

Stock Code : 2834

Taiwan Stock Exchange Market Observation Post System :
<http://mops.twse.com.tw>
TBB's Annual Report is available at : <https://www.tbb.com.tw>

2019

中華民國一〇八年年報 ANNUAL REPORT



臺灣中小企業銀行
Taiwan Business Bank



Notice to readers

If there is any discrepancy between the English version and Chinese version, the Chinese version shall prevail.

Published in March 2020



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Flotation at Overseas Stock Exchange and Information Inquiry: None

Please refer to Chapter X for the Directory of Head Office and Branch Units.

臺灣中小企業銀行

Taiwan Business Bank

深耕臺灣 連結亞太 布局全球

We can be the best!



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1. Operation Results in 2019
2. Business Plans for 2020
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5. Results of Latest Credit Rating



The prosperous economic environment was clouded over abruptly at the end of 2018 due to the heated trade conflicts between the U.S. and the PRC, resulting in the fluctuations of global financial performance during 2019. Throughout 2019, the global economic conditions have been shadowed by the impacts arising from the trade conflicts between the U.S. and the PRC. Positive estimation regarding the trade negotiations between the U.S. and the PRC had only been brought by December. Therefore, the IMF estimated the global economic growth rate in 2019 to be 3.0%, setting the lowest record since 2009.

In the future, the Bank will continue to carry through the internal controls using three lines of defense, strengthen the overall risk control, and reinforce FinTech development as well as information security controls. Furthermore, looking from the perspective of a professional financial institution, the Bank will grasp business opportunities upon the return of Taiwanese businessmen and proactively assist returning Taiwanese businessmen in transforming their businesses in accordance with government policies not only to shape Taiwan into Asia's high-end manufacturing center, but also jointly create Taiwan's 2.0 economic miracle. Meanwhile, the Bank will provide financial products and services integrated with environmental protection and social welfare measures that correspond to social requirements, proactively strengthening and assisting growth sustainability of Taiwanese SMEs, thus fulfilling its corporate social responsibility (CSR) initiatives. The Bank will endeavor to turn the Bank into a leading brand in the field of SME financing and establish a solid foundation for the sustainable development of the Bank upon stepping into the next century.

The operation results in 2019 and the business plan for 2020 are summarized below:

1. Operation Results in 2019

(1) The Domestic and Overseas Financial Environments

The U.S. Federal Reserve (Fed) announced the cut of interest rates for a consecutive three times, significantly narrowing the long-term and short-term interest rate differentials of the U.S. dollars (USD), and even resulted in a short period of rate inversion. In regards to the European situation, the European Central Bank (ECB), the Bank of Japan (BoJ), and the People's Bank of China have continued to maintain easing monetary policies. In general, major central banks worldwide have continued to implement Quantitative easing monetary policies.

In terms of domestic economic performance, the Directorate-General of Budget, Accounting and Statistics, Executive Yuan estimated the economic growth rate of Taiwan in 2019 to be 2.71%.

Regarding interest rates, the trend of interest rates throughout the year 2019 remained relatively stable. The Central Bank determined to make no adjustment to the interest rates for a consecutive 14 seasons at the joint meeting of directors and supervisors at the end of 2019; the rediscount rate, rate on accommodations with collateral, and rate on accommodations without collateral remained at 1.375%, 1.75%, and 3.625%, respectively.

Regarding the trend of the New Taiwan Dollar's (NTD) currency rate, the currency rate at the beginning of 2019 was around US\$1 to NT\$30.8. The currency rate of NTD depreciated against USD in the middle of the year, affected by the heated trade conflicts between the U.S. and the PRC and dropped to US\$1 to NT\$31.5. The currency rate of NTD appreciated against USD gradually due to the effects of capital return invested by Taiwanese businessmen in the 4th quarter in 2019 and rose to approximately US\$1 to NT\$30 near the year end.



Chairman
Bor-Yi Huang

(2) Changes in the Bank's Organization

- A. To improve the quality of customer service, the Customer Service Center was established on Feb. 20, 2019. Former Customer Service Division under the Credit Card Department went through stages of expansion to form the Customer Service Center, taking charge of customer advisory services of the entire bank and is now subordinated to the Digital Banking Department.
- B. To effectively combine resources and reduce tax expenses, the Insurance Agent Department was established on Jan. 2, 2020 to carry out the insurance agent business.

(3) Implementation of Business Plans and Operating Strategies

- A. Profitability
After-tax net income for 2019 amounted to NT\$6.734 billion (before-tax net income was NT\$8.066 billion). The Bank carried out a capital increase of NT\$5 billion via transferred earnings of NT\$3.197 billion and issued stock and cash dividends of NT\$0.50 and NT\$0.30 per share, respectively, for the previous year (2018).
- B. Corporate Governance: Reinforcement of information disclosure channels and upgrading of transparency in corporate governance
 - a. The Bank has long strived to enhance its corporate governance. In addition to focus on the correctness and timeliness of the information disclosure, during the Board meeting in 2019, the Bank has passed the resolution to appoint Executive Vice President Chih-Chien Chang as the Corporate Governance Officer and established the "Standard Operating Procedures for Processing Directors' Request of Taiwan Business Bank". The Bank has continuously improved the efficacy of the Board. The completion rate of corporate governance courses attended by all directors is 100%, effectively enhancing the professional knowledge of directors.
 - b. The Bank actively increased communication channels for domestic and overseas investors, and an online roadshow was respectively held in the first and second half of 2019. Each investor has immediate access to information on the Market Observation Post System (MOPS) and can obtain the same information simultaneously on the official TBB website. The Bank also issues press releases on an irregular basis, giving investors multiple channels for acquiring TBB information.
- C. Core Businesses:
 - a. Corporate Banking
 - 1) The Bank received the Outstanding Award and Special Award for Balanced Regional Development from the Financial Supervisory Commission (FSC) for the Program to Encourage Loan Projects by Domestic Banks to SMEs (Group A).
 - 2) The Bank received the Outstanding Award and Special Award for the National Defense Industry, and Special Award for the Circular Economy Industry from the FSC for the Program to Encourage Lending by Domestic Banks to Key Innovative Industries (Group A).
 - 3) In recognition of the Bank's outstanding performance in small and medium enterprise financing, it received three major awards from the Small and Medium Enterprise Credit Guarantee Fund of Taiwan: The Credit Guarantee Partner Award, Policy Facilitation Award, and Direct Guarantee Performance Award.
 - 4) The Bank actively promoted the Phoenix Micro Start-up Loans and the Unemployment Start-up Loan for Employment Insurance and received a certificate of appreciation from the Ministry of Labor.
 - 5) The Bank received the Best from the Best Service Award for Start-up Enterprises from the Excellence Magazine under the category of non-financial holding for the 2019 5th Excellent Bank.
 - 6) In the extension of small and medium enterprise loans, the Bank ranked No. 1 in Taiwan in both total amount and ratio of loans transferred for guarantees to the Small and Medium Enterprise Credit Guarantee Fund.
 - b. Foreign Exchange Business
The Bank worked vigorously to expand foreign-currency loans and boost interest margin income. Accumulated average loans outstanding in 2019 increased by 8.16% over 2018.
 - c. Wealth Management
In 2019, the Bank focused on strengthening its wealth-management business by vigorously expanding fee income from the insurance and fund businesses, with boosting revenue and generating profit as the priority goal. With the vigorous promotion of special programs aimed at the marketing of designated products, fee income from the wealth-management business amounted to approximately NT\$1.44 billion in 2019.



D. Innovative Products

- a. Continuous Innovation in Digital Banking businesses to provide more convenient services
 - 1) Added Taiwan Pay transaction function for mobile payment and inaugurated functions of Scanned for Withdrawal, Tax Payment by Credit Cards, and Debit Payment for Credit Card Purchase.
 - 2) Added the Taiwan Pay Merchant Service System for mobile payment.
 - 3) Added the Voice Access for Payment through Mobile Banking Service.
 - 4) Inaugurated the Cloud Payment HCE Card Service.
 - 5) Added functions of "User authentication procedures" and "QR Code scanned payment for cross-border online shopping" for the cross border online shopping (cross-border outward remittance) service.
- b. Develop products up to date with social trends and provide diversified services to customers
 - 1) Teller operations have been simplified, and the automated name list scanning operations have been established for centralized domestic remittances.
 - 2) Added automated printed bank reply to reduce labor at branches from filling out the reply manually after the system has reviewed data related to the creation of pledge.
 - 3) Established the Account Opening Data Request List for branches to refer to and improve the accuracy of data requests made for account opening.
- c. Established the "Innovative Finance Project Office" to strengthen the support for material loans of green finance, urban renewal, and cultural innovation industries.
 - 1) Urban renewal: In accordance with the urban renewal policies and accelerated reconstruction of unsafe and old buildings policies implemented by the government, the Bank promulgated the "Regulations for Reconstruction of Unsafe and Old Buildings Loans." In 2019, the Bank had approved a total of 17 loans with a total loan amount of NT\$14.517 billion and organized Urban Renewal Fair with the Wealth Magazine.
 - 2) Green finance: Promote the development of the green energy industry and establish an economic model with low carbon emission. The total credit balances as of the end of 2019 amounted to NT\$59.822 billion.
 - 3) Cultural innovation industries: Strengthen the upgrade of cultural innovation industries and improve the industrial structure. The total loan balance as of the end of 2019 amounted to NT\$26.417 billion.
- d. Assisted in industry innovation and provided intangible asset financing

To assist in the industry innovation, the Bank established the "Regulations for Financing and Loan on Intangible Assets with Revenue Mezzanine." Leveraging on the expertise of the Industrial Technology Research Institute in the valuation of intangible assets, the Bank referred to the professional valuation report provided by the Institute to determine the development potentials and market values of intangible assets in the future, and worked with the SMEG to provide higher credit guarantee loan ratio.

E. Expansion of the Scope of Channel Services

- a. Make adjustments on the location distribution of the Bank's branches for the increase of value regarding physical channels, so as to provide better and more comprehensive financial services. The Chi Lin Branch reallocation was completed and re-opened on Jul. 29, 2019 and the branch was renamed as the East Lin Kou Branch.

President

Chih-Chien Chang



- b. To develop more diversified operations, the Bank had successfully engaged Yuanta Futures as its futures trader on Oct. 1, 2019, and added foreign futures trading auxiliary businesses as well as programs for the increase in commission allocation ratio, improvement in educational training, and business promotion incentives.

F. Information System Reinforcement and Information Security Promotion

a. Completed the update for the central billing mainframe to improve service capacities

- 1) The Bank completed the update for the central billing mainframe to accelerate data accessing speed and system response time and continued to establish the SYSPLEX system with local HA.
- 2) Simplified the accounting closing procedures of the Bank, which has significantly improved the operating efficiency of branches and minimized the time for accounting closing.
- 3) Established a data center and continues to collect data from inside and outside of the Bank. The rapid data processing is provided for product design, risk analysis, and customer marketing.
- 4) Continued to replace the software/hardware equipment for the e-banking to improve Internet transaction security.
- 5) Completed the overseas core system database encryption mechanism, established the personal data terminal protection system and Intranet terminal equipment management system to reinforce the information security protection mechanism.

b. Reinforce the security control mechanism for the information system

- 1) Participated in Cyber Offensive and Defensive Exercise 2019 (CODE 2019) organized by National Information & Communication Security Taskforce, Executive Yuan held from Nov. 6 to 8, 2019.
- 2) Completed the assessment on the information security of the Bank's computer system in August 2019, according to the "Assessment Regulations for the Information Security of the Computer System of Financial Institutions."
- 3) The Information Security Department and other relevant departments of the Bank formed the New York Branch 2019 Joint Financial Inspection Taskforce to help carry out the 23 NYCRR Part 500 compliance program in accordance with the network security regulations of the New York State Department of Financial Services (NYDFS).
- 4) Self-assessment was carried out in accordance with SWIFT Customer Security Program (CSP) specifications and was completed in December 2019.

c. Continuous promotion of the digital banking business

- 1) Actively promoted the Taiwan Pay acquiring businesses, endeavored to increase the rate of QR Code adoption in common payment services by established merchants, such as large-scale chained stores, business area, and night markets, and organized marketing discount events to facilitate the inclusive finance and the penetration rate of e-payment.
- 2) Strived to obtain business dealings regarding the ACH distribution of dividends on behalf of listed companies, cooperated with major hospitals to introduce medical payment machine, to provide customers with diversified payment collection on behalf/payment service, so as to increase fee income of digital banking business.
- 3) Improve the interaction and attachment between the fans on Facebook with the page of the Bank, designed relevant events for the products launched by the Bank, and successfully attracted the mobile and Internet groups of all ages to participate in such events through Facebook as its online media.

G. Implementation of Compliance and Anti-Money Laundering Operations

a. Implementation of compliance and anti-money laundering in line with the regulations of the competent authority

- 1) On Mar. 26, 2019, the Bank promulgated its "Regulations for Compliance, Anti-money Laundering, and Combatting the Financing of Terrorism for Overseas Branches" to regulate material managing matters regarding the function of relevant personnel, reporting mechanism, reported matters, evaluation of departments and relevant personnel, and educational training in overseas branches. The Bank will continue to supervise the implementation of its overseas branches on compliance, anti-money laundering, and combatting the financing of terrorism according to the above-mentioned Regulations.
- 2) The Bank performed its compliance risk assessment (CRA) operation for 2018 and reported to the FSC for filings after being approved by the Board.



- 3) With regards to anti-money laundering and combatting the financing of terrorism, the Bank performed its institutional risk assessment (IRA) operation for 2019 and reported to the FSC for filings after being approved by the Board.
- b. Holding of regular compliance and anti-money laundering training
 - 1) Five Anti-money Laundering & Combatting the Financing of Terrorism Seminars were held in Northern, Central, and Southern Taiwan from Apr. 16 to 23, 2019.
 - 2) A Compliance Officer Seminar was held in each the first and second halves of 2019.
- c. Strengthening the Control Mechanism of Compliance Follow-up Cases

In accordance with the "Control Mechanism of Compliance Follow-up Cases," changes in relevant laws and regulations received from external sources or collected by the Bank that require further attention shall be included in the "Control Mechanism of Compliance Follow-up Cases" for control. The subsequent implementation of "Compliance Follow-up Cases" reported by relevant departments will be complied every month and presented to the Chief Compliance Officer of the Bank.
- d. Carried out annual project audits for personal information protection, anti-money laundering, and combatting the financing of terrorism by accountants in accordance with the Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries.

An accounting firm was commissioned to carry out the "2018 Project Audit for Personal Information Protection and the Internal Control System for Anti-Money Laundering and Combatting the Financing of Terrorism."
- e. The Bank was ranked top 20% for the Principle for Financial Service Industries to Treat Clients Fairly carried out by the FSC for the first time.
- H. Corporate Social Responsibility
 - a. Active implementation of corporate social responsibility and realization of the value of the sustainable operation
 - 1) The Bank's "CSR Report" passed two stages of verification by the British Standards Institution (BSI) for four consecutive years, and BSI issued the Bank an Independent Assurance Opinion Statement.
 - 2) The Bank received the Bronze Award in the financial and insurance group of corporate sustainability report division under the 12th TCSA Taiwan Corporate Sustainability Awards of 2019 organized by the Taiwan Institute for Sustainable Energy, the Sustainability Performance Award from BSI Standards Awards, and was ranked the 49th in "2019 Excellence in Corporate Social Responsibility" organized by the CommonWealth Magazine. Such achievements help upgrade the Bank's visibility and its corporate image for CSR implementation.
 - 3) The Bank continues to optimize the design of its website for the general public to obtain and understand the information on the corporate social responsibility of the Bank through the website of the Bank more conveniently, to effectively strengthening the communicating function of the Bank regarding corporate social responsibility.
 - b. Implementation of senior caring policy, donations to disadvantaged groups, and active participation in public benefit affairs
 - 1) The Bank has initiated the Project of Senior Dining & Learning Center Sponsorship. The Bank exclusively allocated 3‰ of the general card consumption from the Silver Love Credit Card issued by the Bank to help seniors to dine and learn together. This originated from the non-profit fund that was used in building a School for Seniors in the community to help take care of vulnerable seniors in the local community and improve their living standards.
 - 2) Set up senior caring spots to improve the standards of caring services at senior welfare agencies, providing local and appropriate caring services accessible to disadvantaged seniors. The Bank vigorously devotes in the public benefit affairs to achieve the goal of "aging in place."
 - 3) The Bank continued to promote property trust business for the senior and the disabled, recorded outstanding results for a consecutive three years, and received the award for recognition from the FSC.
 - c. Fulfilling responsibility for environmental protection and continue energy conservation and carbon reduction efforts
 - 1) The Environmental Protection Administration of the Executive Yuan and the Department of Environment Protection of the Taipei City Government cited the TBB eight years in a row for outstanding performance in green procurement.

- 2) The Taipei City Government publicly cited the TBB for receiving ISO 50001 Energy Management Systems certification and the designation of its headquarters as an energy-saving-label building.
- 3) The Bank implemented its "Energy Policies" and "Measures for Water and Electricity Conservation" with scheduled follow-up on the status of water and electricity conservation by different units and inclusion of the results in business performance assessments. Various energy conservation improvement programs were vigorously implemented in order to enhance the energy efficiency of equipment and save on electricity costs.

(4) Budget Implementation

- A. The annual average balance of deposits was NT\$1,436.285 billion, for an achievement rate of 97.19%.
- B. The annual average balance of loans outstanding was NT\$1,129.913 billion, for an achievement rate of 97.75%.

(5) Revenues, Expenditures, and Profitability

- A. Net revenue for 2019 amounted to NT\$23.210 billion; bad debt expense, commitment and provision for guaranteed liabilities totaled at NT\$2.418 billion; operating expenses were NT\$12.727 billion; before-tax net income from continuing operations was NT\$8.066 billion; net income after tax was NT\$6.734 billion; return on assets ratio (after-tax) amounted to 0.40%; return on equity ratio (after-tax) amounted to 7.47%; net income ratio (after-tax) was 29.01%, and earnings per share (after-tax) was NT\$0.98.
- B. Net income before taxes (excluding provisions) in 2019 amounted to NT\$10.483 billion, an increase of NT\$490 million from 2018. NT\$2.418 billion was allocated as an allowance for bad debts in order to strengthen risk appetite. Before-tax net income for 2019 amounted to NT\$8.066 billion, a decrease of NT\$1.132 billion from 2018, primarily due to the increase in allowances for bad debts.
- C. The non-performing loan ratio at the end of 2019 stood at 0.32%, an increase of 0.02% compared with the end of 2018; the bad-debt coverage ratio was 367.77%, a decrease of 26.31% over the end of 2018.

(6) Research and Development

- A. Establishment of an Exclusive Unit for Industry Research
 - a. A total of 127 industry analysis reports were written and published in the Bank's E-Library in 2019 for colleagues to peruse.
 - b. Elite professionals from industry, government, and academia are invited to speak on an occasional basis to help the Bank's employees understand the latest trends in industrial development.
- B. Encouragement of Innovation and Professionalism in Line with Business Development Needs
Business lectures are held on a scheduled basis and a wide variety of digital learning courses are offered to encourage employees to engage in further on-the-job studies and absorb new knowledge that will strengthen their competitiveness and enhance their professional know-how.

2. Business Plans for 2020

(1) Operating Directions and Policies

- A. Strengthen the positioning and responsibility as a specialized bank for SMEs
 - a. Continue to promote the "Youngster first, seniors second, and start-ups third" program
Combine the core competencies of the Bank with concerning issues in society to integrate our business with social welfare. Implement the "Youngster first, seniors second, and start-ups third" program to help solve the problems of youth start-up and employment, promote senior financing and the acceleration of renewal for hazardous and old buildings, and support the development of innovation, creation, and start-up businesses.
 - b. Reinforce the "Micro-to-small Enterprises + Startups · Double the Vital Source of Fund" project loans
Regarding the capital requirements for SMEs with a capital amount less than NT\$30 million, the "Micro-to-small Enterprises + Startups · Double the Vital Source of Fund" project loans was launched in collaboration with the SMEG to assist SMEs in obtaining the capital required through the express pass mechanism with "active exploration, simplified procedures, rapid review, and audit incentives."
 - c. Promote Urban Renewal Finance 2.0
To solve two seniority issues (old buildings and aging population) and two insufficiency issues (land insufficiency and electricity insufficiency), the Bank will demonstrate its image of professional service, not only by combining the urban renewal with senior caring to improve housing security and realize the concept of nursing at home, but also integrating urban renewal for unsafe and old buildings with



electricity-farming and energy-saving to encourage corporates to generate electricity for their own usage, solving the land and electricity insufficiencies among the five insufficiencies currently faced in Taiwan.

d. Enhance investment and counseling functions

Explore premium customers with the potential nature of invisible champions in different industries. Support the stable growth of industrial seedlings through the capital contribution from TBB Venture Capital Co., Ltd.; together with external counseling resources from SMEG and SMECF, the Bank will assist enterprises in improving their operating management capacities and counseling their transformation and upgrade.

B. Grasp the green business opportunities and fully promote green finance

With the effect of climate change, it is estimated that the business opportunities of domestic green finance will amount to NT\$1.8 trillion in the future. To grasp such business opportunities, the Bank will enhance its promotion in green finance to help enterprises develop the green energy industry; for example, utilizing the feature of abundant sunlight in Central and Southern Taiwan, help enterprises establish solar power generation system to achieve the goal of sustainable operations.

(2) Operating Policies

Facing the ever-changing financial environment and in response to the upsurge of FinTech and development of digital finance, the Bank will adhere to its core value of SME Specialized Bank and utilize the four aspects on its strategy map with a bottom-up approach, to enhance risk control and improve assets quality. Furthermore, in line with the aspects of learning & growth, internal procedures, customers, and finance, each department has to establish a five-year strategy structure with specified directions and centralized resources, so as to reinforce the structural adjustment of labor, channels and capital. The Bank will achieve its goal of sustainable development by realizing our operating concept and become a premium bank with comprehensive financial services.

A. Learning & Growth

- a. Improve the professional competencies of our employees: Establish a talent database through human resource inventory; deploy human resources of the entire Bank with plans; enhance cultivation of professional talent for SMEs, digital finance, and international finance; strengthen management and talent cultivation for critical posts.
- b. Establish a successor scheme: Nurture key talents; establish a successor cultivation scheme; enhance the successor system; plan to cultivate successor candidates with potentials for the benefit of the Bank's sustainable operations.
- c. Optimize the labor structure: Revitalize retired human resources to enhance the inheritance of experience; diversify employment channels; connect with the tertiary education sector for industry-academia cooperation; participate in the youth employment pilot program; recruit outstanding personnel to enrich the talent database of the Bank.
- d. Improve the performance of information systems: Increase investment in IT building and integrate it closely with our business; enhance the overall efficiency of the information system; improve diversity and innovative capacities of our IT team; reinforce the cultivation and motivation of key IT personnel to lay a solid foundation for information technology.
- e. Enhance cybersecurity defense and monitoring capacity: Establish the Bank's cybersecurity management system and maintenance plan; optimize the joint defense system; continue to organize its cybersecurity upgrade and improvement measures; enhance cybersecurity training to reinforce cybersecurity protection ability and realize cybersecurity compliance.
- f. Optimize an accountability mechanism: Establish a comprehensive accountability mechanism and cultivate the culture of accountability to form the organization and value that allows our fellow colleagues to internalize it as their mission, vision, and core values, so as to strive toward the goal of the Bank's sustainable development.
- g. Realize the corporate culture of learning and sharing: Build a "learning" experience inheritance system based on the concept of "learning by doing and doing by learning" and encourage internal innovation of young employees to invigorate corporate human resources.

B. Internal Procedures

- a. Improve objectives management: Establish goals and realize the execution, optimize the evaluation management system, reinforce the connection between evaluation, and rewards to boost performance.
- b. Optimize the procedures for better efficiency: Establish smart customer services to improve service quality and optimize customer experiences; value internal control and the management of operating

process, regularly examine the SOP for continuous creation of a better working process, and utilize the information system to assist in the manual examination, improving efficiency.

- c. Enhance risk management: Improve asset quality and coverage for allowance for bad debts through understanding, managing and reducing risks, and enhancing risk control.
- d. Adopt integrated marketing to increase customer contribution: Integrate marketing resources to increase dealings with customers, increase overall customer contribution, and provide comprehensive financial services according to the requirements for the business development of customers.
- e. Provide premium services to build customer loyalty: Bear customers' interests in mind, design comprehensive financial services based on customers' requirements to meet their expectations and demands, thus, building customer loyalty.
- f. Strengthen customer relationships with the second generation upon the succession of the family business: Strengthen the customer relationship with the younger generation or the second generation upon the succession of the family business to improve SME customers' support to the Bank after generational changes.
- g. Differentiated products and marketing: Apply Big Data analysis to understand customer behavior patterns to provide customized services and precise marketing services.
- h. Adhere to rigorous compliance: Enhance legal compliance and duly comply with the monitoring measures of the competent authorities; uphold provisions for anti-money laundering and combating the terrorism financing; implement whistle-blower protection and uphold customer interests; thereby forming a corporate culture that prioritizes legal compliance.
- i. Strengthen corporate governance: Improve the Board's functions, corporate governance mechanisms, and operations of functional committees; disclose material information regarding corporate governance to improve transparency for information disclosure and shape the culture of corporate governance.
- j. Fulfill corporate social responsibility: Attach importance to the ESG valuation; focus on the "Youngster, seniors, and start-ups" program with our core business to promote the integration of corporates and society; and internalize the fulfillment of social responsibility as its corporate spirit.

