O.C. Bills Finance Association. The relevant contents of the Policy are disclosed on the Company's website at: http://www.cbf.com.tw/public/Data/952716111371.pdf.

Subject to the importance of information assets and effects thereof on operations, the Company categorizes the information systems into operating information system and non-operating information system. In order to discover the threat and weakness in the information security as early as possible to implement and enhance the relevant control measures in the respect of technology and management and to upgrade the security protection ability of the network and information systems, the Company adopts the following approaches to review and assess the information security:

1. Review existing information structure:

   (1) Review the information equipment structure, adequacy of the security management rules, and any information security risk discovered in the information systems or PC shall be solved in the following manners:

      a. Adjust the firewall system rules to enhance the security of access to important information equipment.

      b. Adjust the DLP rules to prevent the Company's important information from being disclosed, and adjust the Webfilter system rules to prevent the employees from accessing the websites with threats in information security in error.

      c. Adjust the Spam system rules to block any spam containing malicious software sent to the employees from hackers.

d. Utilize the endpoint control system to prevent the employees from installing their personal information equipment privately lest the Company's important information should be disclosed to outsiders.

e. Continue to update the virus code of the anti-virus system installed on the information equipment to prevent the information equipment from attack by virus.

f. Utilize the resource management system to control the write-out function of the employees' USB storage equipment lest the Company's important information from being disclosed to outsiders.

g. In 2019, the Company has established the Email APT offensive and defensive system in order to prevent the malicious attack by hackers via email and enhance the safety of access to the Company's email.

(2) Review the risk over failure in important information systems, assess the maximum impact and risk acceptance in the case of failure in the Company's important information system, and set forth the acceptable operation suspension period, shortest recovery hours and backup plan.

2. Review on network activities

(1) Review the access logs of network and information equipment, and review whether the authority of access to the account satisfies the Company's information security guidelines and regulations.

(2) Check the accuracy of settings of the information security equipment control rules, and check the information security incident control record periodically, and test the effectiveness of the information security protection system periodically.

(3) Use the firewall system to check whether the Company's information equipment links with external networks abnormally, and analyze and compare whether it links with any hacker's relay station; if it does, adjust the firewall system rules to block the links.

3. Test of network equipment, servers and terminal equipment

(1) The Company conducts weakness scanning on the network and information equipment throughout the Company periodically for twice per year, and fixes bugs or strengthens the protection with respect to the weakness and bugs identified according to the scanning results to mitigate the entire information security risk.

(2) Test the relevant password policy of the login accounts used to access the information equipment via the weakness scanning periodically each year, and the password set for the login accounts certified to comply with the Company's relevant password policy; the privileged account management system engages in enhancing the complexity of the password of the login accounts by including the important information system administrator’s account and changing the login password through its privileged account management system.

4. Test on external website’s security:

(1) Conduct the penetration testing on the Company’s external website periodically each year to control and fix the weakness risk. In 2019, no material weakness risk was found.

(2) Review the rules applicable to setting of the authority of access to the directories and pages of the Company’s external website and access logs periodically to prevent hackers from intruding into the Company's external website and tampering the contents thereon. In 2019, no hacker's intrusion took place.

5. Inspection on security settings

(1) Review the Company's AD “password setting principles” and “account lockout principles”; as a result, the security and setting principles both found complying with the Company's information security guidelines and regulations.

(2) Continue to review the operations of and access to the firewall system, and continue to review the firewall log to verify the information security risk in the information system access settings; if any, adjust the firewal system rules for protection.

(3)Withdraw the employees' highest authority of access to their PCs, restrict the employees from installing software privately, prevent the employees' PCs from being installed with the software containing unlicensed or malicious programs; construct the privileged account management system in 2018 to administer the important information system privileged accounts to reduce the misuse of the privileged accounts and prevent the system from being hacked or prevent the important data from being disclosed if the accounts are stolen, and retain the operational log for the privileged account through the system to satisfy the need for the internal control of information security and regulatory audit.

(4) By the asset management system, and the weakness scanning conducted for twice per year, review the update status of the system host and the OS/Apps in PCs and then evaluate and execute feasible system updates.

(II) Countermeasures against information security risk

Given the increasing global network security threats, in order to upgrade the information security protection to prevent the Company's information from various threats and ensure the Company's continuing operations, the Company engages in the information security protection via its existing information security equipment and also continues to evaluate the update or construction of new information security systems. In 2019, the Company has constructed the Email APT attack defense system to prevent hackers from attacking the Company via email maliciously, and organize the social engineering exercise via email for twice per year and the information security promotional education and training for 3 hours each year to raise the employees' awareness toward information security.