C. Customers

- a. Improve channel service quality and integrate customer views from all channels: Improve the value of physical channels; expand the service scope for virtual channels; enhance the control on business opportunities regarding clusters of SMEs to meet the mission of the Bank to provide services for SMEs; establish a data market with the cross-business omnidirectional single view of customers. This shall be done so as to fully present customer preferences and service channels, optimizing service and experiences for customers.
- b. Focus on SMEs and reinforce the brand image of a specialized bank: Specify positioning as an SME specialized bank and focus on the core business of SMEs; commit to policy financing such as micro-to-small enterprises, startups, urban renewal for hazardous and old buildings, intangible assets, and placemaking to shape the brand image of a specialized bank.
- c. Enhance wealth management services and gain trust from customers: Focus on the three major keys—customization, segmentation, and digitization to deepen the wealth management services, satisfy customers' demand; enhance professional investment analysis and research capability in order to provide financial planning services for owners and high-asset customers.

D. Finance

- a. Increase operating performance and take risk management into account: Expand operating scale, increase the profit margins of overseas branches, improve interest rates and diversify the income sources of service charges to enhance profitability.
- b. Enhance capital and uphold shareholders' interests: Comply with the monitoring requirements of the competent authority regarding authorized capital; ensure a healthy capital structure and the goal of optimized resource allocation; strengthen the risk appetite to expand the growth of operating income; achieve the goal of maximized shareholders' value.

E. Enhance risk control and improve assets quality

Impacts arising from the outbreak of COVID-19 have extended across the manufacturing industry and the service industry; the effects on SMEs are relatively significant as they have lower tolerance for risks. As a specialized bank for SMEs, the Bank also suffer greater impacts as compared to general commercial banks. To minimize the impact of COVID-19, the Bank will strengthen the control on customers who suffered from



greater impacts of COVID-19 (such as adjust credit limit in due course and increase the frequency of visits) and make adjustments to the industrial limit at any time to control risks effectively.

(3) Business Targets

To give equal weight to the protection of shareholder interests, improvement of the capital structure, and enhancement of asset quality, the Bank has set the following targets in consideration of the economic growth forecast of the Directorate General of Budget, Accounting and Statistics for 2020.

1. Annual average deposit balance: NT\$1,473.750 billion.
2. Annual average balance of loans outstanding: NT\$1,188.073 billion.
3. Total foreign exchange transactions: US\$64.955 billion.

3. Future Development Strategies

- (1) Turn the corporate culture around, keep pace with the ongoing changes, create a culture of accountability, and follow through with the implementation.
- (2) Mark the brand image of a specialized bank, strengthen the policy function of a specialized bank, and focus on SMEs.
- (3) Adhere to the service purpose of "listening to the corporates and respond to the need of the land," keep abreast of society trends and develop business operations; provide customer-oriented specialized financial products and services and value the inheritance to gain trusts from customers.
- (4) Continue to establish risk management strategies based on the materiality principles related to the ESG issues and operational issues of the Bank; focus on the "Youngster, seniors, and start-ups" program within our core business; and internalize the fulfillment of social responsibility as its corporate spirit.
- (5) Continue strengthening digital finance services and information system upgrade to grasp digitalization opportunities, optimize internal procedures, and support comprehensive business development.
- (6) Adjust channel positioning according to the business requirements; improve the value of physical channels; reinforce the control on the business opportunities in cluster regions of SMEs to meet the mission of the Bank to serve SMEs.
- (7) Bring forward the execution capacities of business segments through organizational adjustments to integrate existing resources, improving the operational performance and profitability.
- (8) Continue to conduct human resource inventory, nurture key talents, optimize human resource structures, and establish the successor scheme; improve employees' loyalty through education training and promoting the corporate culture of learning and sharing.
- (9) Form a corporate culture that prioritizes legal compliance; enhance risk control and improve assets quality; strengthen the internal controls using three lines of defense.
- (10) Invigorate assets to optimize resource allocation and process a capital increase when necessary to strengthen the capital structure.

4. Influences from the external competitive environment, legal environment, and the overall economy

(1) External competitive environment

Impacts of COVID-19:

- A. Since the end of 2019, the outbreak of COVID-19 has spread from the PRC to the world and showing no positive development in the short run, the epidemic has impacted manufacturing industries (such as petrochemical and information industries) and services industries (such as catering, retail, tourism, and transportation industries) worldwide. The level of control over the COVID-19 outbreak will be the key factor affecting the global economic conditions in 2020.
- B. Under the efficient control of the outbreak by the government in Taiwan, more Taiwanese businessmen may return to Taiwan due its high transparency in public information concerning the outbreak and encourage large-scale international companies to place orders to supply chains in Taiwan.

(2) Regulatory Environment

- A. Corresponding strategies of the Bank upon the promulgation of the Cyber Security Management Act 2018:

- a. In 2019, the Bank established a cybersecurity maintenance plan and set up the cybersecurity reporting, countermeasures, and drills systems, as well as asset inventory and risk evaluation regulations, to ensure the security of cyber systems and information assets of the Bank, optimize the overall cybersecurity structure and reduce the operating risks of the Bank.
 - b. In 2020, the Bank will continue to enhance the information security control and defense capacities of the Bank, and a security operation center (SOC) is expected to be established to keep abreast of the real-time internal information security threats of the Bank and enhance the information security control and defense capacities.
- B. In compliance with requirements under Article 88 of the Income Tax Act, upon the decease of the predecessor, the yields generated from the estate shall belong to the successor; the Bank added and amended relevant operation forms for branches to report interest income tax.

(3) Overall Operating Environment

Looking into 2020, with the trade negotiations between the U.S. and the PRC reaching an initial agreement, the trade conflicts therein are expected to decline. The global economic prospects are thus expected to experience positive development. The sluggish investment condition in the past years is expected to be cleared away with the capital investments made by the returned Taiwanese businessmen. In addition to being a contributor to the GDP of the year, such investments increase the capital stock (sum of corporate assets) and future production capacities. In particular, the government focuses on high-value, intelligent, or 5+2 industries, where the salary level is generally higher than the average salary. In the future, when the return of Taiwanese businessmen is able to facilitate the domestic industry transformation continuously, and together with technical and occupational training, the growth of overall salary and the distributable income is expected to increase, providing assistance to the internal demand market. However, the shadow of COVID-19 has affected petrochemical, information, manufacturing, catering, retail, tourism, and transportation industries worldwide, bringing significant uncertainties for the development of the global economy in 2020.

5. Results of Latest Credit Rating

Date of Rating	Rating Institution	Ratings		Outlook
		Long-term Credit	Short-term Credit	
2020.1.13	Taiwan Ratings	twAA-	twA-1+	Stable
2020.1.13	Standard & Poor's	BBB+	A-2	Stable



本行於第五屆公司治理評鑑列為「上市組排名前 5%」之公司



Bank Profile

1. Establishment and History

The forerunners of the Taiwan Business Bank were two private cooperative savings institutions, one established in Taipei in June of 1915 and the other in Tainan the following month. The Taipei institution was merged into another company in 1920 and the Tainan institution was reorganized under a different name in 1926.

Following the restoration of Taiwan to China on Oct. 25, 1945, these two savings institutions, along with two others, were taken over by the Taiwan Provincial Government and, on Sep. 1, 1946 were combined and reorganized into the Taiwan Mutual Financial Co. On May 31 the following year, this new financial institution absorbed the Tokiwa Real Estate Co., bringing its capitalization to NT\$10 million. Its name was changed to the Taiwan Provincial Loans and Savings Co. on June 1, 1947 and again to the Taiwan Mutual Loans and Savings Co. in January 1948.

The government moved to promote Taiwan's economic development and boost the growth of its small and medium enterprises (SMEs) in 1975 by revising the Banking Law and writing in an additional provision for a specialized SME bank. In line with this government policy, the Taiwan Mutual Loans and Savings Co. was reorganized into the Medium Business Bank of Taiwan (later to be known as the Taiwan Business Bank, or TBB) on July 1, 1976, whereupon it became a specialized bank charged with the provision of financial assistance and guidance to SMEs. It has been cultivating the SME financial services field now for more than 30 years. Later, to cope with the liberalized and internationalized financial environment, and to conform to the government's vision of promoting Taiwan to become Asia-Pacific Regional Operations Center, the TBB was transformed into a private bank on January 22, 1998 and entered into a whole new era.

At the time of the TBB's reorganization in 1976, it had a capitalization of NT\$500 million, 50 branches, and 58 sub-branches. To build up the Bank's operating capital and strengthen its operating structure, repeated capital increases have brought total capitalization to NT\$71,319.84 million today. The Bank's structural framework has also been readjusted constantly in response to changes in the financial environment and in business needs. An Auditing Department and a Secretarial Department were set up under the Board of Directors in the headquarters. Apart from Compliance Department, the Bank's management units include 20 departments under three major business groups, one development center and two management centers. Insurance Agent Dept. was established through the merger of Taiwan Business Bank Insurance Agency Co., Ltd. and Taiwan Business Bank Property Insurance Agency Co., Ltd. The Bank has 125 domestic business units (including the Banking Department) and an Offshore Banking Unit, and also operates eight overseas branches, including Los Angeles Branch and New York Branch in the U.S., Sydney Branch and Brisbane Branch in Australia, Hong Kong Branch, Shanghai Branch and Wuhan Branch in China, and Tokyo Branch in Japan, along with the Yangon Representative Office in Myanmar. Regional Operation Centers were set up to handle business development and supervision, centralized business management, operational services, and other business support functions in order to enhance business promotion capability and reinforce asset quality control. In addition, Domestic Processing Centers were established to upgrade operating performance through the centralized handling of domestic remittances, bills collection and withdrawal. Meanwhile, to cope with the mid-to-long term development and business needs, Strategy Development Committee, CSR Committee and Cyber Security Management Committee were established. In addition, the "Innovative Finance Project Office" was established to strengthen the supports for important loans to the green finance, urban renewal and cultural innovation industries. Former Customer Service Division under the Credit Card Department went through stages of expansion to form the Customer Service Center, taking charge of customer advisory services of the entire bank and is now subordinated to the Digital Banking Department.

2. Bank M&A, reinvestment in related enterprises, and reorganization in 2019 and to the end of February 2020

Taiwan Business Bank Insurance Agency Co., Ltd. and Taiwan Business Bank Property Insurance Agency Co., Ltd. reinvested in 100% ownership were merged on January 2, 2020 to form the Insurance Agent Dept. The number of enterprises reinvested in 100% ownership has decreased to four—the Taiwan Business Bank Insurance Agency Co., Ltd, Taiwan Business Bank Property Insurance Agency Co., Ltd, TBB International Leasing Co., Ltd and TBB (Cambodia) Microfinance Institution PLC, TBB Venture Capital Co., Ltd.—and the TBB International Leasing Co., Ltd reinvested in 100% ownership in a firm, the Taiwan Business Bank International Leasing Co., Ltd.



3. Membership in a designated financing hold company: None.
4. Major exchanges or transfers of shares by directors, supervisors, and others required to report shareholding under Article 25, Paragraph 3 of the Banking Law in 2019 and to the end of February 2020: None
5. Major changes in operating rights, operating methods, or business content; other major events of sufficient import to affect shareholder rights; and their influence on the Bank: None.



本行與台灣金融服務業聯合總會合作辦理「資金返鄉，百業興旺」產業投資論壇。



本行結合工研院、中小企業信保基金首創無形資產融資。



Corporate Governance Report

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2. Directors and Management Team

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3. Implementation of Corporate Governance

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4. Information on Fees for CPAs

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5. Information on Changing CPAs

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6. Bank's Chairman, President, or any manager in charge of finance or accounting matters who has, in the most recent year, held a position at the accounting firm of its CPA or at an affiliated enterprise

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7. Changes in Shareholdings of Directors, Executive Officers, and Shareholders Conform to the Regulations Governing the Same Person or Same Concerned Party Holding the Issued Shares with Voting Rights over a Particular Ratio of a Bank, Article 11

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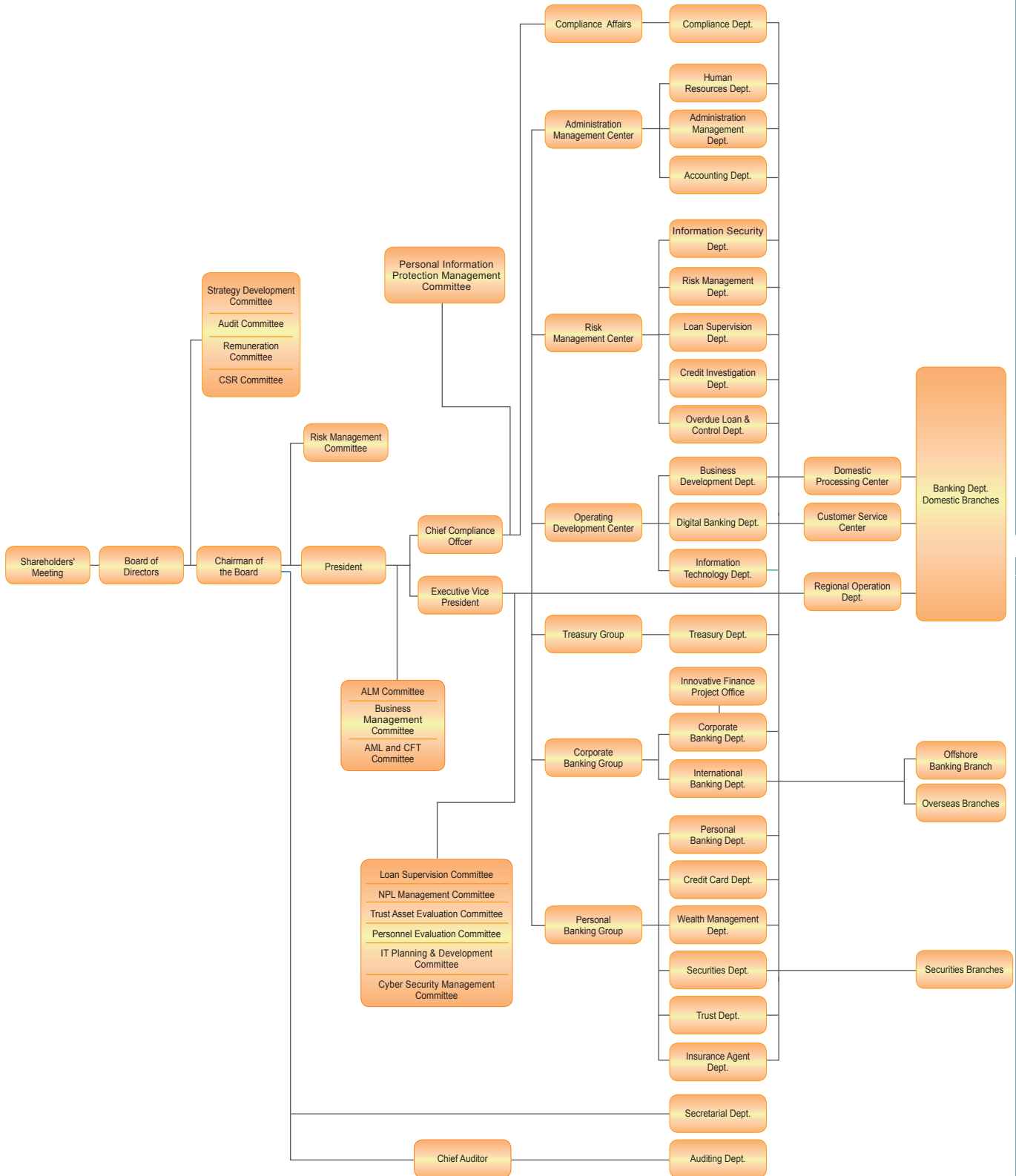
8. Information Disclosing the Relationship among Top Ten Shareholders in the Relationship of Related Parties or Spouses, Blood Relatives within the Second Degree of Kinship

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9. The joint venture directly or indirectly controlled and managed by Directors, President, Executive Vice Presidents and General Manager of each division or branch

1. Organization

(1) Organization Chart



Feb. 29, 2020



(2) Operations of Major TBB Units

A. Corporate Banking Group

This unit handles financial services for corporate customers, including business planning, promotion, and improvement in respect to loan products, forex products, and corporate financial planning products. It understands customers' needs and proactively carries out marketing, and is responsible for development and service in regard to the Group's products and customers as well as for improvement of the Bank's asset quality, operating income, and profit. The Corporate Banking Dept. and International Banking Dept. operate under the Corporate Banking Group.

B. Personal Banking Group

This unit handles planning, promotion, and improvement of the Bank's personal loan products, financial planning for customers, and marketing services for financial planning products. It carries out proactive marketing based on an understanding of customers' needs, is responsible for development and service in regard to the Group's products and customers, and maintains improvement of the Bank's asset quality, operating income, and profit. The Personal Banking Dept., Credit Card Dept., Wealth Management Dept., Securities Dept, and Trust Dept. operate under the Personal Banking Group.

C. Treasury Group

The Treasury Group handles planning, promotion, and improvement of the Bank's financial businesses, and is responsible for development and service in regard to the Group's products and customers as well as for maintaining improvement of the Bank's asset quality, operating income, and profit. The Treasury Dept. and the Insurance Agent Dept. operate under the Treasury Group.

D. Risk Management Center

The Risk Management Center handles risk control, maintenance of the quality of the Bank's loan assets, and investigation and review of loan cases and products, economic and financial research and industry investigation, collection of overdue loans and information security matters. The Loan Supervision Dept., Credit Investigation Dept., Overdue Loan & Control Dept., Risk Management Dept. and Information Security Dept. operate under the Risk Management Center.

E. Operating Development Center

The Operating Development Center is charged with bank-wide performance analysis, management and planning for operational management and information operations, provision of full and necessary support for business development, and simplification of the planning process, so as to achieve operational centralization and upgrade operational efficiency. The Center also handles planning and implementation of bank-wide operating strategy formulation and public relations. The Business Development Dept. and Information Technology Dept. operate under the Center.

F. Administration Management Center

This Center handles the planning and implementation of document administration, confidential matters, legal affairs, human resources, and accounting systems, as well as other matters not assigned to other units. The Human Resources Dept., Administration Management Dept. and Accounting Dept. operate under the Center.

G. Compliance Affairs

Compliance Dept. handles the planning, management and implementation of legal compliance system and AML & CFT related matters.



2. Directors and Management Team

(1) Board of Directors

A. Board of Directors

DECEMBER 31, 2019



Chairman

Bor-Yi Huang



Managing Director
(Independent Director)

Xin-Wu Lin



Independent Director

Jin-Long Liu



Independent Director

Wei-Sheng Huang



Director

Ying-Ming He



Director

Wen-Chieh Wang



Director

Hung-Sheng Yu



Director

Kuo-Chang Huang

Title	Nationality	Name	Gender	Date Elected (yy/mm)	Tenure (19th)	Initial Inauguration Date	Shareholding On Inauguration		Current Shareholding		Shareholding By Self, Spouse & Minor Children		Shareholding Under Other's Title		Major Experience & Education	Current Positions in the Bank and Other Companies	Being the Spouse or Relative within 2 Tiers of Other Managers, Directors and Supervisors		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship
Chairman (Ministry of Finance Representative) (Note 1)	R.O.C.	Bor-Yi Huang	M	JUN 29, 2018	JUN 29, 2018 To JUN 28, 2021	NOV 24, 2017	135,631,247	2.21	148,109,320	2.08	480,420	0	0	0	Education: Ph.D., Department of Economics, National Taipei University Experience: President, Taiwan Academy of Banking and Finance Supervisor, Eritre Commercial Bank Executive Director, Bank of Kaohsiung Director, E.SUN FHC Executive Director, Small and Medium Enterprise Credit Guarantee Fund of Taiwan President, E.SUN Securities Vice President, Times Securities Director of College of Management, Dean of Academic Affairs, Dean of Student Affairs, Shih Chien University	Supervisor, Taiwan Asset Management Corporation Director, Taiwan Academy of Banking and Finance Director, Act of the Taiwan Creative Content Agency	None	None	None
Managing Director (Bank of Taiwan Representative)	R.O.C.	Shih-Yuan Tai	M	MAR 18, 2019	JUN 29, 2018 To JUN 28, 2021	MAR 18, 2019	1,058,933,860	17.22	1,156,355,774	16.21	0	0	0	0	Education: Bachelor, Department of Mechanical Engineering, National Taiwan University of Science and Technology Experience: Director, Deputy Director, Department of Human Resources, Bank Of Taiwan Deputy Director, Department of Staff Training, Bank Of Taiwan	Director, Department of Human Resources, Bank Of Taiwan	None	None	None
Managing Director (Independent Director)	R.O.C.	Xin-Wu Lin	M	JUN 29, 2018	JUN 29, 2018 To JUN 28, 2021	JUN 29, 2018	0	0	0	0	0	0	0	0	Education: Ph.D., Department of Economics, National Taiwan University Experience: Director (Independent), Land Bank of Taiwan Commissioner, the 6th term of the Taiwan Fair Trade Commission Chief Anti-trust Compliance Officer, AU Optronics Corporation Full-time Researcher & Director, Research Division III, Taiwan Institute of Economic Research Full-time Associate Researcher & Director, Research Division III, Taiwan Institute of Economic Research	Full-time Researcher & Director, Research Division III, Taiwan Institute of Economic Research Independent Director, FITech Co., Ltd.	None	None	None