According to the competent authority's interpretation about the information security operations handled by the bills finance business referred to in the proviso referred to in Article 38-1 of the "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries" promulgated by FSC, the Company appoints the Company's information security officers and staff responsible for planning, controlling and executing the information security management operation, in order to implement the Company's information security plans and information security protection effectively, and reporting the results of the overall implementation of information security operations in the previous year to the Chairman, President, Chief Auditor and information security officer each year to help them issue the statement of declaration for implementation of information security jointly. The statement will be submitted to the Board of Director with 3 months at the end of each fiscal year.

Seven. Crisis Management and Emergency Response

In order to reduce the possibility for the Company's routine operation to be affected by any disaster in the important information system, and to recover the normal operation of the information system promptly, the Company implements the following protective measures with respect to the information system:

I. In order to prevent the business trading system from any disaster, the business trading system data would be backed up immediately, and after 15 minutes remotely. The data center and data storage device at the same site are equipped with HA backup mechanism. Upon outbreak of failure in the data center or data storage device at the same site, the HA backup mechanism will be automatically activated and switched to the backup host or data storage device to ensure that the business trading may keep operating.

II. In order to prevent the OA-related system from any disaster, the Company implements the VMWare virtual technology and also constructs formal/backup VMWare hosts. Upon outbreak of failure in the VMWare system host, the VMWare system will activate the HA backup mechanism automatically and switch the online OA-related system to the backup VMWare system host to enable the OA-related system to recover normal operation and, therefore, upgrade the availability and safety of the system. Meanwhile, in order to protect the OA-related system, the Company uses the HDPS Commvault backup system to perform the backup of the OA-related system at the same site and remotely each day.

III. The Company sets up a remote backup data center in Taoyuan. In order to ensure that the remote backup data center in Taoyuan can meet the important information system backup function, the Company will organize the remote backup stimulation drill with respect to the business trading system and OA-related system on a yearly basis. If it is impossible for the data center at the same site to operate, the business trading system and OA-related system may be switched to the remote backup environment manually to keep operating and also keep the Company's operation uninterrupted.

IV. In order to ensure the uninterrupted power supply, the systems' host power will be supplied by the UPS system. Meanwhile, in order to maintain the environment and equipment safety in the data center for the computer host, the Company installs the environmental monitoring system, central control system for the air conditioners, automatic air-jet fire protection system, access control system and monitoring system, etc. If any water leakage, temperature/humidity abnormality and fire, etc., are detected, dedicated personnel will receive the automatic phone call, and the fire extinguisher will be activated automatically to deal with the abnormalities as early as possible lest the damage should be expanded.

In order to well-found the Company's disaster relief system and management crisis management mechanism, the Company enhances its policies responsive to various emergencies, and establishes the "Instructions to Implementation of Emergency Responsive Measures" and "Guidelines Governing Responsive Actions Against Information System Disaster" to respond to any disaster and reduce the damage to keep the Company's financing operate normally.

Eight. Other Significant Events

Nil.

Special Items

One. Information on Affiliates

I. Consolidated business reports of affiliated enterprises

Not applicable.

II. Consolidated financial statements of affiliates

Not applicable.

III. Affiliation report

(I) Statement of Declaration by China Bills Finance Corporation

See Page 255

(II) Independent Auditor's Opinion Statement

See Page 256

Declaration of Statement

The Company hereby declares that the Company's 2019 Affiliation Report (from January 1, 2019 to December 31, 2019) was prepared pursuant to the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises", and there are no significant inconsistencies between the information given above and the supplementary information disclosed in the notes to financial statements for the above period.

China Bills Finance Corporation
Responsible person: Cheng-Ching Wu

February 25, 2020

Deloitte

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March 4, 2020 Deloitte & Touche No. 10901810

Addressee: China Bills Finance Corporation

Subject: Comments on the declaration of statement certifying no significant inconsistencies in the information disclosed in your 2019 Affiliation Report

Descriptions:

1. You declared that your 2019 Affiliation Report (from January 1, 2019 to December 31, 2019) was prepared pursuant to the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” on February 25, 2020, and there are no significant inconsistencies between the information disclosed herein and the supplementary information disclosed in the notes to financial statements for the above period. For the Declaration of Statement, please see the attachment hereto.
2. We have audited your Affiliation Report prepared in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises”, and compared it with the notes to your 2019 financial statements. As a result, we found no significant inconsistences from said declaration of statement.