Title	Nationality	Name	Gender	Date Elected (yy/mm)	Tenure (15th)	Initial Inauguration Date	Shareholding On Inauguration		Current Shareholding		Shareholding By Self, Spouse & Minor Children		Shareholding Under Other's Title		Major Experience & Education	Current Positions in the Bank and Other Companies	Being the Spouse or Relative within 2 Tiers of Other Managers, Directors and Supervisors		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship
Managing Director (Ministry of Finance Representative)	R.O.C.	Lien-Wen Liang	F	JUN 29, 2018	JUN 29, 2018 To JUN 28, 2021	JUN 29, 2018	135,631,247	2.21	148,109,320	2.08	0	0	0	0	Education: Ph.D., Department of Agricultural Economics, Hokkaido University, Japan Experience: Associate Professor, Department of Finance and Research, Chinese Culture University Assistant Professor, Department of Finance and Banking, Shih Chien University Assistant Professor, Department of Finance and Cooperative Economics, National Taipei University Vice Director, Financial Research Institute, Taiwan Academy of Banking and Finance Full-Time Associate Researcher, Financial Research Institute, Taiwan Academy of Banking and Finance Assistant Researcher, Basic Financial Research and Training Center Lecturer, Department of Economics, Fu Jen Catholic University Columnist, Commercial Times	Professor, Department of Finance and Research, Chinese Culture University	None	None	None
Director (Ministry of Finance Representative)	R.O.C.	Shiu-Yen Lin	F	JUN 29, 2018	JUN 29, 2018 To JUN 28, 2021	FEB 27, 2014	135,631,247	2.21	148,109,320	2.08	0	0	0	0	Education: M.S., Department of Economics, National Taiwan University Experience: 13th & 14th Managing Director, Taiwan Business Bank Chief Secretary, National Treasury Administration, Ministry of Finance Team leader, National Treasury Administration, Ministry of Finance Deputy Head, National Treasury Administration, Ministry of Finance	Deputy Director, National Treasury Administration, Ministry of Finance	None	None	None
Director (Ministry of Finance Representative)	R.O.C.	Wen-Chieh Wang	M	JUN 29, 2018	JUN 29, 2018 To JUN 28, 2021	JUN 10, 2014	135,631,247	2.21	148,109,320	2.08	0	0	0	0	Education: Ph.D., College of Law, National Chengchi University Experience: 13th, 14th Director, Taiwan Business Bank Visiting Scholar, College of Law, National Harvard University Director, College of Law, National Chengchi University Chief Secretary, Secretariat, National Chengchi University Director, The Institute of Law and Interdisciplinary Studies, National Chengchi University	Executive Vice President, National Chengchi University	None	None	None
Director (Ministry of Finance Representative)	R.O.C.	Hung- Sheng Yu	M	JUN 29, 2018	JUN 29, 2018 To JUN 28, 2021	JUL 1, 2013 (Note)	135,631,247	2.21	148,109,320	2.08	24,797	0	0	0	Education: M.S., Executive Master of Business Administration, Ling Tung University Experience: 13th & 14th Director, Taiwan Business Bank 1th to 6th Member & Director & Managing Director, TBB Industry Union Supervisor, Taiwan Federation of Financial Unions 3th Member, Labor Dispute Arbitration Committee, Ministry of Labor Member, Basic Salary Review Committee, Ministry of Labor Managing Director, Taiwan Confederation of Trade Unions Supervisor, Taiwan Federation of Labor	Chairman, TBB Industry Union	None	None	None
Director (Bank of Taiwan Representative)	R.O.C.	Li-Ling Lin	F	JUN 29, 2018	JUN 29, 2018 To JUN 28, 2021	OCT 19, 2012	1,058,933,860	17.22	1,156,355,774	16.21	0	0	0	0	Education: B.A., Money and Banking, National Chengchi University Experience: 13th & 14th Managing Director, Taiwan Business Bank Manager, Department of Corporate Finance, Bank Of Taiwan Manager, Department of Risk Management, Bank Of Taiwan Manager, Dun hua Branch, Bank Of Taiwan Deputy General manager, Department of Corporate Finance, Bank Of Taiwan	Executive Vice President, Bank of Taiwan	None	None	None
Director (Land Bank of Taiwan Representative)	R.O.C.	Ying-Ming He	M	JUN 29, 2018	JUN 29, 2018 To JUN 28, 2021	MAY 23, 2017	149,244,703	2.43	162,975,215	2.29	0	0	0	0	Education: B.A., Department of Business Administration, Chinese Culture University Experience: EVP & Chief Auditor, Land Bank Of Taiwan EVP & Chief Compliance Officer, Land Bank Of Taiwan Manager, Department of Credit Management, Land Bank Of Taiwan Manager, Department of Credit Review, Land Bank Of Taiwan Manager, Chung Hsiao Branch, Land Bank Of Taiwan Manager, Han Ping Branch, Land Bank Of Taiwan	Executive Vice President, Land Bank of Taiwan Director, Agricultural Credit Guarantee Fund	None	None	None
Director (TBB Industry Union Representative)	R.O.C.	Kuo-Chang Huang	M	JUN 29, 2019	JUN 29, 2018 To JUN 28, 2021	JUN 29, 2019	2,376,684	0.04	3,776,670	0.05	15,881	0	0	0	Education: Bachelor, National Open College of Continuing Affiliated To Taichung University of Science and Technology Experience: 8th to 7th Member Representative, TBB Industry Union 8th Member, Reserve Supervision Committee of Taiwan Business Bank 40th Member, Employee Welfare Committee of Taiwan Business Bank Member, Personnel Review Committee of Taiwan Business Bank	Member Representative, TBB Industry Union Employee, Taiwan Business Bank	None	None	None



Title	Nationality	Name	Gender	Date Elected (y/y/mm)	Tenure (15th)	Initial Inauguration Date	Shareholding On Inauguration		Current Shareholding		Shareholding By Self, Spouse & Minor Children		Shareholding Under Other's Title		Major Experience & Education	Current Positions in the Bank and Other Companies	Being the Spouse or Relative within 2 Tiers of Other Managers, Directors and Supervisors		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship
Director	R.O.C.	Che-Nan Wang	M	JUN 29, 2018	JUN 29, 2018 To JUN 28, 2021	JUL 22, 2012	1,276,494	0.02	10,042,090	0.14	10,042,090	0.14	0	0	Education: B.A., Kindai University, Japan Experience: 13th & 14th Director, Taiwan Business Bank Member, Overseas Community Affairs Council, Republic of China Director, Taichung Commercial Bank Co., Ltd	Honorary President of the Republic of China on the Kindai University Advisory Committee Member, Overseas Community Affairs Council, Republic of China	None	None	None
Director (Independent Director)	R.O.C.	Jin-Long Liu	M	JUN 29, 2018	JUN 29, 2018 To JUN 28, 2021	JUN 29, 2018	0	0	0	0	0	0	0	0	Education: Ph.D., Department of Economics, North Carolina State University, USA Experience: Associate Professor, Graduate Institute of Industrial Economics, National Central University Director, Graduate Institute of Industrial Economics, National Central University Visiting Associate Professor, Duke University Visiting Scholar, Foundation for Scholarly Exchange Supervisor, Integrated Service Technology Inc.	Professor, Graduate Institute of Industrial Economics, National Central University	None	None	None
Director (Independent Director)	R.O.C.	Wei-Sheng Huang	M	JUN 29, 2018	JUN 29, 2018 To JUN 28, 2021	JUN 29, 2018	0	0	0	0	0	0	0	0	Education: Textile Division, Southern Taiwan University of Science and Technology Experience: Independent Director, China Steel Corporation Chairman, Small & Medium Enterprise Credit Guarantee Fund of Taiwan Director, Small & Medium Enterprise Counseling Foundation Supervisor, First Financial Holding Co., Ltd. Supervisor, First Commercial Bank Co., Ltd. Chairman, Yangsheng Knitting Co., Ltd. Chairman, Weifanglong Co., Ltd. Director, UUPON Inc.	Director, Taiwan Business Bank	None	None	None

Note 1: If the position of Chairman and the President or an equivalent position (chief manager) are taken by the same person, or are spouses or are the first degree of kinship, describe the relevant information of reason, rationale, necessity, and response measures: No such matters.

Note 2: Previous term of Director Hung-Sheng Yu: July 1, 2013 to July 30, 2014 (TBB Industry Union Representative)

B. Major Shareholders of Juristic Person Shareholders

December 31, 2019

Juristic Person Shareholder	Major Shareholders of Juristic Person Shareholders
Ministry of Finance	Government Agency
Bank of Taiwan	Taiwan Financial Holding Co., Ltd. (100%)
Land Bank of Taiwan	Ministry of Finance (100%)
TBB Industry Union	Juridical Association

C. Major Shareholders of Major Juristic Person Shareholders of the Bank

December 31, 2019

Juristic Person Shareholder	Major Shareholders of Juristic Person Shareholders
Taiwan Financial Holding Co., Ltd.	Ministry of Finance (100%)

D. Professional Knowledge and Independence of Directors

December 31, 2019

Name	Qualifications (Note 1)			Independent Status (Note 2)												Number of Other Public Companies Serving as an Independent Director
	A	B	C	1	2	3	4	5	6	7	8	9	10	11	12	
Bor-Yi Huang	✓		✓			✓	✓		✓	✓	✓	✓	✓	✓		0
Shih-Yuan Tai			✓	✓		✓	✓		✓	✓	✓	✓	✓	✓		0
Xin-Wu Lin			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Lien-Wen Liang	✓		✓	✓		✓	✓		✓	✓	✓	✓	✓	✓		0
Shiu-Yen Lin			✓	✓		✓	✓			✓	✓	✓	✓	✓		0
Wen-Chieh Wang	✓		✓	✓		✓	✓		✓	✓	✓	✓	✓	✓		0
Hung-Sheng Yu			✓			✓	✓		✓	✓	✓	✓	✓	✓		0
Li-Ling Lin			✓	✓		✓	✓		✓	✓	✓	✓	✓	✓		0
Ying-Ming He			✓	✓		✓	✓		✓	✓	✓	✓	✓	✓		0
Kuo-Chang Huang			✓			✓	✓		✓	✓	✓	✓	✓	✓		0
Che-Nan Wang			✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Jin-Long Liu	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Wei-Sheng Huang			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0

Note 1: Directors and Supervisors shall meet one of the following professional requirements, together with at least five year work experience:

- An instructor or higher in a department of commerce, law, finance, accounting or other academic department related to the banking business in a public/private junior college, college or university.
- A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialist who has passed a national examination and has been awarded a certificate in a profession necessary for the banking business.
- With work experience in the fields of commerce, law, finance, accounting or other profession necessary for the banking business.

Note 2: Indicate with "✓" mark for members who meet the following conditions during the two years before being elected or during the term of office.

- Neither employees of the bank nor its affiliates.
- Neither a director or a supervisor of the bank nor its affiliates (this restriction does not apply to independent director positions in the bank, its parent company or subsidiary, or a subsidiary under common control of the parent company which has been appointed in accordance with Securities and Exchange Act or laws of the registered country).
- Neither an individual shareholder who holds shares, together with those held by his/her spouse, minor children, or held under others' names, in an aggregate amount of 1% or more of the total outstanding shares nor a natural person who ranks among the top 10 shareholders in terms of the share volume held.
- Neither a spouse or relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the managerial officers in (1), nor any person in (2) or (3) above.
- Not a director, supervisor, or employee of a juristic person shareholder that directly holds 5% or more of the total outstanding shares of the bank, or ranks among the top 5 juristic person shareholders in terms of share volume held, or is a representative being assigned as the bank's director or supervisor according to Paragraph 1 or Paragraph 2, Article 27 under the Company Act (this restriction does not apply to independent director positions in the bank, its parent company or subsidiary, or a subsidiary under common control of the parent company which has been appointed in accordance with Securities and Exchange Act or laws of the registered country).
- Not a director, supervisor, or employee of another company which is the bank's director, and the majority of that company's director seats or voting shares are controlled by the same person (this restriction does not apply to independent director positions in the bank, its parent company or subsidiary, or a subsidiary under common control of the parent company which has been appointed in accordance with Securities and Exchange Act or laws of the registered country).
- Not a director, supervisor, or employee of another company or institution who is or whose spouse is the bank's chairman, president or a person with equivalent position (this restriction does not apply to independent director positions in the bank, its parent company or subsidiary, or a subsidiary under common control of the parent company which has been appointed in accordance with Securities and Exchange Act or laws of the registered country).
- Not a director, supervisor, the managerial officer, or a shareholder holding 5% or more shares of a specific company or institution that also have financial or business dealings with the bank (this restriction does not apply to a specific company or institution holding 20% or more but less than 50% of the total outstanding shares of the bank, and independent director positions in the bank, its parent company or subsidiary, or a subsidiary under common control of the parent company which has been appointed in accordance with Securities and Exchange Act or laws of the registered country).
- Not an owner, partner, director, supervisor, or the managerial officer and his/her spouse of a professional, sole proprietorship, partnership, company, or institution that provides auditing services or commercial, legal, financial, accounting or relevant services, with an accumulated compensation less than NT\$0.5 million within the past two years, to the bank or its affiliates. However, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Securities and Exchange Act or Business Mergers and Acquisitions Act or related laws or regulations.
- Not a spouse or relative within the second degree of kinship among directors.
- Any of the circumstances in the subparagraphs of Article 30 of the Company Act doesn't happen.
- It is not in the capacity of a government agency, a juristic person, or its representative, as provided in Article 27 of the Company Act, that has been elected.



Executive Vice President
(Chief Compliance Officer)

Gordon Y. Wang



Executive Vice President

Yu-Min Chang



Executive Vice President

Chang-Yu Lin



Executive Vice President

Jia-Ruey Luan



Chief Auditor

Chiu-Yen Chen

(2) Information of President, Executive Vice President, SVP & GM and Managers of Departments and Branches

December 31, 2019

Title	Nationality	Name	Gender	Effective Date	Shareholding Amount		Shareholding by Spouse & Minor Children		Shareholding Under Others' Title		Prime Experience & Education	Services Concurrently with the Other Company	The Spouse or Relative within 2 Tiers of General Managers		
					Shares	(%)	Shares	(%)	Shares	(%)			Title	Name	Relationship
Acting President	R.O.C	Chih-Chien Chang	Male	20191108	197,503	0	0	0	0	0	MBA, National Taiwan University of Science and Technology	Director, SunSino Development Associate Inc. Chairman, Taiwan Business Bank Insurance Agency Co., Ltd. Chairman, Taiwan Business Bank Property Insurance Agency Co., Ltd. Chairman, TBB International Leasing Co., Ltd. Taiwan Business Bank International Leasing Co., Ltd.	None		
Executive Vice President	R.O.C	Chih-Chien Chang	Male	20130529	197,503	0	0	0	0	0	MBA, National Taiwan University of Science and Technology	Director, SunSino Development Associate Inc. Chairman, Taiwan Business Bank Insurance Agency Co., Ltd. Chairman, Taiwan Business Bank Property Insurance Agency Co., Ltd. Chairman, TBB International Leasing Co., Ltd. Taiwan Business Bank International Leasing Co., Ltd.	None		
Executive Vice President	R.O.C	Yi-Yun Wang	Male	20160101	217,775	0	0	0	0	0	MBA, University of Connecticut, USA	Director, Taiwan Incubator SME Development Corporation Director, Taiwan Financial Asset Service Co., Ltd.	None		
Executive Vice President	R.O.C	Yu-Min Chang	Male	20190201	166,107	0	4,643	0	0	0	MBA, Tamkang University	Director, Taiwan Business Bank Insurance Agency Co., Ltd. Director, TBB (Cambodia) Microfinance Institution Plc	None		
Executive Vice President	R.O.C	Chang-Yu Lin	Male	20190901	226,327	0	0	0	0	0	Accounting, Fu Jen University	Chairman, TBB Venture Capital Co., Ltd. Supervisor, Taiwan Business Bank Insurance Agency Co., Ltd. Director, TBB (Cambodia) Microfinance Institution Plc	None		
Executive Vice President	R.O.C	Jia-Ruey Luan	Male	20191001	174,217	0	0	0	0	0	Department of Statistics, National Cheng Kung University	Director, Taiwan Business Bank Insurance Agency Co., Ltd.	None		
EVP & Chief Auditor and SVP&GM, Auditing Dept.	R.O.C	Chiu-Yen Chen	Female	20160201	209,303	0	1,101	0	0	0	Statistics, National Chengchi University	None	None		
SVP & Chief Secretary, Secretarial Dept.	R.O.C	Li-Yueh Hsu	Female	20190401	60,229	0	0	0	0	0	Law, National Taiwan University	None	None		

Title	Nationality	Name	Gender	Effective Date	Shareholding Amount		Shareholding by Spouse & Minor Children		Shareholding Under Others' Title		Prime Experience & Education	Services Concurrently with the Other Company	The Spouse or Relative within 2 Tiers of General Managers		
					Shares	(%)	Shares	(%)	Shares	(%)			Title	Name	Relationship
SVP&GM Business Development Dept.	R.O.C	Tzong-Wen Chou	Male	20190901	115,534	0	0	0	0	0	Transportation and Communication Management Science, National Cheng Kung University	Director, TBB Venture Capital Co., Ltd.	None		
SVP&GM, Loan Supervision Dept.	R.O.C	Tsung-Chu Hsieh	Male	20190401	122,966	0	0	0	0	0	Public Finance, National Chengchi University	Director, Taiwan Business Bank Property Insurance Agency Co., Ltd. Director, Taiwan Business Bank International Leasing Co., Ltd.	None		
SVP&GM, Credit Investigation Dept.	R.O.C	Mei-Chun Lin	Female	20191031	266,303	0	0	0	0	0	Business Management, National Cheng Kung University	None	None		
SVP&GM, Administration Management Dept.	R.O.C	Yin-Cheng Tseng	Female	20190401	148,582	0	0	0	0	0	Department of Law, National Chengchi University	Supervisor, Taiwan Business Bank Property Insurance Agency Co., Ltd.	None		
SVP&GM, Human Resources Dept.	R.O.C	Ching-Yun Kuo	Female	20191001	214,256	0	26,331	0	0	0	Law, National Taiwan University	None	None		
SVP&GM, Digital Banking Dept.	R.O.C	Ting-Huei Liao	Male	20170718	249,258	0	236,292	0	0	0	Ph.D., Department of Banking and Finance, Tamkang University	Supervisor, Financial e-solution Co., Ltd.	None		
VP&GM, Overdue Loan&Control Dept.	R.O.C	Min-Chung Hsieh	Male	20190716	102,257	0	0	0	0	0	Master of Accounting and Information Technology, National Chung Cheng University	None	None		
SVP&GM, Personal Banking Dept.	R.O.C	Chi-Fen Yen	Female	20180208	123,459	0	0	0	0	0	Business Administration, Fu Jen University	None	None		
SVP&GM, Treasury Dept.	R.O.C	Chih-Wei Chen	Male	20180723	0	0	0	0	0	0	Master of Financial Management, National Central University	Director, CDIB & Partners Investment Holding Corp. Supervisor, TBB International Leasing Co., Ltd. Supervisor, Taiwan Business Bank International Leasing Co., Ltd. Director, TBB Venture Capital Co., Ltd.	None		
Acting VP&GM, Information Technology Dept.	R.O.C	Yu-Feng Lin	Female	20191001	62,401	0	0	0	0	0	Master of Banking and Finance, Tamkang University	None	None		
SVP&GM, Compliance Dept.	R.O.C	Hsieh-Hui Chen	Female	20110825	118,307	0	0	0	0	0	Law, Fu Jen University	None	None		
Acting VP&GM, Information Security Dept.	R.O.C	Yi-Chin Chai	Male	20180723	54,780	0	0	0	0	0	Master of Information Management, National Taiwan University of Science and Technology	None	None		
SVP&GM, Wealth Management Dept.	R.O.C	Chu-Jou Chen	Female	20180718	231,285	0	0	0	0	0	Business Administration, Soochow University	Director, Taiwan Business Bank Property Insurance Agency Co., Ltd.	None		
SVP&GM, Credit Card Dept.	R.O.C	Wen-Shu Lin	Female	20180208	113,613	0	0	0	0	0	Business Administration, Soochow University	None	None		
SVP&GM, Corporate Banking Dept. and SVP&GM, Innovative Finance Project Office	R.O.C	Tseng-Hsiang Yi	Male	20190401	117,065	0	0	0	0	0	Industrial Management, Taiwan University of Science And Technology	Director, Chaofu Real Estate Management Co. Director, TBB International Leasing Co., Ltd. Director, Taiwan Business Bank International Leasing Co., Ltd. Director, Taiwan Business Bank Property Insurance Agency Co., Ltd.	None		
SVP&GM, Risk Management Dept.	R.O.C	Hsiou-Chen Kang	Female	20180208	112,476	0	0	0	0	0	Economics, National Taiwan University	Director, TBB International Leasing Co., Ltd.	None		
SVP&GM, Accounting Dept.	R.O.C	Yu-Chuan Chou	Female	20180208	127,518	0	838	0	0	0	Accounting, National Chung Hsing University	Supervisor, Taiwan Business Bank Property Insurance Agency Co., Ltd.	None		
VP&GM, Trust Dept.	R.O.C	Wen-Ching Huang	Female	20190716	208,110	0	0	0	0	0	Law, Fu Jen University	None	None		
SVP&GM, Securities Dept.	R.O.C	Li-Hui Chang	Female	20180723	132,514	0	0	0	0	0	Cooperative Economic, National Chung Hsing University	None	None		



Title	Nationality	Name	Gender	Effective Date	Shareholding Amount		Shareholding by Spouse & Minor Children		Shareholding Under Others' Title		Prime Experience & Education	Services Concurrently with the Other Company	The Spouse or Relative within 2 Tiers of General Managers		
					Shares	(%)	Shares	(%)	Shares	(%)			Title	Name	Relationship
SVP&GM, International Banking Dept.	R.O.C	Sung-Shui Chiu	Male	20180327	148,373	0	8,305	0	0	0	Economics, National Taiwan University	Director, Taipei Forex Inc.	None		
SVP&GM, North 1 Regional Operation Center	R.O.C	Tsun-Lin Yeh	Male	20170513	118,146	0	0	0	0	0	Department of Business Administration, Nanya Institute of Technology	None	None		
SVP&GM, North 2 Regional Operation Center	R.O.C	Chiang-Shu Lin	Male	20181029	124,369	0	0	0	0	0	Testile Department, Vanung University	None	None		
SVP&GM, North 3 Regional Operation Center	R.O.C	Bih-Lien Fang	Female	20191031	696,792	0	0	0	0	0	Department of Business Administration, National Cheng Kung University	None	None		
SVP&GM, Central Regional Operation Center	R.O.C	Kuo-Liang Tseng	Male	20181029	112,808	0	0	0	0	0	Master of Finance, National Yunlin University of Science and Technology	None	None		
SVP&GM, South 1 Regional Operation Center	R.O.C	Hsiu-Chu Lin	Female	20191031	115,574	0	0	0	0	0	Executive Master of Business Administration, National Chung Cheng University	None	None		
SVP&GM, South 2 Regional Operation Center	R.O.C	Wen-Hsiu Huang	Male	20180208	153,583	0	0	0	0	0	Department of Business Administration, Tunghai University	None	None		
VP&GM, Domestic Processing Center	R.O.C	Huei-Nai Hung	Female	20140514	112,532	0	0	0	0	0	Accounting, Fu Jen University	None	None		
AVP&GM, Customer Service Center	R.O.C	Ching-Yi Lin	Female	20190213	105,420	0	0	0	0	0	Economics, Fu Jen University	None	None		
VP&GM, Chung Ho Branch	R.O.C	Li-Fang Lee	Female	20170203	113,023	0	0	0	0	0	Economics, Chinese Culture University	None	None		
VP&GM, Po Ai Branch	R.O.C	Ching-Wen Lee	Male	20190213	74,880	0	54	0	0	0	Department of Statistics, National Cheng Kung University	None	None		
VP&GM, North Taoyuan Branch	R.O.C	Shuan-Hua Liu	Female	20180208	141,059	0	0	0	0	0	Master of Marketing and Logistics Management, Hsing Wu University of Science and Technology	None	None		
VP&GM, Nan Ken Branch	R.O.C	Yu-Chiao Wei	Female	20180208	104,130	0	8,346	0	0	0	Department of Economics, National Chung Hsing University	None	None		
VP&GM, Si Tuen Branch	R.O.C	Yuan-Hsueh Hsiao	Male	20180208	112,697	0	0	0	0	0	EMBA, Taichung Health and Management Collage	None	None		
VP&GM, Chung Min Branch	R.O.C	Yun-Shiang Tsai	Male	20181029	102,500	0	0	0	0	0	Department Of Finance, Chao Yang University Of Technology	None	None		
VP&GM, Kinmen Branch	R.O.C	Shui-Chiang Fang	Male	20190213	36,176	0	0	0	0	0	Master of Science and Technology Management Industry, Department of Business & Management, National University of Tainan	None	None		
VP&GM, Banking Department	R.O.C	Long-Jiunn Wu	Male	20181029	209,757	0	0	0	0	0	Department Finance and Taxation, National Chung Hsing University	None	None		
VP&GM, Ta Ya Branch	R.O.C	Chih-Cheng Cho	Male	20170718	85,703	0	0	0	0	0	Applied Business, National Taichung University of Science and Technology	None	None		
VP&GM, Jen Ta Branch	R.O.C	Chien-Chung Lin	Male	20160715	53,193	0	60,352	0	0	0	International Trade, Chinese Culture University	None	None		
VP&GM, Jen Ai Branch	R.O.C	Mei-Chih Hou	Female	20160301	127,646	0	0	0	0	0	Banking, Feng Chia University	None	None		
VP&GM, Sung Shan Branch	R.O.C	Bi-Chu Chuang	Female	20181029	113,340	0	0	0	0	0	Department of Finance and Taxation, National Chung Hsing University	None	None		
VP&GM, Chien Cheng Branch	R.O.C	Guei-Jin Chiou	Female	20160301	130,643	0	0	0	0	0	Executive Master of Business Administration in International, National Taipei University	None	None		
VP&GM, Shih Lin Branch	R.O.C	Wen-Fang Lin	Male	20180827	25,623	0	0	0	0	0	Department of Medical Administration, Yuanpei Junior College of Medical Technology	None	None		