Deloitte & Touche
Joe Chen, CPA
Eric Lin, CPA

(III) Relationship between the subordinate company and the controlling company

Relationship between the subordinate company and the controlling company

Unit: shares; %

Controlling company	Reasons for control	Shareholding and pledges by the controlling company			Directors and managers representing the controlling company	
		Shares held	Shareholding ratio (%)	Quantity of pledged shares	Title	Name
O-Bank	Control the Company's personnel and business directly or indirectly	380,981,600	28.37%	-	Director (Chairman of the board) Director Director Director Director	Cheng-Ching Wu Cheng-Hsiang Wei David C.C. Chang Niel Chang Ying-Che Huang

(IV) Information on transactions:

1. Purchase (sales) transactions: None

2. Property transaction: None.

3. Capital financing: Not applicable.

4. Assets leasing:

The Company signed the lease agreements for real estate and parking lots with O-Bank on October 27, 2011 and November 13, 2014, under which the monthly rent, NT$1,099 thousand and 1,101 thousand, should be payable from January 1, 2012 to December 31, 2019 and January 1, 2020 to December 31,2020, respectively.

Type of transaction	Lease Agreement for "Real Estate" and "Parking Lots"
Name of premises	Real estate: 4F, No. 99, Sec. 2, Tiding Blvd., Taipei City, in whole, occupying an area totaling 679.85 pings. Parking lots: 2 parking lots at B2, 9 parking lots at B4, and 6 motorcycle parking spaces at B1 of the premises at No. 99, Sec. 2, Tiding Blvd., Taipei City
Location of premises	No. 99, Sec. 2, Tiding Blvd., Taipei City
Term of lease	January 1, 2012 ~ December 31, 2019
Nature of lease	Operating lease
Basis for rent	Subject to the areas occupied by the premises, NT$1,575 (after tax) per ping, NT$2,500 per lot, and NT$100 per motorcycle parking space (after tax).
Payment method	To be paid by the Company by T/T before 15th day of each month.
Comparison with the general rent level	According to the appraisal reports issued by Global Vision, Hong Bang and Qian He real estate appraisal offices, the reasonable rent should range from NT$1,370 to NT$1,665 per ping. Therefore, said rent per ping is considered reasonable.
Total rents in the current period	The rent expenses and management fees total NT$13,188 thousand in the current period.
Collection and payment in the current period	Paid regularly.
Other agreements	-

Type of transaction	Lease Agreement for "Real Estate" and "Parking Lots"
Name of premises	Real estate: 4F, No. 99, Sec. 2, Tiding Blvd., Taipei City, in whole, occupying an area totaling 679.85 pings. Parking lots: 2 parking lots at B2, 9 parking lots at B4, and 6 motorcycle parking spaces at B1 of the premises at No. 99, Sec. 2, Tiding Blvd., Taipei City
Location of premises	No. 99, Sec. 2, Tiding Blvd., Taipei City

Term of lease	January 1, 2020 ~ December 31, 2020
Nature of lease	Operating lease
Basis for rent	Subject to the areas occupied by the premises, NT$1,575 (after tax) per ping, NT$2,500 per lot, and NT$100 per motorcycle parking space (after tax).
Payment method	To be paid by the Company by T/T before 15th day of each month.
Comparison with the general rent level	According to the appraisal reports issued by Global Vision, Hong Bang and Qian He real estate appraisal offices, the reasonable rent should range from NT$1,400 to NT$1,642 per ping. Therefore, said rent per ping is considered reasonable.
Total rents in the current period	The rent expenses and management fees total NT$13,212 thousand in the current period.
Collection and payment in the current period	Paid regularly.
Other agreements	-

5. Other important transactions

Bills and bonds transactions

In 2019, the Company purchased the bonds valuing NT$49,824 thousand from the controlling company, and sold the bonds valuing NT$99,609 thousand to the controlling company, and stated the profit on disposition, NT$156 thousand.

(V) Endorsements/guarantees: None.

Two. Status of Securities in Private Placement

None.

Three. Shares of the Company Held or Disposed of by Subsidiaries:

None

Four. Other matters that materially affect shareholders' equity or the prices of the Company's securities

None.

China Bills Finance Co., Ltd.

Cheng-Ching Wu

Chairman of the Board