Title	Nationality	Name	Gender	Effective Date	Shareholding Amount		Shareholding by Spouse & Minor Children		Shareholding Under Others' Title		Prime Experience & Education	Services Concurrently with the Other Company	The Spouse or Relative within 2 Tiers of General Managers		
					Shares	(%)	Shares	(%)	Shares	(%)			Title	Name	Relationship
VP&GM, Yung Ho Branch	R.O.C	Sung-Nan Chiao	Male	20170718	43,219	0	935	0	0	0	Accounting, Soochow University	None	None		
VP&GM, Hsin Tien Branch	R.O.C	Chien-Fa Wang	Male	20190716	60,977	0	0	0	0	0	Department of Industrial Engineering, St. John's and St. Mary's Institute of Technology	None	None		
VP&GM, Hsin Chuang Branch	R.O.C	Ching-Kuei Hsieh	Female	20170203	118,744	0	0	0	0	0	Insurance, Tamkang University	None	None		
VP&GM, Hwa Cheng Branch	R.O.C	Ruey-shyang Guo	Male	20181029	115,597	0	0	0	0	0	MBA, Baruch College, CUNY	None	None		
VP&GM, Sung Kiang Branch	R.O.C	Chao-Lieh Chen	Male	20170718	849	0	1,012	0	0	0	EMBA, Tamkang University	None	None		
VP&GM, Taipei Branch	R.O.C	Ching-Hsiu Liu	Female	20190716	42,481	0	0	0	0	0	International Trade, Chung Yuan Christian University	None	None		
VP&GM, Wan Hua Branch	R.O.C	Yueh-Yen Weng	Female	20170718	102,346	0	0	0	0	0	Business Administration, National Chengchi University	None	None		
VP&GM, South Taipei Branch	R.O.C	Giunn-Chin Wang	Male	20181029	23,869	0	0	0	0	0	Statistics, Tamkang University	None	None		
VP&GM, Fu Hsin Branch	R.O.C	Yueh-Chiao Wu	Female	20170203	118,099	0	0	0	0	0	Department of Applied Business, National Taipei College of Business	None	None		
VP&GM, Chung Shang Branch	R.O.C	Chao-Chih Chueh	Female	20190401	113,640	0	0	0	0	0	Dept. of Business Management, China Junior College of Municipality	None	None		
VP&GM, Chien Kuo Branch	R.O.C	Tien-Chin Lin	Male	20180208	113,573	0	0	0	0	0	Economics, Tunghai University	None	None		
VP&GM, Nai Hu Branch	R.O.C	Tai Sun	Female	20180208	212,250	0	0	0	0	0	International Trade, Ming Chuan College	None	None		
VP&GM, Nan King East Road Branch	R.O.C	Fuh-Yuh Yeh	Male	20190716	112,668	0	1,012	0	0	0	Business, National Open University	None	None		
VP&GM, Chung Hsiao Branch	R.O.C	Yen-Ling Chen	Female	20170718	113,118	0	0	0	0	0	Department of International Trade, Takming Junior College of Commerce	None	None		
VP&GM, World Trade Center Branch	R.O.C	Yu Lin	Male	20190401	21,065	0	0	0	0	0	Law, Soochow University	None	None		
VP&GM, Yung Trin Branch	R.O.C	Su-Chen Huang	Female	20190716	64,552	0	0	0	0	0	Supplementary Open Junior College For Public Administration, National Chengchi University	None	None		
VP&GM, Nan Kang Branch	R.O.C	Fu-Long Chen	Male	20170718	125,222	0	0	0	0	0	Engineering Machinery, Pingtung Agricultural	None	None		
VP&GM, Sung Nan Branch	R.O.C	Ming-Hui Chen	Female	20180208	21,840	0	0	0	0	0	Master of Business Administration in International Business, National Dong Hwa University	None	None		
VP&GM, Dong Hu Branch	R.O.C	Wen-I Lu	Male	20190401	56,616	0	0	0	0	0	Economics, Soochow University	None	None		
VP&GM, Ta An Branch	R.O.C	Hsueh-Ru Liu	Female	20150207	124,484	0	0	0	0	0	Department of Industrial Management, Chinyi Institute of Technology	None	None		
VP&GM, Shuang Ho Branch	R.O.C	Liu-Mei Chin	Female	20190401	18,524	0	1	0	0	0	Business Administration, National Chengchi University	None	None		
VP&GM, Jim Ho Branch	R.O.C	Giann-Yea Shyu	Male	20180723	29,665	0	0	0	0	0	Department of Finance, National Taipei College of Business	None	None		
VP&GM, Wu Ku Branch	R.O.C	Ying-Che Fang	Male	20170203	198,857	0	0	0	0	0	Master of Management Sciences, TamKang University	None	None		
VP&GM, Lin Kuo Branch	R.O.C	Yueh-Chin Wang	Female	20170718	123,218	0	6,330	0	0	0	Accounting, Hsing Wu College of Commerce	None	None		
VP&GM, East Linkou Branch	R.O.C	Hsiao-Ming Chen	Male	20190716	112,161	0	26,000	0	0	0	Master of Economics, National Taiwan University	None	None		



Title	Nationality	Name	Gender	Effective Date	Shareholding Amount		Shareholding by Spouse & Minor Children		Shareholding Under Others' Title		Prime Experience & Education	Services Concurrently with the Other Company	The Spouse or Relative within 2 Tiers of General Managers		
					Shares	(%)	Shares	(%)	Shares	(%)			Title	Name	Relationship
VP&GM, Pan Chiao Branch	R.O.C	Mei-Hui Chen	Female	20190213	192,592	0	199,781	0	0	0	Bank Insurance, National Taipei College of Business	None	None		
VP&GM, Shu Lin Branch	R.O.C	Jui-Yuan Huang	Male	20191031	73,090	0	0	0	0	0	Master of Business Administration, National Taiwan Normal University	None	None		
VP&GM, Tu Cheng Branch	R.O.C	Nien-Tzu Chen	Female	20180208	119,469	0	0	0	0	0	Accounting, Fu Jen University	None	None		
VP&GM, Hwei Long Branch	R.O.C	Chiu-Chin Chen	Female	20171030	113,600	0	0	0	0	0	Department of Business Administration, Chung Yuan Christian University	None	None		
VP&GM, Hsi Chih Branch	R.O.C	Fang-Chuan Chiu	Male	20180723	113,138	0	0	0	0	0	Department of Transportation and Logistics, Feng Chia University	None	None		
VP&GM, Sanxia Branch	R.O.C	Pao-Sheng Lin	Male	20180208	107,360	0	21,949	0	0	0	Business Administration, Fu Jen University	None	None		
VP&GM, Keelung Branch	R.O.C	Chun-Ta Lin	Male	20190213	101,914	0	0	0	0	0	Department of Industrial Management, Luthwa University of Science and Technology	None	None		
VP&GM, Pu Chya Branch	R.O.C	Shu-Ting Chen	Female	20190213	89,836	0	879	0	0	0	International Trade, Hsing Wu Business College	None	None		
VP&GM, North San Chung Branch	R.O.C	Hsiu-Hsin Hou	Male	20170203	113,088	0	0	0	0	0	Bank&Insurance Section, Hsing Wu Business College	None	None		
VP&GM, South San Chung Branch	R.O.C	Yen-Huey Wang	Female	20170718	111,258	0	225	0	0	0	Banking and Insurance, Ming Chuan College	None	None		
VP&GM, Lu Chow Branch	R.O.C	Chih-Hsiang Huang	Male	20190823	30,637	0	0	0	0	0	Public Finance, National Chengchi University	None	None		
VP&GM, I Lan Branch	R.O.C	Pi-Chuan Chien	Female	20170203	114,247	0	1,187	0	0	0	Supplementary Open Junior College For Public Administration, National Chengchi University	None	None		
VP&GM, Lo Tung Branch	R.O.C	Ming-Fa Chien	Male	20190823	86,632	0	0	0	0	0	Business, National Lo-Tung Commercial Vocational High School	None	None		
VP&GM, Su Aw Branch	R.O.C	Ping-Hui Lee	Male	20180723	68,009	0	0	0	0	0	Industrial Management, Southern Taiwan Industrial College	None	None		
VP&GM, Yang Mei Branch	R.O.C	Yueh-Mei Chang	Female	20190823	121,177	0	0	0	0	0	MBA, National Dong Hwa University	None	None		
VP&GM, Hu Kou Branch	R.O.C	Shu-E Chen	Female	20170718	103,156	0	0	0	0	0	Master of International Business, Chung Yuan Christian University	None	None		
VP&GM, Taoyuan Branch	R.O.C	Shu-Fen Li	Female	20190823	62,383	0	0	0	0	0	International Trade, Hsing Wu Business College	None	None		
SVP&GM, Ta Yuan Branch	R.O.C	Li-Chuan Huang	Female	20170718	74,546	0	65,520	0	0	0	Business Management Institute, Chung Hua University	None	None		
VP&GM, Ta Shi Branch	R.O.C	Chin-Ho Huang	Male	20180723	115,225	0	3,951	0	0	0	Department of Cooperative Economics, Tamkang University	None	None		
VP&GM, Chung Li Branch	R.O.C	Giann-Gwo Guu	Male	20180208	149,419	0	103,627	0	0	0	Accounting Statistics, Tamsui Exford College	None	None		
VP&GM, Nei Li Branch	R.O.C	Mu-Hsiang Wu	Male	20190213	15,750	0	0	0	0	0	Department of Applied Business, National Taipei College of Business	None	None		
VP&GM, Hsin Ming Branch	R.O.C	Yu-Pei Liao	Female	20180208	33,538	0	0	0	0	0	Department of Business Administration, National Chung Hsing University	None	None		
VP&GM, East Taoyuan Branch	R.O.C	Chiu-Yu Lin	Female	20170203	44,990	0	67,485	0	0	0	Economics, Fu Jen University	None	None		
VP&GM, Hsin Wu Branch	R.O.C	Hsu-Hsiang Huang	Male	20190823	101,219	0	0	0	0	0	Economics, Feng Chia University	None	None		
VP&GM, Hsin Chu Branch	R.O.C	Nai-Chia Chi	Male	20190823	185,962	0	0	0	0	0	Graduate Institute of Industrial Economics, National Central University	None	None		

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					Shares	(%)	Shares	(%)	Shares	(%)			Title	Name	Relationship
VP&GM, Chu Pei Branch	R.O.C	Kuan-Yi Huang	Male	20191031	56,301	0	0	0	0	0	Master of Science and Technology Management, Chung Hua University	None	None		
VP&GM, Hsinchu Science Based Industrial Park Branch	R.O.C	Su-Fen Chen	Female	20190823	112,908	0	10,390	0	0	0	Accounting, Soochow University	None	None		
VP&GM, Pa Te Branch	R.O.C	Li-Huei Chen	Male	20180208	32,760	0	0	0	0	0	Master of Business Administration, Tamkang University	None	None		
VP&GM, Luong Tan Branch	R.O.C	Shu-Ling Yuan	Female	20191031	21,949	0	107,360	0	0	0	Business Management, National Taipei College of Business	None	None		
VP&GM, Chu Tung Branch	R.O.C	Yun-Hui Chang	Male	20190213	28,968	0	0	0	0	0	Master of Science in Engineering, Tatung Institute of Technology	None	None		
VP&GM, Chu Nan Branch	R.O.C	Hsiu-Chiao Lin	Female	20170203	241,176	0	399,788	0	0	0	Business Management, Tamkang University	None	None		
VP&GM, Tou Fen Branch	R.O.C	Sheng-Wang Chang	Male	20191031	111,051	0	6,226	0	0	0	Department of Business Management, Chin Min Institute of Technology	None	None		
VP&GM, Maio Li Branch	R.O.C	Shin-Mao Lin	Male	20160301	54,742	0	0	0	0	0	Business Administration, National Taichung College of Business	None	None		
VP&GM, Feng Yuan Branch	R.O.C	Li-Chung Lin	Male	20180723	119,833	0	0	0	0	0	Business Administration, National Taichung College of Business	None	None		
VP&GM, Tai Ping Branch	R.O.C	Ping-Sung Yang	Male	20181029	321,739	0	152	0	0	0	Accounting, Feng Chia University	None	None		
VP&GM, Ta Chia Branch	R.O.C	Man-Chung Yeh	Male	20181029	253	0	0	0	0	0	International Trade, National Taichung College of Business	None	None		
VP&GM, Sha Lu Branch	R.O.C	Chih-Cheng Chen	Male	20170203	120,946	0	0	0	0	0	Department of Business, National Open University	None	None		
VP&GM, Wu Jih Branch	R.O.C	Meng-Shin Jeng	Male	20181029	165,471	0	44,979	0	0	0	Public Finance, Feng Chia University	None	None		
VP&GM, Taichung Branch	R.O.C	Meng-Liang Su	Male	20181029	113,578	0	0	0	0	0	Accounting, National Chung Hsing University	None	None		
VP&GM, Min Chen Branch	R.O.C	Shun-Tseng Liao	Male	20160301	167,152	0	0	0	0	0	Business Management, Soochow University	None	None		
VP&GM, Hsing Chung Branch	R.O.C	Yih-Shiou Wang	Male	20160301	144,239	0	0	0	0	0	EMBA, Feng Chia University	None	None		
VP&GM, Pei Tuen Branch	R.O.C	Kuo-Tsun Pai	Male	20180208	113,843	0	0	0	0	0	Department of Business, National Open University	None	None		
VP&GM, Nan Tou Branch	R.O.C	Liang-Pin Chen	Male	20180723	802	0	773	0	0	0	Master of Finance, National Yunlin University of Science and Technology	None	None		
VP&GM, Tsao Tuen Branch	R.O.C	Tsai-Rong Hung	Female	20180208	173,066	0	0	0	0	0	Master of Finance, National Yunlin University of Science and Technology	None	None		
VP&GM, Pu Li Branch	R.O.C	Fu-Ching Chou	Male	20170901	109,236	0	0	0	0	0	Department of Applied Business, Taichung University of Science and Technology	None	None		
VP&GM, Tan Tze Branch	R.O.C	Cheng-An Hsieh	Male	20170901	123,253	0	38,724	0	0	0	Master of Insurance, Feng Chia University	None	None		
VP&GM, Chu Shan Branch	R.O.C	Jung-Yu Huang	Male	20170203	113,725	0	0	0	0	0	Accounting, Feng Chia University	None	None		
VP&GM, Chang Hwa Branch	R.O.C	Ming-Yi Lin	Male	20180208	352,296	0	252,845	0	0	0	Department of Applied Business, Taichung University of Science and Technology	None	None		
VP&GM, Ho Mei Branch	R.O.C	Ming-Tang Chen	Male	20190213	117,254	0	0	0	0	0	Department of Industrial Management, Lunghwa University of Science and Technology	None	None		
VP&GM, Yuan Lin Branch	R.O.C	Yueh-Man Sung	Female	20181029	136,396	0	0	0	0	0	International Trade, National Taichung College of Business	None	None		
VP&GM, Pei Tou Branch	R.O.C	Chien-Ta Wu	Male	20181224	69,237	0	0	0	0	0	EMBA, National Chi Nan University	None	None		



Title	Nationality	Name	Gender	Effective Date	Shareholding Amount		Shareholding by Spouse & Minor Children		Shareholding Under Others' Title		Prime Experience & Education	Services Concurrently with the Other Company	The Spouse or Relative within 2 Tiers of General Managers		
					Shares	(%)	Shares	(%)	Shares	(%)			Title	Name	Relationship
VP&GM, Erh Lin Branch	R.O.C	Li-Mo Yang	Male	20170203	244,317	0	0	0	0	0	Statistics, Fu Jen University	None	None		
VP&GM, Tou Liu Branch	R.O.C	His-Her Pai	Male	20180208	180,918	0	82	0	0	0	Master of Applied Economics, National Chung Hsing University	None	None		
VP&GM, Pei Kang Branch	R.O.C	Wen-Chi Chen	Male	20181029	72,915	0	0	0	0	0	Master of Finance, National Yunlin University of Science and Technology	None	None		
VP&GM, Hu Wei Branch	R.O.C	Tung-Han Lu	Male	20190213	17,056	0	0	0	0	0	Accounting, Tamkang University	None	None		
VP&GM, Chia Yi Branch	R.O.C	Su-Ying Tsai	Female	20180208	118,673	0	0	0	0	0	Department of International Trade, Open College with National Chang Kung University	None	None		
VP&GM, Ming Hsiung Branch	R.O.C	I-Man Chen	Female	20181029	115,040	0	78	0	0	0	Business, Providence College	None	None		
VP&GM, Chia Hsin Branch	R.O.C	Giann-Jang Lin	Male	20160513	100,708	0	73,467	0	0	0	Department of Accounting and Statistics, Tatung Institute of Commerce and Technology	None	None		
VP&GM, Hsin Ying Branch	R.O.C	Chia-Cheng Liu	Male	20180208	108,249	0	0	0	0	0	Department of Accounting and Statistics, Tatung Institute of Commerce and Technology	None	None		
VP&GM, Kai Yuan Branch	R.O.C	Feng-Fu Chen	Male	20160715	115,953	0	10,523	0	0	0	Accounting, Fu Jen University	None	None		
VP&GM, Yun Kang Branch	R.O.C	Hsin-Chuan Hsiao	Male	20170203	138,886	0	98,475	0	0	0	Department of Accounting and Statistics, Tatung Institute of Commerce and Technology	None	None		
VP&GM, Shiue Chia Branch	R.O.C	Chih-Ming Chuang	Male	20160715	114,819	0	0	0	0	0	Statistics, National Chung Hsing University	None	None		
VP&GM, Shan Hwa Branch	R.O.C	Guo-Shiang Huang	Male	20170203	47,854	0	85,054	0	0	0	Cooperative Economics, National Chung Hsing University	None	None		
VP&GM, Yung Ta Branch	R.O.C	Chien-Lai Su	Male	20181224	772	0	0	0	0	0	Master of Business & Management, National University of Tainan	None	None		
VP&GM, Tainan Branch	R.O.C	Yung-Sheng Hu	Male	20170203	118,041	0	751	0	0	0	Department of Industrial Management, Southern Taiwan Institute of Technology	None	None		
VP&GM, Jen Te Branch	R.O.C	Chin-Hsiu Chen	Female	20180208	238,688	0	33,749	0	0	0	Banking and Insurance, Ming Chuan College	None	None		
VP&GM, Cheng Kung Branch	R.O.C	Chang-Hui Hsu	Female	20180723	96,387	0	11,163	0	0	0	Department of Bank and Insurance, Chinese Culture University	None	None		
VP&GM, East Tainan Branch	R.O.C	Shun-Ho Chen	Male	20180208	114,556	0	0	0	0	0	Business Administration, Feng Chia University	None	None		
VP&GM, An Ping Branch	R.O.C	Mei-Chen Chen	Female	20180208	132,884	0	10,542	0	0	0	MBA, National Cheng Kung University	None	None		
VP&GM, Hua Lien Branch	R.O.C	Chiou-Hwa Su	Female	20170203	31,214	0	0	0	0	0	Public Finance and Taxation, Dahan Institute of Technology	None	None		
VP&GM, Tai Tung Branch	R.O.C	Wen-Jang Jou	Male	20180208	107,607	0	0	0	0	0	Master of Tropical Agriculture and International Cooperation, National Pingtung University of Science & Technology	None	None		
VP&GM, East Kaohsiung Branch	R.O.C	Leh-Chin Kuo	Female	20180208	92,411	0	0	0	0	0	Master of Finance, Kaohsiung First University of Science And Technology	None	None		
VP&GM, Kang Shan Branch	R.O.C	Der-Hsung Lin	Male	20160715	113,033	0	0	0	0	0	Bank Insurance, Meihou University	None	None		
VP&GM, North Feng Shan Branch	R.O.C	Cheng-Hung Wang	Male	20180208	177,489	0	78	0	0	0	Accounting, Feng Chia University	None	None		
VP&GM, Ling Ya Branch	R.O.C	An-Yun Lin	Female	20190716	224,156	0	48,750	0	0	0	Master of Finance, Kaohsiung First University of Science And Technology	None	None		
VP&GM, Kaohsiung Branch	R.O.C	Chin-Chuan Su	Male	20140514	308,085	0	0	0	0	0	Accounting, National Chung Hsing University	None	None		

Title	Nationality	Name	Gender	Effective Date	Shareholding Amount		Shareholding by Spouse & Minor Children		Shareholding Under Others' Title		Prime Experience & Education	Services Concurrently with the Other Company	The Spouse or Relative within 2 Tiers of General Managers		
					Shares	(%)	Shares	(%)	Shares	(%)			Title	Name	Relationship
VP&GM, North Kaohsiung Branch	R.O.C	Yi-Ching Wang	Female	20190716	80,910	0	0	0	0	0	Master of Business Administration in International Business, National Kaohsiung University of Applied Sciences	None	None		
VP&GM, Ta Chang Branch	R.O.C	Li-Jung Lin	Female	20180208	124,562	0	0	0	0	0	Department of Business, National Open University	None	None		
VP&GM, Chien Chen Branch	R.O.C	Meng-Hsun Sung	Male	20190213	47,356	0	0	0	0	0	Department of Business Management, National Pingtung University of Science & Technology	None	None		
VP&GM, Jeou Ru Branch	R.O.C	Yao-Chin Yang	Male	20190823	100,998	0	0	0	0	0	Master of Finance and Information, National Kaohsiung University of Applied Sciences	None	None		
VP&GM, San Ming Branch	R.O.C	Yuan-Yuan Ying	Female	20190201	202,934	0	0	0	0	0	MBA, National Kaohsiung First University of Science and Technology	None	None		
VP&GM, Feng Shan Branch	R.O.C	Kuang-Tsai Wang	Male	20170203	112,796	0	0	0	0	0	MBA, National Sun Yat-sen University	None	None		
VP&GM, Ta Fa Branch	R.O.C	Jung-Ling Wang	Male	20160715	113,298	0	0	0	0	0	Finance Taxation, Feng Chia University	None	None		
VP&GM, Ping Tung Branch	R.O.C	Hsueh-Hsia Chen	Female	20180827	239,322	0	0	0	0	0	Shipping & Transportation Management, National Taiwan Ocean University	None	None		
VP&GM, Xiao Gang Branch	R.O.C	Hsueh-Mei Yang	Female	20191223	1,045	0	1,164	0	0	0	Business Management, Chinese Culture University	None	None		
VP&GM, Chiao Chou Branch	R.O.C	Cheng-Tsung Hsu	Male	20190823	54,579	0	0	0	0	0	Department of Business Management, Open College with National Chang Kung University	None	None		
VP&GM, Offshore Banking Unit	R.O.C	Ching-Yang Lee	Female	20150403	114,602	0	0	0	0	0	MBA, CMSU	None	None		
VP&GM, Los Angeles Branch	R.O.C	Shenn-Bao Jean	Male	20180430	116,347	0	0	0	0	0	Economics, Soochow University	None	None		
VP&GM, Hong Kong Branch	R.O.C	Jen-Jung Fan	Male	20160919	113,069	0	0	0	0	0	Department of Business Management, National Sun Yat-sen University	None	None		
VP&GM, Sydney Branch	R.O.C	Be-Yun Tong	Female	20140327	140,270	0	0	0	0	0	Business & Secretarial Science, Tamsui Exford College	None	None		
VP&GM, Shanghai Branch	R.O.C	Chao-Ming Huang	Male	20190128	109,175	0	0	0	0	0	EMBA, National Chiao Tung University	None	None		
VP&GM, Brisbane Branch	R.O.C	Sue-Jen Chen	Female	20180413	103,497	0	102,565	0	0	0	Master of International Business, Soochow University	None	None		
VP&GM, New York Branch	R.O.C	Feng-Ying Chen	Female	20160609	115,620	0	0	0	0	0	Banking, National Chengchi University	None	None		
VP&GM, Wuhan Branch	R.O.C	Chin-Fu Chiang	Male	20180516	184,840	0	6,240	0	0	0	MBA, National Taiwan University of Science and Technology	None	None		
VP&GM, Tokyo Branch	R.O.C	Cheng-Hung Chang	Male	20180815	109,800	0	0	0	0	0	MBA, University of Wisconsin, USA	None	None		
VP & Chief Representative, Yangon Representative Office	R.O.C	Hung-Tien Chiang	Male	20190520	113,027	0	0	0	0	0	Department of Business Administration, National Chung Hsing University	None	None		

Note: 1. the Bank currently has no employee stock warrants scheme; please see Page XX.

2. The position of Chairman and the President or an equivalent position (chief manager) are held by the same person, or are spouses or are the first degree of kinship, describe the relevant information of reason, rationale, necessity, and response measures: No such matters.

(3) Compensation for 2019

A. Compensation for Directors

Unit: NT\$1,000

Title	Name	Compensation								Ratio of total remuneration (A+B+C+D) to net income (%)		Relevant remuneration received by directors who are also employees										Ratio of total compensation (A+B+C+D+E+F+G) to net income (%)		Compensation paid to directors from an invested company other than the Bank's subsidiary
		Rewards (A)		Pension and Separation Pay (B)		Earning Distribution (C)		Business Affair Expense (D)				Salary, Bonus and Special Disbursement (E)		Pension and Separation Pay (F)		Employee Bonus Distribution (G)		Number of Shares May be Acquired for Employee Stock Options (H)		Number of New Restricted Employee Stock Awards				
		TBB	All companies in finance statement	TBB	All companies in finance statement	TBB	All companies in finance statement	TBB	All companies in finance statement	TBB	All companies in finance statement	TBB	All companies in finance statement	TBB	All companies in finance statement	TBB	All companies in finance statement	TBB	All companies in finance statement	TBB	All companies in finance statement	TBB	All companies in finance statement	
Ministry of Finance Representatives																								
Chairman	Bor-Yi Huang																							
Ex-President	Chien-An Shih																							
Director	Shiu-Yen Lin																							
Director	Wen-Chieh Wang																							
Managing Director	Lien-Wen Liang																							
Director	Hung-Sheng Yu																							
Bank of Taiwan Representatives																								
Director	Li-Ling Lin																							
Director	Pei-Ming Huang																							
Director	Cheng-Chuan Kang																							
Managing Director	Shih-Yuan Tai																							
Land Bank of Taiwan Representatives																								
Director	Ying-Ming He																							
Director	Che-Nan Wang																							
TBB Industry Union Representatives																								
Ex-Director	Feng-Yung Liu																							
Director	Kuo-Chang Huang																							
Subtotal		8,742	8,742	755	755	50,456	50,456	2,169	2,169	0.92%	0.92%	8,652	8,652	722	722	220	220					1.07%	1.07%	209
Independent Managing Director																								
Independent Director																								
Independent Director																								
Subtotal		2,520	2,520	0	0	0	0	847	847	0.05%	0.05%	0	0	0	0	0	0					0.05%	0.05%	0

Note: 1. Please describe the compensation payment policy, systems, standards, and structure for independent Directors, and illustrate the connectivity with the amount paid as compensation according to factors such as duties and risks assumed by and time invested by the independent Directors: Independent Directors receive monthly compensation from the Bank without receiving the Director remuneration. Their compensation standards are below the maximum standards stated in the Letter Tai-cai-ku-zi No. 09903518290 issued by the Ministry of Finance on September 10, 2010, and such compensation have been submitted to and passed by as a resolution at the Shareholders' meeting of the Bank on June 24, 2011.

2. Except for the disclosures made in the above table, the compensation received by Directors of the Bank for providing services (i.e., serving as a non-employee consultant) to all companies in the financial report in the latest year: None.



Classification of Compensation for Directors	Name of Directors			
	Amount of total remuneration (A+B+C+D)		Amount of total remuneration (A+B+C+D+E+F+G)	
	TBB	All the companies in the finance statement I	TBB	All Joint Ventures J
~NT\$1,000,000	Hung-Sheng Yu, Kuo-Chang Huang, Feng-Yung Liu, Shiu-Yen Lin, Wen-Chieh Wang, Lien-Wen Liang, Li-Ling Lin, Shih-Yuan Tai, Pei-Ming Huang, Cheng-Chuan Kang, Ying-Ming He, Che-Nan Wang, Wei-Sheng Huang	Hung-Sheng Yu, Kuo-Chang Huang, Feng-Yung Liu, Shiu-Yen Lin, Wen-Chieh Wang, Lien-Wen Liang, Li-Ling Lin, Shih-Yuan Tai, Pei-Ming Huang, Cheng-Chuan Kang, Ying-Ming He, Che-Nan Wang, Wei-Sheng Huang	Kuo-Chang Huang, Feng-Yung Liu, Shiu-Yen Lin, Wen-Chieh Wang, Lien-Wen Liang, Li-Ling Lin, Shih-Yuan Tai, Pei-Ming Huang, Cheng-Chuan Kang, Ying-Ming He, Che-Nan Wang, Wei-Sheng Huang	Kuo-Chang Huang, Feng-Yung Liu, Shiu-Yen Lin, Wen-Chieh Wang, Lien-Wen Liang, Li-Ling Lin, Shih-Yuan Tai, Pei-Ming Huang, Cheng-Chuan Kang, Ying-Ming He, Che-Nan Wang, Wei-Sheng Huang
NT\$1,000,000 (inclusive) ~ NT\$2,000,000 (exclusive)	Xin-Wu Lin, Jin-Long Liu	Xin-Wu Lin, Jin-Long Liu	Xin-Wu Lin, Jin-Long Liu	Xin-Wu Lin, Jin-Long Liu
NT\$2,000,000 (inclusive) ~ NT\$3,500,000 (exclusive)			Hung-Sheng Yu	Hung-Sheng Yu
NT\$3,500,000 (inclusive) ~ NT\$5,000,000 (exclusive)				
NT\$5,000,000 (inclusive) ~ NT\$10,000,000 (exclusive)	Bor-Yi Huang	Bor-Yi Huang	Bor-Yi Huang, Chien-An Shih	Bor-Yi Huang, Chien-An Shih
NT\$10,000,000 (inclusive) ~ NT\$15,000,000 (exclusive)				
NT\$15,000,000 (inclusive) ~ NT\$30,000,000 (exclusive)	-	-	-	-
NT\$30,000,000 (inclusive) ~ NT\$50,000,000 (exclusive)	-	-	-	-
NT\$50,000,000 (inclusive) ~ NT\$100,000,000 (exclusive)	-	-	-	-
NT\$100,000,000 ~	-	-	-	-
Total	16 persons	16 persons	17 persons	17 persons

Note: 1. The Bank paid the drivers of Chairman Bor-Yi Huang and Ex-President Chien-An Shih for a total of NT\$1,916 thousand dollars a year.

2. Ex-President Chien-An Shih retired on Nov. 6, 2019.

3. The amounts disclosed in column (B)(F) are the provision amounts for the retirement expenses.

4. Hung-Sheng Yu, Feng-Yung Liu and Kuo-Chang Huang are the employees of the Bank.

B. Compensation for President and Executive Vice Presidents

2019

Unit: NT\$1,000

Title	Name	Salary (A)		Pension and Bonus and Special Ratio of total Salary Separation Pay (B)		Bonus and Special Disbursement (C)		Employee Bonus of Earning Distribution (D)				Ratio of total remuneration (A+B+C+D) to net income (%)All the companies in the finance statement		Compensation paid to directors from an invested company other than the company's subsidiary
		TBB	All the companies in the finance statement	TBB	All the companies in the finance statement	TBB	All the companies in the finance statement	TBB		All the companies in the finance statement		TBB	All the companies in the finance statement	
								Cash dividends	Stock dividends	Cash dividends	Stock dividends			
Acting President	Chih-Chien Chang													Yes
Ex-President	Chien-An Shih													Yes
Executive Vice President	Yi-Yun Wang													Yes
Executive Vice President	Yu-Min Chang													No
Executive Vice President	Chang-Yu Lin													No
Executive Vice President	Jia-Ruey Luan													No
Ex-Executive Vice President	Chun-Sheng Tseng													No
Ex-Executive Vice President	Chang-Yi Chen													No
Ex-Executive Vice President	Mei-Yeh Wu													Yes
EVP & Chief Auditor and SVP&GM, Auditing Dept.	Chiu-Yen Chen													No
	Total	16,129	16,129	1,710	1,710	12,771	12,771	1,029		1,029		0.47%	0.47%	224

Note: The remuneration for drivers of senior officers: The Bank paid the drivers in total of NT\$6,575 thousand in 2019.



Classification of Compensation for President and Executive Vice President	Name of President and Executive Vice President	
	TBB	All investee companies
~NT\$1,000,000	Chun-Sheng Tseng	Chun-Sheng Tseng
NT\$1,000,000 (inclusive) ~ NT\$2,000,000 (exclusive)	Chang-Yu Lin, Jia-Ruey Luan	Chang-Yu Lin, Jia-Ruey Luan
NT\$2,000,000 (inclusive) ~ NT\$3,500,000 (exclusive)	Chang-Yi Chen, Mei-Yeh Wu	Chang-Yi Chen, Mei-Yeh Wu
NT\$3,500,000 (inclusive) ~ NT\$5,000,000 (exclusive)	Chih-Chien Chang, Yi-Yun Wang, Yu-Min Chang, Chiu-Yen Chen	Chih-Chien Chang, Yi-Yun Wang, Yu-Min Chang, Chiu-Yen Chen
NT\$5,000,000 (inclusive) ~ NT\$10,000,000 (exclusive)	Chien-An Shih	Chien-An Shih
NT\$10,000,000 (inclusive) ~ NT\$15,000,000 (exclusive)		
NT\$15,000,000 (inclusive) ~ NT\$30,000,000 (exclusive)		
NT\$30,000,000 (inclusive) ~ NT\$50,000,000 (exclusive)		
NT\$50,000,000 (inclusive) ~ NT\$100,000,000 (exclusive)		
NT\$100,000,000 ~		
Total	10	10

C. Members of the Management Team Receiving Employee Bonus & Bonus Distribution

2019

Unit: NTD; %

Title	Name	Stock Dividends	Cash Dividends Amount	Total	Total/After tax Profit (%)
Acting President	Chih-Chien Chang				
Executive Vice President	Yi-Yun Wang				
Executive Vice President	Yu-Min Chang				
Executive Vice President	Chang-Yu Lin				
Executive Vice President	Jia-Ruey Luan				
Ex-EVP	Chun-Sheng Tseng				
Ex-EVP	Chang-Yi Chen				
Ex-EVP	Mei-Yeh Wu				
EVP & Chief Auditor and SVP&GM, Auditing Dept.	Chiu-Yen Chen				
SVP&GM, Treasury Dept.	Chih-Wei Chen				
SVP&GM, Accounting Dept.	Yu-Chuan Chou				
General Managers of Departments and Branches	Li-Yueh Hsu, Tzong-Wen Chou, Tsung-Chu Hsieh, Mei-Chun Lin, Yin-Cheng Tseng, Ching-Yun Kuo, Ting-Huei Liao, Min-Chung Hsieh, Chi-Fen Yen, Yu-Feng Lin, Hsih-Hui Chen, Yi-Chin Chai, Chu-Jou Chen, Wen-Shu Lin, Tseng-Hsiang Yi, Hsiou-Chen Kang, Wen-Ching Huang, Li-Hui Chang, Sung-Shui Chiu, Tsun-Lin Yeh, Chiang-Shu Lin, Bih-Lien Fang, Kuo-Liang Tseng, Hsiu-Chu Lin, Wen-Hsiu Huang, Huei-Nai Hung, Ching-Yi Lin, Li-Fang Lee, Ching-Wen Lee, Shuan-Hua Liu, Yu-Chiao Wei, Yuan-Hsueh Hsiao, Yun-Shiang Tsai, Shui-Chiang Fang, Long-Jiunn Wu, Chih-Cheng Cho, Chien-Chung Lin, Mei-Chih Hou, Bi-Chu Chuang, Guei-Jin Chiou, Wen-Fang Lin, Sung-Nan Chiao, Chien-Fa Wang, Ching-Kuei Hsieh, Ruey-Shyang Guo, Chao-Lieh Chen, Ching-Hsiu Liu, Yueh-Yen Weng, Jiunn-Chin Wang, Yueh-Chiao Wu, Chao-Chih Chueh, Tien-Chin Lin, Tai Sun, Fuh-Yuh Yeh, Yen-Ling Chen, Yu Lin, Su-Chen Huang, Fu-Long Chen, Ming-Hui Chen, Wen-I Lu, Hsueh-Ru Liu, Liu-Mei Chin, Jiann-Yea Shyu, Ying-Che Fang, Yueh-Chin Wang, Hsiao-Ming Chen, Mei-Hui Chen, Jui-Yuan Huang, Nien-Tzu Chen, Chiu-Chin Chen, Fang-Chuan Chiu, Pao-Sheng Lin, Chun-Ta Lin, Shu-Ting Chen, Hsiu-Hsin Hou, Yen-Huey Wang, Chih-Hsiang Huang, Pi-Chuan Chien, Ming-Fa Chien, Ping-Hui Lee, Yueh-Mei Chang, Shu-E Chen, Shu-Fen Li, Li-Chuan Huang, Chin-Ho Huang, Jiann-Gwo Guu, Mu-Hsiang Wu, Yu-Pei Liao, Chiu-Yu Liu, Hsu-Hsiang Huang, Nai-Chia Chi, Kuan-Yi Huang, Su-Fen Chen, Li-Huei Chen, Shu-Ling Yuan, Yun-Hui Chang, Hsiu-Chiao Lin, Sheng-Wang Chang, Shin-Mao Lin, Li-Chung Lin, Ping-Sung Yang, Man-Chung Yeh, Chih-Cheng Chen, Meng-Shin Jeng, Meng-Liang Su, Shun-Tseng Liao, Yih-Shiou Wang, Kuo-Tsun Pai, Liang-Pin Chen, Tsai-Rong Hung, Fu-Ching Chou, Cheng-An Hsieh, Jung-Yu Huang, Ming-Yi Lin, Ming-Tang Chen, Yueh-Man Sung, Chien-Ta Wu, Li-Mo Yang, His-Her Pai, Wen-Chi Chen, Tung-Han Lu, Su-Ying Tsai, I-Man Chen, Jiann-Jang Lin, Chia-Cheng Liu, Feng-Fu Chen, Hsin-Chuan Hsiao, Chih-Ming Chuang, Guo-Shiang Huang, Chien-Lai Su, Yung-Sheng Hu, Chin-Hsiu Chen, Chang-Hui Hsu, Shun-Ho Chen, Mei-Chen Chen, Chiou-Hwa Su, Wen-Jang Jou, Leh-Chin Kuo, Der-Hsung Lin, Cheng-Hung Wang, An-Yun Lin, Chin-Chuan Su, Yi-Ching Wang, Li-Jung Lin, Meng-Hsun Sung, Yao-Chin Yang, Yuan-Yuan Ying, Kuang-Tsai Wang, Jung-Ling Wang, Hsueh-Hsia Chen, Hsueh-Mei Yang, Cheng-Tsung Hsu, Ching-Yang Lee, Shenn-Bao Jean, Jen-Jung Fan, Be-Yun Tong, Chao-Ming Huang, Sue-Jen Chen, Feng-Ying Chen, Chin-Fu Chiang, Cheng-Hung Chang, Hung-Tien Chiang				
	Total 162 Persons				
Total		0	25,591	25,591	0.38%

Note: 1. According to the requirements under Article 41 of the Articles of Association of the Bank, shall there be profits of the year and except for retaining the compensation amount for losses from previous years, the Bank shall allocate 1% to 6% as employee bonus.

2. The employee bonus of managers shall be determined and paid according to the requirements of "Directions for Payment of Employee Bonus" after evaluating the performance of managers in accordance with the "Directions for Employee Audit" and "Directions for Performance Audit."

(4) The analysis of the percentage of total remuneration paid to the Directors, President and Vice Presidents in the last two fiscal years to net profit after tax in the parent company individual financial statements, the policy, standards and package of remuneration payment

A. In 2018 and 2019, the percentage of the remuneration (including salaries, incentives, retirement allowance, and employee bonus) paid to Directors, President, and Vice Presidents to net profit after tax in the parent company individual financial statements were 1.22%, 0.57%, 1.12%, and 0.47%, respectively.

B. The analysis of policy, standards, and package of remuneration payment

a Directors

According to the requirements under Article 41 of the Articles of Association of the Bank, shall there be profits of the year and except for retaining the compensation amount for losses from previous years, the Bank shall allocate no more than 0.6% as the remuneration of Directors.

Furthermore, according to the requirements under Article 21 of the Articles of Association of the Bank, the Board was authorized to determine the remuneration of directors, and such amount shall be determined according to the general remuneration offered within the industry.

The remuneration paid to the directors is based on the standards in the industry, the respective performance of directors, the performance of corporate operations, and the results of the performance assessment by the Board. The remuneration for independent directors shall be subject to the monthly payment plan for remuneration passed at the general shareholders' meeting in 2011. Except for the monthly fixed remunerations payment, such directors shall not receive the director remuneration specified in the Articles of Association.

Directors' remuneration distributed in 2018 was NT\$58,374,000, and the directors' remuneration proposed to be distributed in 2019 shall be NT\$50,456,000.

b President, Vice Presidents, and Chief Auditor

Regarding the remuneration paid to the President, Vice Presidents, and Chief Auditor, except for giving considerations to the standard in the industry, personal performance and corporate business performance are also taken into account. Moreover, such remuneration shall be based on relevant requirements of "Directions for Salary Payment to Employees," "Directions for Payment of New Year, Festival, and Performance Bonuses," "Directions for Payment of Employee Bonus," and "Remuneration Committee Organizational Procedures."

(5) The procedures for determining the remuneration for Directors, President, Vice Presidents and managers, and the relevant connection to business performance and future risk

A. Directors

Regarding the bonus of Directors of the Bank, the Articles of Association has provided that, shall there be profits of the year and except for retaining the compensation amount for losses from previous years, the Bank shall allocate no more than 0.6% as the remuneration of Directors. The shareholders' meeting authorized the Board to determine the payment for such remuneration according to the standards in the industry, the respective performance of directors, the performance of corporate operations, and the results of the performance assessment by the Board. Relevant performance assessment was proposed at the meeting of the Remuneration Committee for discussion and was submitted to and approved by the Board meeting. Regarding the remuneration for independent directors, the Board shall determine a reasonable remuneration different from that of the general directors according to the relevant standards within the industry. Except for the monthly fixed remunerations payment, such directors shall not receive the director remuneration specified in the Articles of Association. For losses incurred to the Bank resulting from dubious acts of the directors, the Audit Committee shall exert control and supervision on the existing and potential risks, and impose necessary punishment according to the relevant laws and regulations.

B. President, Vice Presidents, Chief Auditor and Managers

The approval procedures for the remuneration of President, Vice Presidents, Chief Auditor and Managers shall be based on relevant requirements of "Directions for Salary Payment to Employees," "Directions for Payment of New Year, Festival, and Performance Bonuses" "Directions for Payment of Employee Bonus," and "Remuneration Committee Organizational Procedures." Such remuneration shall be implemented and paid after an assessment of performance based on the "Directions for Employee Audit," "Directions for Performance Audit," and "Directions for Administrative Incentives for Performance Audit" of the Bank,



with consideration to the general standard within the industry. Furthermore, the remuneration and relevant performance assessment of the Bank's managers shall be proposed at the meeting of the Remuneration Committee for discussion annually, and the results thereof shall be submitted to the Board for approvals. Among which, the bonus part shall be linked to and subject to the before tax net profit achieving rate, business performance financial indications, and personal audit results of the Bank. For losses incurred to the Bank resulting from dubious acts of President, Vice Presidents, Chief Auditor and Managers, the Board shall not only approve the dismissal of them and cease the payment of remuneration, but also impose necessary punishment according to the relevant laws and regulations.

3. Implementation of Corporate Governance

(1) Operation of Board of Directors

A total of eight(8) meetings were held by the Board in the most recent year (2019). The attendance of the members of the Board was as follows:

December 31, 2019

Title	Name	Number of required attendance (A)	Number of actual attendance (B)	Number of delegated attendance	Actual attendance rate (%) (B/A)	Name of the legal entity represented	Remarks
Chairman	Bor-Yi Huang	8	8	0	100	Ministry of Finance	
Managing Director	Chien-An Shih	6	6	0	100	Ministry of Finance	Retired on Nov 6, 2019
Managing Director	Shih-Yuan Tai	7	7	0	100	Bank of Taiwan	Appointed on Mar 18, 2019
Managing Director (Independent Director)	Xin-Wu Lin	8	8	0	100		
Managing Director	Lien-Wen Liang	8	8	0	100	Ministry of Finance	
Director	Shiu-Yen Lin	8	7	1	87.5	Ministry of Finance	
Director	W e n - C h i e h Wang	8	8	0	100	Ministry of Finance	
Director	Hung-Sheng Yu	8	8	0	100	Ministry of Finance	
Director	Li-Ling Lin	8	7	1	87.5	Bank of Taiwan	
Director	Cheng-Chuan Kang	4	4	0	100	Bank of Taiwan	Retired on Aug 1, 2019
Director	Ying-Ming He	8	8	0	100	Land Bank of Taiwan	
Director	Che-Nan Wang	8	8	0	100		
Director	K u o - C h a n g Huang	5	4	1	80	TBB Industry Union	Appointed on June 29, 2019
Director	Feng-Yung Liu	3	3	0	100	TBB Industry Union	Retired on June 29, 2019
Independent Director	Jin-Long Liu	8	8	0	100		
Independent Director	W e i - S h e n g Huang	8	8	0	100		

Other items that shall be recorded:

1. When one of the following situations occurred to the operations of the Board, state the date and term of the Board meeting, the content of proposals, opinions of all independent directors and Bank's actions in response to the opinions of the independent directors:

- (1) Matters included in Article 14-3 of the Securities and Exchange Act: Not applicable, the Bank has already established an Audit Committee.
- (2) Other resolutions of the Board, which the independent director(s) voiced objection or reservation that are documented or issued through a written statement in addition to the above: None.

2. When Directors abstain themselves for being a stakeholder in certain proposals, the name of the Directors, the content of the proposal, reasons for abstentions and the results of voting counts should be stated.

- (1) Regarding the resolution of "a letter from the Bank of Taiwan, the juristic person shareholder of the Bank, stated the intention to assign the original equity holder representative Ms. Li-Ling Lin as a Director; in response to the business demand, an election for the Managing Director shall be carried out; Mr. Shih-Yuan Tai is recommended to take the position as the Managing Director; therefore, an election for one Managing Director shall be performed" at the 6th Board meeting of the 15th Board on March 26, 2019, except for the nominee, Director Shih-Yuan Tai, who abstained from the meeting for Directors to make sufficient discussion, all attending directors have approved to elect Director Shih-Yuan Tai as the Managing Director.
- (2) Regarding the resolution of "Credit Loans for Mega Bills Finance Co., Ltd." at the 9th Board meeting of the 15th Board on August 19, 2019, except for Director Shiu-Yen Lin, as a second degree of kinship to the director of Mega Bills, who abstained from the discussion, the remaining directors have approved the resolution as proposed.

- (3) Regarding the donations of NT\$330 million to "Small and Medium Enterprise Credit Guarantee Fund of Taiwan" and NT\$2.5 million to "TBB Industry Union" in 2020 described in "Chapter 4. Operating Expense - I. Business Expense - Donations" of the resolution of submitting the Budget Draft and Budget Draft for Audit Operations' Operating Expense of the Bank for Next Year (2020)" at the 10th Board meeting of the 15th Board on October 29, 2019, except for Managing Director and President Chien-An Shih (director of the SMEG), Director Hung-Sheng Yu (chairman of the TBB Industry Union), and Director Kuo-Chang Huang (natural person representative appointed by the TBB Industry Union), as stakeholders, who abstained from the discussion, the remaining directors have approved the resolution as proposed.
- (4) Regarding resolutions "Credit Loans for Pan Asia Chemical Corporation and Others," "Credit Loans for China Man-Made Fiber Corporation," "Credit Loans for Formosa Imperial Wineseller Corporation," "Credit Loans for Sheen Ren Knitting Factory Co., Ltd.," and "Credit Loans for General Pride Enterprise Co., Ltd." at the 10th Board meeting of the 15th Board on October 29, 2019, Director Che-Nan Wang, has involved substantial stakes and abstained from the discussion; except for "Credit Loans for Pan Asia Chemical Corporation and Others," the attending directors have approved the remaining resolution after amendments.
- (5) Regarding the resolution of "except for the amount of credit loans for AU Optronics Corporation (Chairman Paul SL Peng), a customer of the Hsin Chu Branch, changing to NT\$1,250,000 thousand (except for item A and B) with an increase in the interest rates, the remaining shall be processed according to the conditions accepted by the branch" at the 76th Managing Board meeting of the 15th Board on December 10, 2019 Director Xin-Wu Lin, as the current consultant of the customer abstained from the discussion due to conflict of interest. Furthermore, as the amount for the case exceeded NT\$1 billion, Independent Director Jin-Long Liu was invited to attend the discussion, and the remaining attending managing directors have approved the remaining resolution after amendments.
- (6) Regarding resolutions of "Credit Loans for Pan Asia Chemical Corporation" at the 11th Board meeting on December 18, 2019, Director Che-Nan Wang, has involved substantial stakes and abstained from the discussion, the remaining attending directors have approved the resolution as proposed.

3. Information on the evaluation cycle and period, evaluation scope, method, and evaluation content for the Board's evaluation:

Evaluation Cycle	Evaluation Period	Evaluation Scope	Evaluation Method	Evaluation Content
Once a year	January 1, 2019 to December 31, 2019	The Board and its members and the functional committees and their members	Self-evaluation of the Board (functional committee) and its members	1. Apprehension regarding the goal and mission as well as the participation in the operations of the Bank. 2. Awareness regarding the responsibilities as directors (members of a committee) and the improvement for the quality of decisions made by the Board. 3. The formation and structure of the Board (functional committee). 4. Professional and continual education for Directors (members of a committee). 5. Internal control.

4. Goals (e.g., establishing an Audit Committee, enhancing information transparency) primed to enhance the Board of Directors' professionalism and the assessment on their execution process for the year and the most recent year:

- (1) Continual education for Directors regarding programs on corporate governance. The continuing education hour for each Director in 2019 has complied with the requirements under "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies."
- (2) The Bank amended its regulations governing procedures for the Board of directors meeting according to requirements of Article 7 under the "Regulations Governing Procedure for Board of Directors Meetings of Public Companies," stated that at least one independent director shall attend the Board meeting in person. In the case of a Board meeting concerning any matter required to be submitted for a resolution by the Board, all independent directors shall attend in person; if an independent director is unable to attend in person, he or she shall appoint another independent director to attend as his or her proxy. There were 8 Board meetings convened in 2019, and three independent directors have all attended the meetings.

(2) Audit Committee activities

The Audit Committee is comprised of three Independent Directors; Independent Director Jin-Long Liu is the convener. A total of twelve (12) meetings (A) were held by the Audit Committee in the most recent year (2019). The attendance of Independent Directors was as follows:

December 31, 2019

Title	Name	Number of required attendance (A)	Number of actual attendance (B)	Number of delegated attendance	Actual attendance rate (%) (B/A)	Remarks
Independent Director	Jin-Long Liu	12	12	0	100	
Managing Director (Independent Director)	Xin-Wu Lin	12	12	0	100	
Independent Director	Wei-Sheng Huang	12	12	0	100	

Other items that shall be recorded:

1. Where the proceedings of the Audit Committee meeting include one of the following circumstances, then describe the date, session, and motion of the Board meeting, the relevant resolutions of the Audit Committee, and the Bank's handling of the comments of the Audit Committee:

(1) All conditions stated in Article 14-5 of the Securities and Exchange Act.

Board Date/Period	Agenda	The resolution results of the Audit Committee and the Bank's response regarding the Audit Committee's opinions
The 5th Board meeting of the 15th Board on January 30, 2019	To authorize the designated branch for foreign currency of the Bank to engage in the marketing for financial derivatives, the Bank intended to establish the "TBB's Authorization Standards for the Designated Branch for Foreign Currency Engaging in Marketing for Financial Derivatives" (the 5th meeting of the 3rd session of the Audit Committee on January 25, 2019).	Resolution results of the Audit Committee: Passed, and submitted to the Board for consideration. The Bank's response to the opinions of the Auditing Committee: Resolution passed by all directors in attendance with consent.
The 6th Board meeting of the 15th Board on March 26, 2019	Resolution of "Audited Individual and Consolidated Financial Statements by CPA" and the draft reports of the Bank for 2018 (from January 1 to December 31, 2018) (the 6th meeting of the 3rd session of the Audit Committee on March 21, 2019).	Resolution results of the Audit Committee: Passed as proposed, and submitted to the Board for consideration. The Bank's response to the opinions of the Auditing Committee: Resolution passed by all directors in attendance with consent.
The 6th Board meeting of the 15th Board on March 26, 2019	Resolution of the issuance of new shares for capital increase by earnings for distributing share dividends from earnings in 2018 (the 6th meeting of the 3rd session of the Audit Committee on March 21, 2019).	Resolution results of the Audit Committee: Passed as proposed, and submitted to the Board for consideration. The Bank's response to the opinions of the Auditing Committee: Resolution passed by all directors in attendance with consent.
The 6th Board meeting of the 15th Board on March 26, 2019	Resolution of amendments to partial provisions of the Bank's "Procedures for Acquisition or Disposal of Assets" (the 6th meeting of the 3rd session of the Audit Committee on March 21, 2019).	Resolution results of the Audit Committee: Approved for ratification, and submitted to the Board to ratify. The Bank's response to the opinions of the Auditing Committee: Resolution passed by all directors in attendance with consent.
The 6th Board meeting of the 15th Board on March 26, 2019	Resolution of capital increased by a private placement of common shares (the 6th meeting of the 3rd session of the Audit Committee on March 21, 2019).	Resolution results of the Audit Committee: Passed after approved by the Ministry of Finance according to the "Guidelines for appointing responsible persons, managers, directors and supervisors for public and private business institutions by the Ministry of Finance," and submitted to the Board for consideration. The Bank's response to the opinions of the Auditing Committee: Resolution passed by all directors in attendance with consent.
The 8th Board meeting of the 15th Board on July 10, 2019	Resolution of the proposed amendment to "Regulations for Internal Control System for Securities Firms" (including the internal control system, internal audit implementation rules, audit statement, and audit working paper) of the Bank (the 8th meeting of the 3rd session of the Audit Committee on July 5, 2019).	Resolution results of the Audit Committee: Approved for ratification, and submitted to the Board to ratify. The Bank's response to the opinions of the Auditing Committee: Resolution passed by all directors in attendance with consent.
The 8th Board meeting of the 15th Board on July 10, 2019	Resolution of the proposed amendment to "Regulations for Internal Control System for Futures Introducing Broker Business" (including the internal control system, internal audit implementation rules, audit statement, and audit working paper) of the Bank (the 8th meeting of the 3rd session of the Audit Committee on July 5, 2019).	Resolution results of the Audit Committee: Approved for ratification, and submitted to the Board to ratify. The Bank's response to the opinions of the Auditing Committee: Resolution passed by all directors in attendance with consent.



Board Date/ Period	Agenda	The resolution results of the Audit Committee and the Bank mpany's response regarding the Audit Committee's opinions
The 9th Board meeting of the 15th Board on August 19, 2019	Resolution of the proposed amendment to "Regulations for Internal Control System for Securities Firms" (including the internal control system, internal audit implementation rules, audit statement, and audit working paper) of the Bank (the 9th meeting of the 3rd session of the Audit Committee on August 15, 2019).	Resolution results of the Audit Committee: Approved for ratification, and submitted for the Board to ratify. The Bank's response to the opinions of the Auditing Committee: Resolution passed by all directors in attendance with consent.
The 9th Board meeting of the 15th Board on August 19, 2019	Individual financial report and consolidated financial report of the Bank for the second quarter of 2019 (the 9th meeting of the 3rd session of the Audit Committee on August 15, 2019).	Resolution results of the Audit Committee: Passed, and submitted to the Board for consideration. The Bank's response to the opinions of the Auditing Committee: Resolution passed by all directors in attendance with consent.
The 9th Board meeting of the 15th Board on August 19, 2019	Relevant matters related to the resolution of capital increased by a private offering of common shares of the Bank for 2019 (the 9th meeting of the 3rd session of the Audit Committee on August 15, 2019).	Resolution results of the Audit Committee: Passed, and submitted to the Board for consideration. The Bank's response to the opinions of the Auditing Committee: Resolution passed by all directors in attendance with consent.
The 9th Board meeting of the 15th Board on August 19, 2019	Resolution of "Credit Loans for Mega Bills Finance Co., Ltd." (the 9th meeting of the 3rd session of the Audit Committee on August 15, 2019).	Resolution results of the Audit Committee: Passed, and submitted to the Board for consideration. The Bank's response to the opinions of the Auditing Committee: Except for Director Shiu-Yen Lin abstaining from the discussion, the resolution passed by the remaining directors as proposed with consent.
The 10th Board meeting of the 15th Board on October 29, 2019	Resolution of submitting the Budget Draft and Budget Draft for Audit Operations' Operating Expense of the Bank for Next Year (2020) (the 10th meeting of the 3rd session of the Audit Committee on October 25, 2019).	Resolution results of the Audit Committee: Passed, and submitted to the Board for consideration. The Bank's response to the opinions of the Auditing Committee: Except for Managing Director and President Chien-An Shih, Director Hung-Sheng Yu, and Director Kuo-Chang Huang abstaining from the discussion, the resolution passed by the remaining directors as proposed with consent.
The 11th Board meeting of the 15th Board on December 18, 2019	Resolution of amendments on the "Implementation Rules for the Control of Trading Risks Arising from Conducting Financial Derivatives Business of Taiwan Business Bank" for the business development and the risk limits management system for financial derivatives of the Bank (the 11th meeting of the 3rd session of the Audit Committee on December 16, 2019).	Resolution results of the Audit Committee: Passed after amendments, and submitted to the Board for consideration. The Bank's response to the opinions of the Auditing Committee: Resolution passed after amendments by all directors in attendance with consent.
The 11th Board meeting of the 15th Board on December 18, 2019	Amendment on the "Fair Dealing Strategy of Taiwan Business Bank," "Implementation Rules for the Legal Compliance of Taiwan Business Bank," "Implementation Rules for the Internal Control System of Taiwan Business Bank," and "Regulations for International Audit Operations of Taiwan Business Bank" (the 11th meeting of the 3rd session of the Audit Committee on December 16, 2019).	Resolution results of the Audit Committee: Passed, and submitted to the Board for consideration. The Bank's response to the opinions of the Auditing Committee: Resolution passed by all directors in attendance with consent.

(2) Except for the items in the preceding issues, other resolutions approved by two-thirds of all the director but yet to be approved by the Audit Committee: None.

- Directors abstaining in certain proposals for being a stakeholder, (the name of the Director(s), the content of the proposal, reasons for abstentions and the results of voting counts shall be stated): No.
- Communication between directors and head of internal audit and CPA (including material issues, audit methods and results relating to the Bank's finances and business).

Date	Communication target	Communication content	Recommendations from Independent Directors and the Bank's response
March 21, 2019	CPA	1. Clarify and discuss the content of key audit matters as well as individual and consolidated financial reports. 2. Clarify the content found during the internal control audit; discuss and confirm the subsequent administrative procedures and improvement tracking methods.	Recommendations from Independent Directors: The management shall duly improve the matters related to internal control. The Bank's response: Handled according to the Independent Directors' recommendation.
May 3, 2019	CPA	1. Discuss the effects of IFRS regulations on financial reporting. 2. Understand the improvements in income tax expenses estimation in the financial report.	Recommendations from Independent Directors: Review the improvements to be made for the income tax expenses estimation after the Ministry of Finance has confirmed the income tax expenses. The Bank's response: Handled according to the Independent Directors' recommendation.



Date	Communication target	Communication content	Recommendations from Independent Directors and the Bank's response
August 15, 2019	CPA	Discuss the audit reports for credit loans to New Site and CPT, accounting adjustments, and internal control issues.	Recommendations from Independent Directors: Subsequent internal control shall be enhanced from the aspects of actual executions. The Bank's response: Handled according to the Independent Directors' recommendation.
October 28, 2019	Internal Audit Officer and Audit Personnel	1. The Auditing Department follow-up on the improvements in primary deficiencies found during the internal audit and the audit carried out by competent authorities. 2. Perform audit on deficiencies of human resources and resources as well as the short-term, mid-term, and long-term solutions for information.	Recommendations from Independent Directors: Audit personnel shall improve the expertise in auditing, and shall reinforce the audit information system. The Bank's response: Handled according to the Independent Directors' recommendation.
December 16, 2019	CPA	1. Plan audit items with great concerns for the audit of 2019. 2. Plan key audit matters for the audit of 2019. 3. Key audit matters for banks in the second quarter of 2019. 4. Financial report self-preparation policies.	Recommendations from Independent Directors: As the time for preparing the financial report is imminent, it is recommended that Chung CPA Chung shall help the Accounting Department of the Bank in completing such tasks. The Bank's response: Handled according to the Independent Directors' recommendation.

4. Key annual emphasis in working for the Audit Committee: The Audit Committee aims to assist the Board in using the appropriate expressions of the Bank's financial statements; appointing (dismissing) the CPA and assuring its independence and performance; and overseeing effective implementation of internal controls, compliance with laws, regulations, and rules; as well as implementing controls for existing or potential risks.

(1) Supervise the appropriate expressions in the Bank's financial statements: Review the annual financial statements, operating reports, and earning distribution each year (considered and passed at the 6th meeting of the 3rd Audit Committee on Mar. 21, 2019), and issue the review report to the shareholders' meeting according to the requirements under Article 219 of the Company Act approved by paragraph 3, Article 14-4 of the Securities and Exchange Act.

(2) Appointment (dismissal) of the CPA and assuring its independence and performance: Evaluate the appointment (dismissal) of the CPA and undertaking the annual assessment of the independence and performance of the CPA (considered and passed at the 11th meeting of the 3rd Audit Committee on Dec. 16, 2019); and report to the shareholders' meeting for review (considered and passed at the 11th meeting of the 15th Board on Dec. 18, 2019).

(3) Effective implementation of internal controls: The Bank has established the organization, structure, and authorization, and has prepared the internal audit workbook and the working paper. These items shall contain evaluations of the requirements and the business process under the internal control system to determine whether the current system and procedures have proper internal controls in place; whether the departments comply with relevant requirements and duly execute the internal controls; and the rationale of the effects of executing such internal controls, and proposals of improvement recommendations at any time. The internal audit shall carry out the audit activity according to the rules, and shall submit reports to the Board and the Audit Committee on a regular basis.

(4) Comply with relevant laws, regulations, and rules as well as control over existing and potential risks: The laws and regulations of the headquarters comply with the provisions of the competent authority, in that it shall report the execution of the Bank's compliance with the system to the Audit Committee and the Board at least every half year. The legal compliance system in place in the second half of 2018 and the first half of 2019 was reported to the 6th meeting of the 3rd Audit Committee on March 21, 2019, and to the 6th Board meeting of the 15th Board on March 26, 2019, as well as to the 9th meeting of the 3rd Audit Committee on August 15, 2019 and the 9th Board meeting of the 15th Board on August 19, 2019, respectively.

(3) Strategy Development Committee activities

The Strategy Development Committee is comprised of the Chairman, President, and three Independent Directors, with the Chairman being the convener. A total of two (2) meetings (A) were held by the Strategy Development Committee in the most recent year (2019). The attendance of members was as follows:

December 31, 2019

Title	Name	Number of required attendance (A)	Number of actual attendance (B)	Number of delegated attendance	Actual attendance rate (%) (B/A)	Remarks
Chairman	Bor-Yi Huang	2	2	0	100	
Managing Director and President	Chien-An Shih	2	2	0	100	Retired on November 6, 2019
Managing Director (Independent Director)	Xin-Wu Lin	2	2	0	100	
Independent Director	Jin-Long Liu	2	2	0	100	Note
Independent Director	Wei-Sheng Huang	2	2	0	100	

Note: Independent Director Jin-Long Liu is teaching at the Industrial Economics Research Institute of National Central University and possesses expertise in strategic development of industries.

(4) CSR Committee activities

The CSR Committee is comprised of the Chairman, President, and three Independent Directors, with the Chairman being the convener. A total of one (1) meeting was held by the CSR Committee in the most recent year (2019). The attendance of members was as follows:

December 31, 2019

Title	Name	Number of required attendance (A)	Number of actual attendance (B)	Number of delegated attendance	Actual attendance rate (%) (B/A)	Remarks
Chairman	Bor-Yi Huang	1	1	0	100	Note
Managing Director and President	Chien-An Shih	1	0	1	0	Retired on November 6, 2019
Managing Director (Independent Director)	Xin-Wu Lin	1	1	0	100	
Independent Director	Jin-Long Liu	1	1	0	100	
Independent Director	Wei-Sheng Huang	1	1	0	100	

Note: Chairman Bor-Yi Huang has dedicated to the research on SME development, as well as the role and social responsibility of a SME specialized bank for a long time.

(5) Items disclosed in accordance with the Corporate Governance Best Practice Principles for Banking Industry: Please refer to the Bank's website under [About TBB](#) > [Corporate Governance](#) and [Investor Relations](#) (<https://www.tbb.com.tw/>).

(6) State of corporate governance, shortcomings in Corporate Governance Best Practice Principles for Banking Industry, and the cause of the said gaps

Assessed items	State of operations			Gaps with the Corporate Governance Practices Best Practice Principles for the Banking Industry, and the cause of the said gaps
	Yes	No	Summary	
1. Structure of the bank's shareholders and equities				
(1) Does the bank stipulate and implement a set of internal procedures to handle shareholders' suggestions, queries, disputes and litigations?	✓		The Bank has established customer complaints procedures and the customer complaint and stock affairs contact window, which will look into the circumstances upon receiving recommendations, doubts, or disputes, and pass the task to relevant departments for handling. The Bank also has a spokesperson to address the problem to external parties.	No gaps
(2) Does the bank keep track of the major controlling shareholders as well as their ownership structures?	✓		The Bank refers to the declaration of changes in the Register of Shareholders when closing the stock transfer and the monthly report for internal parties to keep track and understand the shareholding changes of substantial shareholders and analyze the final controller of substantial shareholders.	No gaps
(3) Does the bank set up a fire wall and risk control mechanism to reduce the risks involved with the bank's related companies?	✓		The directions and procedures for the management of reinvestment business of the Bank provide relevant requirements for the supervisors of its related companies, benefitting in effective control over its performance and business overview. In respect of the firewall mechanism, personnel, accounting, assets, and finance departments all have distinct operations. Loans to related companies are all subject to the relevant laws and regulations under Article 32 and Article 33 of the Banking Act.	No gaps
2. Board of directors and its responsibilities				
(1) Apart from the Remuneration Committee and Audit Committee, does the bank assembled other functional committees at its own discretion?	✓		1. The Bank has established the Audit Committee, Remuneration Committee, CSR Committee, and Strategic Development Committee under the Board. 2. There is no nomination committee; however, the Articles of Association of the Bank provide that the election of Directors shall adopt the nomination system. Any re-election of Directors shall be subject to nomination by a shareholder with over 1% shareholding of the Bank or by the Board and subject to the approval of the Board before being proposed at the Shareholders' meeting for election.	No gaps
(2) Does the bank have a set of performance assessment regulations and assessment methods for the Board in place, carry out regular performance assessment, submit the results of the performance assessment to the Board and utilizes such results as a reference for determining the remuneration and compensation of individual directors and their nomination for re-election?	✓		According to Articles 2 and 3 of the Bank's Regulations for Board Performance Assessment, the Board of the Bank shall complete the annual performance assessment within two months after the ending of the year and report to the Board regarding the results of the assessment within one month after the completion of the assessment. The scope of assessment shall include the overall operation of the Board (including functional committees) and the performance of individual directors (members). Regarding the assessment method, the directors (members) and executive departments (departments responsible for such affairs) shall perform self-assessment and evaluation, or an external party shall be engaged for the performance assessment every three years. The remuneration of the Bank is determined with reference to the standard in the industry, individual performance, operating efficiency of the Bank, and the results of the Board performance assessment. Fixed compensation is paid to Individual Directors monthly; Individual Directors do not receive the director's compensation stated in the Articles of Association of the Bank.	No gaps



Assessed items	State of operations			Gaps with the Corporate Governance Practices Best Practice Principles for the Banking Industry, and the cause of the said gaps
	Yes	No	Summary	
(3) Does the bank regularly evaluate the independence of CPAs?	✓		Regular assessment on the independence of the appointed CPA is carried out annually submitted to the Board meeting for approval before granting the appointment. The estimate had been carried out at the 11th meeting of the 15th Board on December 18, 2019, according to the requirements under Article 38 of "Corporate Governance Practices Best Practice Principles for the Banking Industry" and Article 68 of "Statement on Auditing Standards No.46," with reference to the independence of CPA in the CPA Auditing Plan. The assessing items are as follow: 1. The CPA appointed by the Bank does not provide account-keeping, financial system design introduction, appraisal (assessment) business, management function, actuary services, internal audit outsourcing, human resources services, investment consultancy, and legal services. 2. The CPA appointed by the Bank does not undertake contingency cases on professional charges (i.e., proceedings), active or confidential tax avoidance plan and personal taxation case for financial director (above). 3. The 2 appointed CPAs have not been appointed for over 7 years, which complies with the requirements under Article 38 of "Corporate Governance Practices Best Practice Principles for the Banking Industry" and Article 68 of "Statement on Auditing Standards No.46."	No gaps
3. Does the bank has proper number of eligible corporate governance personnel in place and appoint a manager for corporate governance to be in charge of affairs relating to corporate governance (including but not limited to, the provision of necessary data for directors and supervisors to execute their duties, assisting directors and supervisors in legal compliance, administering matters relating to the Board meetings and shareholders' meetings in accordance with law, administering company registration and alteration registration, and producing minute books for the Board and shareholders' meetings)?	✓		Relevant departments of the headquarters, such as the Secretarial Department, shall be the department fully (jointly) responsible for corporate governance. Passed at the 6th meeting of the 15th Board, Executive Vice President Chih-Chien Chang was designated as the manager for corporate governance to protect the shareholders' interests and strengthen the function of the Board. Mr. Chang has held the post of managers in relation to the affairs of finance and corporate governance for over three years. His primary duties include handling matters concerning the holding of Board meetings and Shareholders' meetings according to the law, preparing the meeting minutes for Board meetings and Shareholders' meetings, providing assistance for Directors and Supervisors when assuming office and for continuing education, providing Directors and Supervisors the information required for executing business, and providing assistance regarding legal compliance for Directors and Supervisors. Affairs carried out in relation to corporate governance in 2019 are as follow: 1. On January 19, March 18, May 13, and November 5, 2019, there were changes in the composition of the Board. The Secretarial Department has disclosed material information and reported it to the Board meeting according to the requirements. Moreover, the Administration Management Department has applied for the alteration registration to the Ministry of Economic Affairs, and both tasks were successfully completed. 2. Provide Directors the continuing education information regarding corporate governance and track the continuing education conditions. In 2019, the continuing education for all Directors complied with the hours prescribed in the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies." 3. Provide logistics of Board meetings for 8 times and deliver the notice of meetings and the agenda to Directors 7 days prior to the date of the meeting and dispatch the meeting minutes within 20 days from the ending of the Board meeting according to the requirements. 4. Provide the logistics for the annual Shareholders' meeting of 2019, including dispatching the notice for the Shareholders' meeting 30 days prior to the meeting, preparing the agenda for the Shareholders' meeting, and publishing the meeting minutes of the Shareholders' meeting within 20 days from the ending of the meeting; all tasks were successfully completed. 5. The number of cases required tracking of the executive Board meetings in 2019 was 738 in total, the implementing unit has completed 632 cases, and there are still 106 cases required follow-up.	No gaps
4. Does the bank establish a channel to communicate with shareholders (including but not limited to shareholders, employees and customers, etc.)?	✓		1. Stakeholders may contact the Bank through methods of presenting themselves at the bank, letter, phone call, fax, and e-mail. A reporting mailbox and a direct line are also in place for reporting matters of breach of trust. 2. Establishing IR tools in the <u>Investors Relations</u> on our corporate website to benefit our services to investors. 3. Set up About <u>Taiwan Business Bank</u> > <u>Corporate Social Responsibility</u> > <u>Relationship with Stakeholders</u> on our corporate website, establishing Audit Committee contact window, Q&A for stakeholders, contact window for stakeholders, verification of stakeholders, etc., to respond to the issues our stakeholders' concern, protecting their interests.	No gaps
5. Information disclosure (1) Does the bank set up a website for the disclosure of relevant information on financial status and corporate governance?	✓		1. Disclosure of information such as About Taiwan Business Bank, Financial Information, News & Event, Shareholder Service, and IR Tools in the <u>Investors Relations</u> on the corporate website. 2. Disclosure of the corporate governance structure, Board, Board resolutions, attendance of Directors at Board meetings and continuing education circumstances, internal audit, regulations regarding corporate governance as well as the communication between Independent Directors, internal audit supervisor, and CPA in <u>About Taiwan Business Bank</u> > <u>Corporate Governance</u> on the corporate website.	No gaps
(2) Does the bank take any other methods to disclose its information (e.g. English website, a special group engaged on gathering and compiling the bank's information, the information announced through the bank's spokesman, and regular investor conference process disclosed on the bank's website)?	✓		1. To realize the open information, the Bank has established the "Procedures for the Operations for Disclosing Information Externally." According to the requirements, the disclosure to be reported such as information on finance and business shall be carried out by designated personnel of the relevant department in accordance with the duties. Furthermore, information such as About Taiwan Business Bank, Financial Information, News & Event, Shareholder Service, and IR Tools is provided in the <u>Investor Relations</u> on the corporate website; an English website was also established for foreign investors to access relevant information. 2. The mechanism of spokesperson is responsible for providing descriptions and announcing the news to external parties, so as to ensure investors may receive accurate news.	No gaps

Assessed items	State of operations			Gaps with the Corporate Governance Practices Best Practice Principles for the Banking Industry, and the cause of the said gaps
	Yes	No	Summary	
(3) Does the bank publish its annual financial reports and make filings at the end of the accounting year within time according to relevant requirements under the Banking Act and the Securities and Exchange Act, and publish financial reports of the first, second, and third quarters and the operating status each month and make filings in advance according to the time prescribed?	✓		The bank publishes its annual financial reports and make filings at the end of the accounting year within time according to relevant requirements under the Banking Act and the Securities and Exchange Act, and publish financial reports of the first, second, and third quarters and the operating status each month and make filings according to the time prescribed.	No gaps
6. Does the bank have other relevant information for better understanding the Bank's corporate governance operation (such as employee rights, caring for employees, investors relationship, stakeholder rights, on-the-job education of directors and supervisors, implementation of risk management policies and risk assessment standards, implementation of customer policies, liability insurance policies purchased by the bank for directors and supervisors, and donations to political parties, interested parties, or charity organizations)?	✓		1. To clarify the rights and obligations of employees and the employer, the Bank established the "Working Rules" according to the Labor Standards Act and relevant laws and regulations, with reference to the nature of the banking industry, to regulate employees' rights. The Bank also established the "Directions for Measures of Prevention, Complaint, and Punishment of Sexual Harassment at the Workplace of Taiwan Business Bank" as regulations according to the Act of Gender Equality in Employment. 2. Caring for Employees: (1) Employees are assets of the corporates. The Bank has spared no efforts in caring for its employees. Except for establishing working rules and personnel management rules according to relevant labor laws such as the Labor Standards Act, the Bank complied with the laws and regulations and insured for the Labor Insurance, National Health Insurance, and provision of retirement pension for its employees. It also organizes health check for employees regularly, provides discounted group medical insurance and casualty insurance to protect the lives of our employees, allowing employees to exert their talents at work worry-free. Also, to strengthen the competitiveness of our employees and improve their professional know-how, the Bank organizes training courses for different businesses according to the annual employee training plan, provide a diversified programs on the digital learning website, and holds nonscheduled celebrity seminars and professional lectures via video. The Bank has a comprehensive system of remuneration and rewards as well as the promotion channel, diversified training and welfare measures that attract and retain talents, joining hands for the prosperity of the Bank. (2) The Bank values the rights of our employees and holds the regular labor-management conferences where employees and the employer may conduct sufficient communications and negotiations regarding the rights of employees or welfare, signing the group agreement and maintaining the peaceful labor-management relationship. 3. The Bank subscribed for "Directors' and Officers' Liability Insurance" for Directors and officers of the Bank since January 5, 2016. The latest insured circumstances have been reported at the 5th Board meeting of the 15th Board. 4. The Bank established the "Directions for Processing of Donations of Taiwan Business Bank" to regulate the charitable group donation projects where the stakeholder(s) acts as the representative or the manager. 5. The Bank considers that proper handling of customer complaints may improve the service quality and realize the control for operating risks. The Bank established the "Customer Complaint Center" to respond to customer complaints, and established the "Directions for the Processing of Customer Complaints" of the Bank for compliance. 6. The Bank established the handling procedures and regulations in response to "scams against financial institutions by scoundrels," "report and contact for major contingencies," and "report and contact for disastrous emergencies" to actively care for and effectively remind our customers to avoid the losses resulting from scams. 7. To improve our attention attaches to the handling of with customers' disputes, increase the efficiency and quality for handling consumption disputes, and protect the rights of consumers, the Bank established the "Consumer Disputes Handling System," and the Auditing Department shall review the execution. 8. To protect customer rights and benefits, optimize the business operation, the Bank established the "Consumer Protection Policy of Taiwan Business Bank" and "Procedures for Consumer Protection Procedures of Taiwan Business Bank," and designated the responsible department to inspect the effectiveness of the consumer protection system. The Auditing Department shall be responsible for examine the execution and realize the protection for consumers. 9. To treat Shareholders in a fair manner, the Bank established the "Procedures for the Operations for Disclosing Information Externally," "Directions for Equity Management," and "Ethical Corporate Management Best Practice Principles," which clearly stated that the internal personnel is prohibited from trading securities of the Bank before the announcement of relevant information. 10. Board diversity policy and implementation. (1) Article 34 under the "Corporate Governance Principles" of the Bank stated the directions of the Board diversity policy. The Bank adopted the candidate nomination system for the selection of the Board members according to Article 20 of the Articles of Association of the Bank; and carried out nominations and review on qualifications of director candidates according to Article 192-1 of the Company Law. After the inclusion into the list of the director candidate, an election shall be carried out according to the "Regulations Governing the Election of Directors" of the Bank to ensure the diversity and independence of the Board.	No gaps



Assessed items	State of operations			Gaps with the Corporate Governance Practices Best Practice Principles for the Banking Industry, and the cause of the said gaps
	Yes	No	Summary	
			(2) Regarding the list of the 15th Board members of the 15th Board (the Ministry of Finance and the Bank of Taiwan each has one equity representative director yet to be appointed), there were 2 labor directors (13.3%) who are employees, 3 independent directors (20%) with a term of office less than three years, and 3 female directors (20%). There are 8 directors with ages ranging from 50-60, 4 directors with ages ranging from 60-70, and 1 director with age above 70. In response to the rule of appointing natural persons as professional directors promoted by the Financial Supervision Commission, it is expected that the number of professional directors who are natural persons will be targeted at 33.3% in 2021. After an assessment, all the directors are experts in banking and risk management. Bor-Yi Huang, Shiu-Yen Lin, Lien-Wen Liang, Xin-Wu Lin, Jin-Long Liu, Hung-Sheng Yu, Li-Ling Lin, Ying-Ming He, Kuo-Chang Huang, and Wei-Sheng Huang specialize in accounting and financial analysis; Wen-Chieh Wang specializes in legal affairs; for other expertise analysis, please refer to the website of the Bank. Regarding the diversity of the Board, the Bank has complied with Article 34 of the "Code of Corporate Governance Practices" of the Bank. The profession of directors is sufficient to help the nature of the Bank as an SME specialized bank and compliance with government policies, so as to promote businesses of young entrepreneurship and innovative financing, green financing, cultural and creative financing, senior financing, and urban regeneration financing, fulfilling the corporate social responsibilities. (3) The diversity policy for the Board of the Bank has been disclosed on the corporate website of the Bank and the Market Observation Post System.	
7. With respect to the results of annual corporate governance evaluation most recently issued by the Corporate Governance Center of Taiwan Stock Exchange, please describe the improvements and provide priority and measures to enhance those matters that have not yet been improved.	✓		During the Board meeting in 2019, the Bank has passed the resolution to appoint Executive Vice President Chih-Chien Chang as the manager for corporate governance and establish the "Standard Operating Procedures for Processing Directors' Request of Taiwan Business Bank"; the Bank is intended to increase the number of seats for Independent Directors by 2021 to continually improving the efficacy of the Board.	No gaps

(7) Operations of the Remuneration Committee

A. Members of the Remuneration Committee

Title	Qualifications Name	Qualifications (Note 1)			Independent Status (Note 2)										Number of Serving as the Member of Remuneration Committee for Other Public Companies	Note
		A	B	C	1	2	3	4	5	6	7	8	9	10		
Managing Director (Independent Director)	Xin-Wu Lin			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	
Independent Director	Jin-Long Liu	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Independent Director	Wei-Sheng Huang			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	

Note 1: Meet one of the following professional requirements, together with at least five-year work experience:

- An instructor or higher in a department of commerce, law, finance, accounting, or other academic department related to the banking business in a public/private junior college, college, or university.
- A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialist who has passed a national examination and has been awarded a certificate in a profession necessary for the banking business.
- With work experience in the fields of commerce, law, finance, accounting, or other profession necessary for the banking business.

Note 2: Indicate with "✓" mark for members who meet the following conditions during the two years before being elected or during the term of office.

- Neither employees of the Company nor its affiliates.
- Neither a director or a supervisor of the bank nor its affiliates (this restriction does not apply to independent director positions in the bank, its parent company or subsidiary, or a subsidiary under common control of the parent company which has been appointed in accordance with Securities and Exchange Act or laws of the registered country).
- Neither an individual shareholder who holds shares, together with those held by his/her spouse, minor children, or held under others' names, in an aggregate amount of 1% or more of the total outstanding shares of the bank nor a natural person who ranks among the top 10 shareholders in terms of the share volume held.
- Neither a spouse or relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the managerial officers in (1), nor any person in (2) or (3) above.
- Not a director, supervisor, or employee of a juristic person shareholder that directly holds 5% or more of the total outstanding shares of the bank, or ranks among the top 5 juristic person shareholders in terms of share volume held, or is a representative being assigned as the bank's director or supervisor according to Paragraph 1 or Paragraph 2, Article 27 under the Company Act (this restriction does not apply to independent director positions in the bank, its parent company or subsidiary, or a subsidiary under common control of the parent company which has been appointed in accordance with Securities and Exchange Act or laws of the registered country).
- Not a director, supervisor, or employee of another company which is the bank's director, and the majority of that company's director seats or voting shares are controlled by the same person (this restriction does not apply to independent director positions in the bank, its parent company or subsidiary, or a subsidiary under common control of the parent company which has been appointed in accordance with Securities and Exchange Act or laws of the registered country).

- (7) Not a director, supervisor, or employee of another company or institution who is or whose spouse is the bank's chairman, president or a person with equivalent position (this restriction does not apply to independent director positions in the bank, its parent company or subsidiary, or a subsidiary under common control of the parent company which has been appointed in accordance with Securities and Exchange Act or laws of the registered country).
- (8) Not a director, supervisor, the managerial officer, or a shareholder holding 5% or more shares of a specific company or institution that also have financial or business dealings with the bank (this restriction does not apply to a specific company or institution holding 20% or more but less than 50% of the total outstanding shares of the bank, and independent director positions in the bank, its parent company or subsidiary, or a subsidiary under common control of the parent company which has been appointed in accordance with Securities and Exchange Act or laws of the registered country).
- (9) Not an owner, partner, director, supervisor, or the managerial officer and his/her spouse of a professional, sole proprietorship, partnership, company, or institution that provides auditing services or commercial, legal, financial, accounting or relevant services, with an accumulated compensation less than NT\$0.5 million within the past two years, to the bank or its affiliates. However, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Securities and Exchange Act or Business Mergers and Acquisitions Act or related laws or regulations.
- (10) Any of the circumstances in the subparagraphs of Article 30 of the Company Act doesn't happen.

B. Operation of Remuneration Committee:

a. The Bank has a Salary and Remuneration Committee composed of 3 members.

b. Term of office of the current members: From June 29, 2018 to June 28, 2021. The Salary and Remuneration Committee met six(6) times (A) in the most recent year. The table below provides information on the qualifications and attendance of the members.

Title	Number of actual attendance (B)	Number of delegated attendance	Actual attendance rate (%) (B/A) (Note)	Remarks
Committee Chair	Xin-Wu Lin	6	0	
Member	Jin-Long Liu	6	0	
Member	Wei-Sheng Huang	6	0	

Other items that shall be recorded:

- If the Board of Directors does not adopt or amend the recommendations made by the Remuneration Committee, the date, and session of the Board of Directors' meeting, resolutions, voting results and handling of opinions of the Remuneration Committee by the Bank should be disclosed (if the remuneration approved by the Board of Directors is better than that of the Remuneration Committee, the discrepancies and related reasons should be stated): None.
- For the decisions made by the Remuneration Committee, if there are members who vetoed or withheld from the decision and there are documented records, the date, number, content of the motion, all members' opinions, and ways in handling these opinions should be elaborated: none.
- Discussion of the proposal and handling of opinions for 2019

Board Date/Period	Agenda	The resolution results of the Remuneration Committee and the Bank's response regarding the Remuneration Committee's opinions
The 5th Board meeting of the 15th Board on January 30, 2019	Proposal for the amendments to the "Directions for Performance Audit for Financial Marketing Personnel under Treasury Department of Taiwan Business Bank"	Resolution results of the Remuneration Committee: Agreed to pass after amendments, and submitted to the Board for consideration. The Bank's response regarding the Remuneration Committee's opinions: Resolution passed as proposed by all directors in attendance as with consent.
The 6th Board meeting of the 15th Board on March 26, 2019	The allocated and distributed amount and percentage for the remuneration of employees and Directors for 2018 were proposed to be NT\$583,736,336 and NT\$58,373,634, as well as 6% and 0.6%, respectively.	Resolution results of the Remuneration Committee: Passed, and submitted to the Board for consideration. The Bank's response regarding the Remuneration Committee's opinions: Resolution passed as proposed by all
The 6th Board meeting of the 15th Board on March 26, 2019	Resolution of carrying out the proposed employee shareholding trust and establish the Employee Shareholding Trust Committee of the Bank to improve employees' benefits, cohesiveness and reinforce the equity of the Bank.	Resolution results of the Remuneration Committee: Passed, and submitted to the Board for consideration. The Bank's response regarding the Remuneration Committee's opinions: Resolution passed as proposed by all directors in attendance as with consent.
The 6th Board meeting of the 15th Board on March 26, 2019	Resolution of regular assessment of supervisors and managers of the Bank.	Resolution results of the Remuneration Committee: Passed, and submitted to the Board for consideration. The Bank's response regarding the Remuneration Committee's opinions: Resolution passed as proposed by all directors in attendance as with consent.
The 7th Board meeting of the 15th Board on July 10, 2019	Circumstances relating to the distribution of Directors' compensation of the Bank for 2018.	Resolution results of the Remuneration Committee: Passed, and submitted to the Board for consideration. The Bank's response regarding the Remuneration Committee's opinions: Resolution passed as proposed by all directors in attendance as with consent.
The 10th Board meeting of the 15th Board on October 29, 2019	Amendments to Article 11 and Appendix "Table for Standard Salary Package and Rental Support for Overseas Employees of Taiwan Business Bank" under the "Directions for Salary Payment to Employees of Taiwan Business Bank."	Resolution results of the Remuneration Committee: Agreed on amending wordings, and submitted to the Board for consideration. The Bank's response regarding the Remuneration Committee's opinions: Resolution passed as proposed by all directors in attendance as with consent.



Board Date/Period	Agenda	The resolution results of the Remuneration Committee and the Bank's response regarding the Remuneration Committee's opinions
The 10th Board meeting of the 15th Board on October 29, 2019	Proposal for the amendment to partial provisions of the "Directions for Employee Audit of Taiwan Business Bank."	Resolution results of the Remuneration Committee: Passed. Please supplement the Directions for Employee Audit as an attachment. Submitted to the Board for consideration. The Bank's response regarding the Remuneration Committee's opinions: Resolution passed as proposed by all directors in attendance as with consent.
The 11th Board meeting of the 15th Board on December 18, 2019	Amendments to the "Directions for Payment of Bonuses for Employees of Securities Broker" of the Bank (the "Directions for Payment of Bonuses")	Resolution results of the Remuneration Committee: Passed, and submitted to the Board for consideration. The Bank's response regarding the Remuneration Committee's opinions: Resolution passed as proposed by all directors in attendance as with consent.
The 11th Board meeting of the 15th Board on December 18, 2019	Amendment to partial provisions of the "Directions for Payment of Performance Bonuses for Wealth Management Operation of Taiwan Business Bank."	Resolution results of the Remuneration Committee: Passed, and submitted to the Board for consideration. The Bank's response regarding the Remuneration Committee's opinions: Resolution passed as proposed by all directors in attendance as with consent.
The 11th Board meeting of the 15th Board on December 18, 2019	Proposal for the amendments to the "Remuneration System for Insurance Sales" of the Bank.	Resolution results of the Remuneration Committee: Passed, and submitted to the Board for consideration. The Bank's response regarding the Remuneration Committee's opinions: Resolution passed as proposed by all directors in attendance as with consent.

Note 1: Where members of the Remuneration Committee resign before the end of the year, the Notes column shall be annotated with the date of resignation. Actual presence rate (%) shall be calculated using the number of Remuneration Committee meetings convened and actual presence during the term of service.

Note 2: When an election is held for the Remuneration Committee before the end of the year, members of both the new and old committee shall be listed in separate columns and noted as new, old or re-elected members, along with the elected date, in the remark column. The actual presence rate (%) shall be calculated using the number of Remuneration Committee meetings convened and actual presence during the term of service.

(8) Corporate Social Responsibility

Assessed items	Current Operation (Note 1)			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and root causes
	Yes	No	Summary	
1. Does the bank carry out any risk assessment for ESG aspects related to corporate operations based on materiality principles and establish relevant risk management policies or strategies?	✓		The Bank collects, understands, and identifies concerns related to TBB's stakeholders through distributing the "Stakeholder Identification" form to evaluate the concerns of different types of stakeholders and the level of influence on the operations of the Bank. The selected materials aspects receiving significant concerns, establish relevant management directions, and report to the CSR Committee regarding the execution results of last year, mid-to-long-term targets, and policies.	No gaps
2. Does the bank have a unit that specializes (or is involved) in CSR practices? Does the CSR unit run by senior management authorized by the Board and report its progress to the Board?	✓		The Bank has a functional committee "CSR Committee" in place and has five subordinated units dedicated to Corporate Governance, Customer Rights, Sustainable Environment, Social Benefit, and Employee Care. The Committee is responsible for CSR policies, systems, or relevant management directions, and the proposal and execution of particular promotional plans. The Committee regularly reports to the Board regarding the implementation effect every year.	No gaps
3. Environmental aspects (1) Does the bank establish proper environmental management systems based on the characteristics of its industries?	✓		1. Executing environment cleaning and maintenance according to the "Procedure Guidelines for the Cleaning and Maintenance of Business Premises" and implement the waste sorting in response to environmental protection. 2. To save energy on a continual basis, the Bank complied with the ISO50001 Energy Management and published the energy policy on our official website, and built the management system and regulations for energy usage. The headquarter building was awarded the certificate for ISO50001 Energy Management System.	No gaps
(2) Does the bank endeavor to utilize all resources more efficiently and use renewable materials which have a low impact on the environment?	✓		1. Toner cartridges are provided to recycling companies for recycling and reusing. 2. Promote the usage of double-sided printing to save the usage of paper. 3. Engage recycling companies to dispose of or donate old "computer equipment." 4. Continue using paper rolls free of BPA. 5. Fully replace office lightings at our business promises to LED lightings with "Energy Label." 6. Lightings in public areas and emergency lightings in the headquarters building are replaced with new LED lightings.	No gaps
(3) Does the bank evaluate potential current and future risks and opportunities regarding climate change on the corporate and adopt corresponding measures for aspects related to climate?	✓		The Bank evaluates the potential risks and opportunities of climate change on the Bank and adopts relevant corresponding measures.	No gaps

Assessed items	Current Operation (Note 1)			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and root causes
	Yes	No	Summary	
(4) Does the bank prepare statistics for the greenhouse gas emissions, water usage, and total weight of wastes for the past two years and establish policies for energy-saving and carbon reduction, greenhouse gas reduction, water usage reduction, or other waste management?	✓		1. Compliance with "Rules of Energy Saving for Specified Energy Users" promulgated by the Ministry of Economic Affairs and Taipei City Self-Government Ordinance for Energy Saving and Carbon Emission Reduction, the average air-conditioning temperature within business promises and offices remained at 26°C or above. 2. The Bank implements the water and energy-saving measures and tracks the water and energy usage of each department as a reference for the evaluation of operating performance. 3. Review of execution in each improvement plan for energy saving to enhance the energy efficiency of equipment and cut down the utility expenses. 4. Declaration of "Information on Greenhouse Gases Emission and Reduction" on Market Observation Post System of TWSE for disclosing the results of the Bank's energy-saving and carbon reduction execution. 5. Introduction of ISO 14064 Greenhouse gases Part 1: Specification with Guidance to disclose the greenhouse gas emission of the headquarters building.	No gaps
4. Social aspects				
(1) Does the bank develop its policies and procedures in accordance with laws and the International Bill of Human Rights?	✓		The regulations on personnel affairs of the Bank are established in accordance with the relevant labor laws, with reference to internationally recognized principles concerning basic human rights of labor. The Bank adopts an equal employment policy irrespective of gender, race, age, marital status, and family conditions, and delivers equal opportunities principles in respect of compensation, employment conditions, training, and promotion to protect the legal rights of employees.	No gaps
(2) Does the bank establish and implement fair employees' welfare measures (including remuneration, vacation, and other benefits) and reflect the operating performance or results on employees' remuneration?	✓		The Bank has established the "Directions for Salary Payment to Employees" and "Directions for Taking Leaves of Employees," and discusses on other employee welfare matters through the employee benefits committee and the labor-management meetings with good implementation results. The Bank has also established the "Directions for Payment of New Year, Festival, and Performance Bonuses" and "Directions for Employee Remuneration," reflecting the operating performance or results on employees' remuneration.	No gaps
(3) Does the bank provide safe and healthy work environments for its employees, and organize training on safety and health for its employees on a regular basis?	✓		The Bank provides regular health check every one-to-two year and an one-hour occupational safety educational training for employees on active duties every year on a regular basis. The Bank also engaged visiting service doctors, recruited regular nursing personnel, and established health service rooms and breastfeeding rooms to care for the employees' health and address the importance of health.	No gaps
(4) Does the bank implement an effective training program that helps employees develop skills over the course of their career?	✓		The Bank establishes the annual employee training plan according to functions and experiences of employees, including comprehensive programs such as general knowledge programs for new employees, foundation programs, advanced programs, and workshops for various businesses, as well as officer training and seminars. The Bank also assigns relevant personnel to participate in professional training programs organized by external institutions or engage external professional lecturers to provide lessons, cultivating the professional skills and knowledge of our employees, exerting the effect of training-application integration, so as to improve the career development potentials for our employees.	No gaps
(5) Regarding customers' health and safety, customer privacy, marketing and marking of products and services, does the bank comply with relevant regulations and international standards and establish relevant policies and complaint procedures to protect customers' rights?	✓		In addition to complying with relevant requirements of the Bank, the marketing and description for the products and services also abide by the relevant regulations, letters, and orders from the competent authority as well as international standards. The Bank has also established the Consumer Protection Policy and Directions for the handling of Customer Complaints.	No gaps
(6) Does the bank establish policies for supplier management, requiring suppliers to comply with relevant regulations regarding aspects of environment protection, occupational safety and hygiene, or labor rights and monitor the implementations?	✓		The contract of the Bank provides that suppliers shall fulfill their social and environmental protection responsibilities to reinforce the implementations. The contract of the Bank provides that where suppliers violate its corporate social responsibility policies and generate material effects to the environment and society, the Bank may terminate such contracts upon verifying that the violations were true, so as to require contractors to fulfill the self-management regarding their social responsibilities.	No gaps
5. Does the bank refer to report preparation standards or guidelines commonly used internationally to prepare reports that disclose non-financial information of the company, such as CSR reports? Has the abovementioned report received the confirmation or assurance opinion of any third-party certification department?	✓		Taiwan Business Bank's Corporate Social Responsibility (CSR) Report has passed the verification conducted by British Standards Institution (BSI) according to AA1000 (Accountability) Type 1 and guidelines of GRI Standards. Content disclosed in the CSR Report of the Bank complied with the core indication options of GRI Standards; BSI has also issued an Independent Assurance Opinion Statement to the Bank.	No gaps
6. Regarding Banks established their Corporate Social Responsibility Best Practice Principles according to "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies," please specify the gaps between its operations and the provisions in the Code: The Bank established its "Corporate Social Responsibility Best Practice Principles" according to "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" to promote the performance of corporate social responsibility, and no such gap exists.				
7. Other important information contributes to understanding the operations of corporate social responsibility: Please refer to IX. Corporate Social Responsibility Report.				

(9) Implementation of Business Integrity and Gaps with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the Cause of Gaps

Assessed items	State of operations			Gaps with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the cause of the said gaps
	Yes	No	Summary	
1. Policies and strategies established to ensure business integrity (1) Has the bank established the integrity management policies and stated in its Memorandum and external correspondence about the policies and practices it has to maintain business integrity? Are the board of directors and the management committed in fulfilling this commitment?	✓		1. The Bank engages in business activities on the basis of fairness, honesty, integrity, and transparency, and passed the amendments to the "Ethical Corporate Management Best Practice Principles of the Bank" at the 10th Board meeting of the 15th session of the Board on October 29, 2019, and included the commitment of Board and the senior management to actively implement the integrity management policy into the regulations. 2. The Bank duly implements integrity management in its internal management and business activities. For example, the Working Rules of the Bank provides that, an employee shall not take advantage of his/her post to break the rules or commit jobbery for illegal interests of himself/herself or others; also, the employees shall not accept any gifts or enjoy other illegitimate benefits when signing contracts with external suppliers and shall comply with relevant requirements under the "Ethical Corporate Management Best Practice Principles" of the Bank. 3. The Bank continues organizing the relevant training to deepen employee's cognition on moral behavior and ethical corporate management as well as its practices.	No gaps
(2) Does the bank has an evaluation system for the risk of dishonest conduct to regularly analyze and evaluate operating activities with a higher probability of dishonest conduct within its scope of operations, so as to establish the program for preventing dishonest conduct, and such program include preventions for occurrences listed in Paragraph 2, Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM- Listed Companies"?	✓		1. The Bank complied with requirements under Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM- Listed Companies," and checked the risks of dishonesty within the business scope of the Bank, and the Auditing Department would include the risks into the relevant audit plan. 2. Employees of the Bank shall comply with the internal control system of the Bank when carrying out business. The Bank stipulates preventive measures for articulation in its business rules; for example, under "Directions for Construction Work as well as Purchase, Customization and Selling of Properties," article 21 provides that "personnel who manages construction work as well as purchasing, and customizing properties shall not direct the inspection of such project, and personnel involved in the joint inspection shall not perform the monitoring; personnel who manages selling of properties shall not direct the inspection of such project." Furthermore, article 27 provides that managing and supervising personnel for construction work as well as purchasing, and customizing and selling of properties at all levels shall be strictly prohibited from accepting meal banquet invitation and gifts to ensure integrity and justice; regular rotation shall be implemented for managing procurement personnel." The managing colleagues are required to comply with such provisions. Shall there be any misconduct, report to the Personnel Evaluation Committee for review and handling, so as to prevent unethical behaviors. The signed contracts prohibit suppliers from conducting any illegal acts that may infringe intellectual property rights, etc. Regarding the credit loans for stakeholders, based on Article 32, Article 22 of the Bank Act and its relevant requirements, the Bank established the "Procedures of Credit Loans for Stakeholders" and carried out the pre-loan review, post-loan review, as well as regular and nonscheduled reviews to give effect to the preventive measures.	No gaps
(3) Does the bank have any measures against dishonest conduct? Are these measures supported by proper procedures, behavioral guidelines, disciplinary actions, and complaint systems? Does the bank implement such measures and regularly review and amend the abovementioned measures?	✓		The Bank sets legal compliance as its fundamental premise for materializing its measures against dishonest conducts: 1. The Employee Reward and Punishment Regulations and Procedure Guidelines for General Evaluation provide clear punishment terms regarding violation of business ethics or conduct of bribery and corruption, with dismissal from office as the heaviest punishment. 2. As specified in the business rules for credit investigation and SOP, our investigators are able to carry out the credit investigation for various types of loans based on the principle of integrity management through searching internal and external databases, field inspection, collecting credit records and financial information of customers and their representatives, so as to evaluate the credit records of the counterparty. 3. The "Procedures for Outsourcing Development and Maintaining of Information Systems" provides for the division of work for personnel. 4. The "Directions for Handling Reported Cases" provides that, upon the completion of the investigation regarding the reported case, where it is verified that the alleged personnel did violate relevant laws and regulations or the requirements under the ethical corporate management policies of the Bank, the alleged personnel shall be required to stop such conducts immediately and be imposed proper punishments according to the related requirements of the Bank.	No gaps
2. Actions to ensure business integrity (1) Does the bank evaluate the integrity of all counterparties it has business relationships with? Are there any integrity clauses in the agreements it signs with business partners?	✓		Article 20 under the "Ethical Corporate Management Best Practice Principles" of the Bank provides that, when signing a contract with others, it is required to fully understand the other party's integrity. The contract shall include terms of complying with the ethical corporate management of the Bank and shall stipulate that when the counterparty in the transaction engages in unethical behaviors, the Bank may terminate or cancel the terms of the contract at any time. When engaging in credit investigation, it is required to access the credit and check records of the borrower through JCJC and the Clearing House to evaluate its credit conditions. Once the loan is approved, enter a credit loan contract with the customer, which shall set out matters regarding the bad check or credit records of the customer, or financial reports and data provided, or any statement, description, waiver, consent, or commitment made. For any event of fraudulent and deliberate omission that violate integrity, the Bank may call the loan or reduce the credit amount or shorten the term for borrowings, or deem the terms as expired. Furthermore, when processing purchase or tender, where the assigned personnel from the awarded supplier of the purchasing project engages in any illegal conduct, leakage of confidential information, or fault that results in losses of the Bank, the supplier shall be jointly responsible for compensating the losses. In addition, refer to the Government e-Procurement system regarding suppliers on the blacklist; the Bank may reject such suppliers to participate in the tender.	No gaps



Assessed items	State of operations			Gaps with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the cause of the said gaps
	Yes	No	Summary	
(2) Does the bank have a unit that specializes in business integrity? Does this unit report to the board of directors regularly (at least once a year) regarding the business integrity policy, measures to prevent dishonesty, and the supervision and execution?	✓		To promote the unit that specializes in business integrity, the Bank has passed the resolution of designating the CSR Committee as the dedicated unit for business integrity on the 10th Board meeting of the 15th session of the Board on October 29, 2019. Before the first quarter each year, the dedicated unit shall report to the Board regarding the execution of the previous year. The report was made on the 13th Board meeting of the 15th session of the Board. The workforces under the Committee shall process and execute the primary mission of the Committee according to the division of work, and the Secretarial Department of the Bank shall be responsible for operations relating to the amendments to the "Ethical Corporate Management Best Practice Principles" of the Bank, explanations, counseling services, and the registration and filings for reported content. The Bank has inspected the risk of dishonest conduct in the business scope of the Bank in 2019, and notified relevant departments to incorporate the inspection results into the audit plan, risk management and legal compliance.	No gaps
(3) Does the bank have any policy that prevents conflict of interest, and channels that facilitate the reporting of conflicting interests?	✓		- Article 11 under the "Ethical Corporate Management Best Practice Principles" of the Bank provides that, regarding the resolutions at the Board meeting, where such resolutions relate to the interests of Directors, managers, authorized parties, or other stakeholders presenting at or attending the Board, or the legal entity being one presented, the relevant personnel shall disclose the material content of such interests. If such interests may be harmful to the interests of the Bank, such personnel shall present his/her opinion and answer inquiries, and shall not participate in the discussion and poll. Also, such personnel shall abstain from the discussion and the poll, and shall not represent other Directors to exercise their voting rights. Directors shall maintain discipline among one another and not inappropriately support one another. - According to the "Directions for Credit Loans to Stakeholders" and the "Procedures for Credit Loans to Stakeholders" of the Bank, it is required to implement the Know Your Customer (KYC) measures upon credit investigation, and investigate whether the customer is a stakeholder of the Bank, so as to duly comply with the requirements of the law. - The "Code of Conduct for Financial Advisors" and the "Anomaly Report System" of the Bank are implemented to provide proper communication channels. "Procedures for Acquisition or Disposal of Assets," "Directions for Construction Work, Purchase, Customization and Selling of Properties," "Directions for Acquisition and Disposal of Premises and Real Estate," and "Directions for Leasing Real Estate" of the Bank stipulate the terms to regulate transactions with related parties. - The Bank has customer service lines and customer service mailbox in place and has set up the "Customer Service Mailbox" and "Contact" section on its corporate website to provide communication channels.	No gaps
(4) Has the bank implemented effective accounting and internal control systems for maintaining business integrity? Does the internal audit department establish relevant audit plans according to the results of risk assessment of dishonest conduct, so as to check the compliance with measures for preventing dishonest conduct? Or does the bank engage external auditors for audits?	✓		- The Bank adopted the accounting system established according to the International Financial Reporting Standards (IFRS) recognized by the FSC for its operations, and regularly check the appropriateness of the accounting system. - The Bank performs its audits according to the "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries" and the "Standards for Internal Audit Operations" of the Bank, and reports to the Board and Audit Committee at least once every six months regarding the audit. During 2019, the Auditing Department had reported to the Board and Audit Committee 3 times regarding the audit execution. - The Bank conducts: (a) a general audit and a project audit regarding the domestic operations, finance, assets in custody, and information unit at least once a year; (b) a project audit regarding other management departments at least once a year; (c) a general audit regarding the operating sections, operating centers, and overseas branches at least once a year (statements audit is adopted for audits regarding overseas branches to replace field audits, or the field audit frequency is adjusted flexibly); (d) a project audit regarding the finance, risks management, and legal compliance of subsidiaries every six months; (e) a field audit regarding the securities branches every six months; and (f) engage responsible audit personnel for the securities business to carry out the internal audit operations; the audit was completed according to the audit plan in 2019. - In 2019, the Auditing Department had not found any case relating to the violation of the business integrity of the Bank during the audit regarding all departments.	No gaps
(5) Does the bank organize internal or external training on a regular basis to maintain business integrity?	✓		Regarding the ethical training program of the Bank, the relevant business departments shall promote the internal and external requirements through managing the training, including contents in relation to ethical operations such as laws and regulations promotion, legal responsibilities of employees of the Bank, etc. It shall also organize the business foundation program for new employees upon the date of arriving at his/her post and arrange programs for "Legislative Requirements for Financial Practitioners," which shall be primarily based on the regulations (including ethical training). 11 echelons of training were organized during 2019, 559 new employees completed training in total, and the Bank also assigned personnel to participate in external training regarding ethical operations and corporate social responsibility in due course.	No gaps



Assessed items	State of operations			Gaps with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the cause of the said gaps
	Yes	No	Summary	
3. Implementation of a misconduct reporting system (1) Does the bank provide incentives and means for employees to report malpractices? Does the bank assign dedicated personnel to investigate the reported malpractices?	✓		1. To establish an ethical and transparent corporate culture and promoting healthy operations, the Bank established the "Directions for Handling Reported Cases" based on the "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries," "Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets," and "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies." 2. Publishing the report channel at the integrated entrance webpage for the official website and the internal system for employees and setting up independent reporting mailbox and direct line that is disclosed on the corporate website for usage by internal and external parties of the Bank; specialists will be handling such reporting matters. 3. Provide rewards in accordance with the Bank's "Work Rules."	No gaps
(2) Has the bank implemented any standard procedures or confidentiality measures for handling reported malpractices?	✓		The "Directions for Handling Reported Cases" of the Bank has stated the responsible department, SOP for investigation, and execution of related confidentiality system regarding any reported cases.	No gaps
(3) Does the bank assure employees who report malpractices that they will not face repercussions for making such reports?	✓		Article 12 under the "Directions for Handling Reported Cases" of the Bank has provided that the Bank shall keep confidential regarding the information that is sufficient to identify the informant, including name, age, residence, and identity of the informant. Except for otherwise provided by the laws, no third party is allowed to browse or transcribe. The Bank may not carry out dismissal, discharge, demotion, pay cut regarding the informant, or form damages to the rights that the informant is entitled to according to laws and regulations, contracts, or practices, or other adverse actions. However, where the informant reported untrue facts or set unjustified benefits as targets shall be excluded.	No gaps
4. Enhanced information disclosure Has the bank disclosed its integrity principles and progress on its website and MOPS?	✓		The "Ethical Corporate Management Best Practice Principles" of the Bank is disclosed on the Market Observation Post System and its corporate website. The Bank will facilitate to disclose the ethical operations on the corporate website under the Bank Profile > Corporate Governance.	No gaps
5. If the Bank has formulated its own principles of integrity operation based on "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies," please state the difference between its principles and its operation: On May 23, 2019, Taiwan Stock Exchange (TWSE) promulgated the amendments to "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies." The Bank has passed the regulations to amend the "Ethical Corporate Management Best Practice Principles" of the Bank at the 10th Board meeting of the 15th session of the Board on October 29, 2019, and checked the risk of dishonest conduct within the scope of operations of the Bank according to the requirements under Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies." The Auditing Department had included the risks into the relevant audit plan, and there is no deviation in the Bank's operations.				
6. Other important information contributes to understanding the ethical operations of the Bank (such as the Bank examining and revising its Ethical Corporate Management Best Practice Principles): Submit its execution of ethical operations to the Board and disclose the independent report e-mail and direct line that encourages internal and external personnel to report unethical behaviors.				

(10) Procedures for Handling Material Inside Information:

The Bank reports its information according to the "Taiwan Stock Exchange Corporation Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities," "Taiwan Stock Exchange Corporation Rules Governing Information Filing by Companies with TWSE Listed Securities and Offshore Fund Institutions with Listed Offshore Exchange Traded Funds," and "Taiwan Business Bank Procedures for External Information Disclosures."

(11) Inquiry for Corporate Governance Principles and relevant rules: Please refer to [Bank Profile](#) > [Corporate Governance](#) > [Rules of Corporate Governance](#) (<https://www.tbb.com.tw/web/guest/-429>).

(12) Other important information contributes to understanding the operations of corporate governance: Please refer to [Bank Profile](#) > [Corporate Governance](#) and [Investor Relations](#) (<https://www.tbb.com.tw/>).

(13) Implementation of the Internal Control System

A. Internal control system statement

Taiwan Business Bank INTERNAL CONTROL SYSTEM STATEMENT

To: Financial Supervisory Commission, R.O.C (Taiwan)

On behalf of Taiwan Business Bank (the "Bank"), we hereby state that from January 1, 2019 to December 31, 2019, the Bank has duly complied with the "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries" in establishing its internal control system, implementing risk management, designating an independent and objective department to conduct audits, and regularly reporting to the Board of Directors and the Supervisors. With respect to the securities business, evaluation of the effectiveness of the design and implementation of its internal control system has been done in accordance with the criteria for evaluating effectiveness of internal control systems described in the "Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets", promulgated by the Securities and Futures Bureau, Financial Supervisory Commission. After prudent evaluation, except for items listed in the schedule, the internal control and legal compliance systems of each department have been in effect during the year, this Statement will be included as the main content of the Bank's annual report and prospectus, and be published to the public. If there is any illegal activity such as fraud or concealment, liabilities under Article 20, 32, 171, and 174 of the Securities and Exchange Act will be involved.

Chairman : 

President : 

Executive Vice President
& Chief Auditor : 

Executive Vice President
Chief Compliance Officer :



Mar 16 2020

Matters to be improved for the internal control system of Taiwan Business Bank and the improvement plan

(Valuation date: December 31, 2019)

Matters to be improved	Improvement Measures	Estimated time for the completion of the improvement
Regarding the implementation of the Bank's anti-money laundering operations, the identity verification was not duly performed for existing OBU customers, and suspicious transactions that show the signs of money laundering were not duly verified in terms of the rationales of transaction background and purpose of customers. The FSC has determined that rectification shall be made regarding the abovementioned matters.	(I) Identity verification for existing OBU customers: 1. Reiterate the principles for the suspension of deposit and withdrawal transactions, amend relevant internal regulations, and enhance review procedures. 2. Improve self-examination capacity and educational training of the Bank's employees. 3. The business managing departments shall improve the supervision on branches to check the executed suspension of deposit and withdrawal transactions. (II) Transaction verification: Add mandatory fields for transaction monitor alerts; the system would control and remind the branches to duly verify the rationales of such customer transactions with its identity and the purpose of transactions.	Improved according to the improvement measures.
The loans for purchasing high-priced houses provided by the Bank violated the requirements of Subparagraph 1, Article 3 under the "Regulations Governing High-Priced Housing Loans Extended by Financial Institutions" by the Central Bank of the Republic of China (Taiwan) in providing a grace period; the Central Bank of the Republic of China (Taiwan) had imposed a fine amounted to NT\$1 million.	1. Check the loans for high-priced houses and add matters to be verified and control points to check through and verify the cases one by one. 2. Improve the educational training of the Bank's employees.	Improved according to the improvement measures.
In providing loans to New Site Group, the Bank failed to establish or duly perform the internal control system for investigation and review of loans, loan approval, and post-loan management, in order to effectively control loan risks. This violated the requirements of Paragraph 1, Article 45-1 under the Banking Act of the Republic of China; the FSC had imposed a fine amounted to NT\$2 million according to the requirements of Subparagraph 7, Article 129 under the Banking Act of the Republic of China, effective at the time of the conduct.	(I) Strengthen the operations of investigation and review for loans: 1. Issue the "Matters Required for Credit Investigation of Loans" to strengthen the evaluation and investigation for financial analysis, large-amount receivables and prepayments, and import/sales targets. 2. Organize the reinforcement of the Bank's information system and add the warning function for abnormal financial ratios and the percentage of receivables. (II) Enhance the review operations for loan approval: 1. Amend the Bank's "Procedures for Factoring of Receivables" after a thorough review with reference to the improvement measures advised by the Bankers Association. 2. Establish the credit loan approval inspection control measures; for loan amount approved exceeding the reported sales in the latest period, the rationales shall be evaluated. 3. Enhance the verification of the rationality and authenticity of transaction documents. 4. Improve the educational training of the Bank's employees. (III) Reinforce post-loan management: 1. Enhance the inspection on the fund usage of the loans provided; add the inspection item "Field inspection report for receivables" and keep the inspection data. 2. Enhance the re-examination of fund usage.	The Bank had checked the operation of receivables factoring; to improve the capacity for detecting abnormal financial ratios and percentage of receivables, the Bank introduced the information system control function, which is estimated to be completed by the end of March 2020.
For the wealth management operations, the Bank has circumstances such as keeping stamps, passbooks, and signed blank transaction notes in custody for customers, filling out insurance contract without consents or authorization from customers, executing trust and insurance activities on behalf of customers, and failure in confirming the nature of investment risks with customers before accepting the application to purchase financial products.	1. Amend regulations related to the operations of wealth management and enhance system inspection. 2. Prepare reports for department managers or wealth management managers to review every quarter and confirm the content of investment transactions with customers. 3. Increase the deduction of non-financial evaluation indicator score for wealth management personnel and performance score for the wealth management operation of the branch. 4. Improve self-examination capacity and educational training of the Bank's employees.	Improved according to the improvement measures.
The FSC has determined that the Bank shall make rectification regarding circumstances of the Bank's trust and wealth management operation: (I) Recommended non-professional investors with age above 70 or with an education level of junior high school to purchase particular foreign securities; carried out marketing activities for particular investment targets via phone calls to non-professional investors who did not sign the consent for trust marketing. (II) For trust transaction statements, improper management was found regarding e-mail addresses provided by customers, showing an unfavorable condition to the reconciliation mechanism and the personal data protection for customers.	(I) For trust fund marketing: 1. Add relevant regulations such as wealth management managers shall confirm with customers for the marketing activities of particular personnel. 2. Include communication records of the wealth management personnel in the annual self-examination as a significant audit item and improve the educational training of wealth management personnel. (II) For trust transaction statements: 1. Establish the processing regulations for abnormal electronic statement e-mail addresses and produce control reports. 2. Establish rules related to multiple customers having the same e-mail address provided or sharing the same email address with the employee of the Bank; organize and establish the information system alert function, which is expected to be completed by the end of June 2020.	Improved according to the improvement measures. Furthermore, to control the duplicate e-mail addresses, the Bank organized and established the information system alert function, which is expected to be completed by the end of June 2020.



- B. Where CPAs are commissioned to audit the Bank's internal control systems, the audit report prepared by the CPAs should be disclosed

Independent Auditors' Report on Applying Agreed-Upon Procedures

To Taiwan Business Bank, Ltd.

Pursuant to the agreed-upon procedures, we have performed Taiwan Business Bank's the correctness of the report submitted to the competent authority for the banking business, the execution status of internal control system, compliance officer system, personal data protection and the appropriateness of policies for loan loss reserves in 2019. Your company made the final decision in these procedures; therefore, we do not express our opinion regarding whether these procedures were sufficient. This work is conducted in accordance with the Statement on Auditing Standard No.34 "Perform Agreed-Upon Procedures Regarding Financial Information," and its purpose is to assist your company in evaluation the compliance with the Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries, promulgated by the Financial Supervisory Commission. Complying with the aforementioned regulation is the responsibility of your company's management. We have provided the procedures, sampling methods and the associated findings in the attachments herein, respectively.

The audits we performed are not in accordance with Generally Accepted Auditing Standards; hence, we do not assure your company of the correctness of the report submitted to the competent authority for the banking business, the execution status of internal control system, compliance officer system, personal data protection and the appropriateness of policies for loan loss reserves. If we perform additional procedures or the audits in accordance with Generally Accepted Auditing Standards, we may have additional findings.

This report provides your company for the purpose of the first paragraph mentioned only, and should not distribute to any third parties for whatever purposes.

KPMG

Taipei, Taiwan (Republic of China)

March 11, 2020

C. Overall information security implementation statement

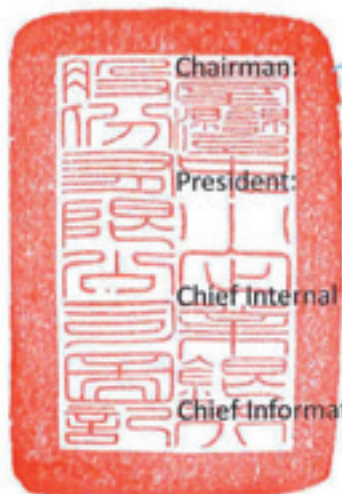
TAIWAN BUSINESS BANK
Statement of Declaration of Overall Information Security
Implementation

To: Financial Supervisory Commission, R.O.C.

On behalf of TAIWAN BUSINESS BANK, we hereby certify that from January 1st 2019 to December 31st 2019, the Bank has duly complied with Subparagraph 5 of Article 38 and Article 38-1 of the "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries" and the self-disciplinary regulations of information security established by the Bankers Association.

After prudent evaluation, the overall implementation of information security has effectively implemented, except for the items listed in the attached table. If it is hypocritical, we are willing to take legal responsibility.

Chairman: *Huang, BOR-Yi*
 President: *Chik Chien Chang*
 Chief Internal Auditor: *Chen Chiu-Yen*
 Chief Information Security Officer: *Chen Yi-Chin*



11/03/2020

Items to be improved and Countermeasures of Overall Information Security Implementation of Taiwan Business Bank

(Valuation date: December 31, 2019)

Items to be improved	Countermeasures	Estimated time of completion
None		

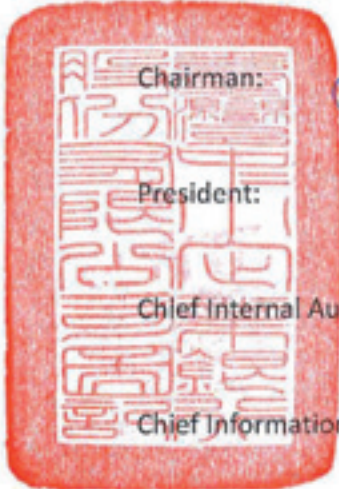


TAIWAN BUSINESS BANK
Statement of Declaration of Overall Information Security
Implementation

To: Financial Supervisory Commission, R.O.C.

On behalf of TAIWAN BUSINESS BANK, we hereby certify that from January 1st 2019 to December 31st 2019, the Bank has duly complied with Subparagraph 10 of Article 10 and Article 36-2 of the "Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets", and the self-disciplinary regulations of information security established by the Securities Association and National Futures Association.

After prudent evaluation, the overall implementation of information security has effectively implemented, except for the items listed in the annex. If it is hypocritical, we are willing to take legal responsibility.

	Chairman:	<i>Huang BOR-Yi</i>
	President:	<i>Chih Chien Chang</i>
	Chief Internal Auditor:	<i>Chen Chin Yen</i>
	Chief Information Security Officer:	<i>Chai Yi-Chin</i>

11/03/2020

Items to be improved and Countermeasures of Overall Information Security Implementation of Taiwan Business Bank

(Valuation date: December 31, 2019)

Items to be improved	Countermeasures	Estimated time of completion
None		

(14) Sanctions imposed for violation of laws and regulations and corrective actions taken in the most recent two years and up to the end of February 2019

A. Disclose any indictment of a responsible person or employee by a prosecutor for an offense related to the occupation

During the credit investigation activities regarding loans application made to ○○ Branch by Jin ○○ Co. Ltd., Xiang ○○ Co. Ltd., and Jie ○○ Industrial Co. Ltd., the employee ○○ Hsu from the ○○ Branch was suspected of being working with Gao ○○ Fraudulent Loan Group to improve his/her results. Employee Hsu acknowledged that such companies were not able to secure any loans due to no intention of making repayment or that such companies were shell firms or the actual representatives had questionable credibilities. However, Employee Hsu hid such information from the credit investigation report and resulted in the uninformed Bank and Credit Guarantee Fund awarded loans and guarantees in default (the Bank discovered unusual factors in the case for Xiang ○○ Co. Ltd. and did not award the loan; Credit Guarantee Fund discovered unusual circumstances factors in the case for Jie ○○ Industrial Co. Ltd. and did not provide the guarantee, the Bank therefore rejected the loan). Taiwan Taoyuan District Prosecutors Office initiated an indictment against Employee Hsu for the crimes of violating the breach of trust (committed and attempt) under Article 125-2 of the Bank Act on September 1, 2014, and illegal benefit by fraud under Article 339 of the Criminal Act (pre-revision) on June 18, 2014. After the hearing at Taiwan Taoyuan District Court, the verdict of the first instance delivered that Employee Hsu of the Bank was innocent on June 1, 2018. Taiwan Taoyuan District Prosecutors Office was dissatisfied with the verdict and therefore lodged an appeal on June 29, 2018. After a trial at the Taiwan High Court, the Court dismissed the appeal filed by the prosecutor against the employee of the Bank on May 28, 2019, and maintained the verdict of innocence from the first trial. The prosecutor did not file the appeal within the prescribed period; therefore, the innocence of Employee Xu was confirmed.

B. Disclose any fine imposed by the Financial Supervisory Commission for violation of a law or regulation:

Regarding the loan to New ○ Group provided by the Bank, as improvements were required for the investigation and assessment for its operations, and more prudence was required for the loan approval and fund usage verification, the Financial Supervisory Commission (FSC) imposed a fine of NT\$2 million on October 17, 2019. The Bank shall reinforce its operations related to investigation and verification for loans and continue to implement post-loan follow-up management.

C. Disclose any matters in which sanctions were imposed by the Financial Supervisory Commission pursuant to Article 61-1 of the Banking Act:

- a. Deficiencies were found for the implementation of the Bank's anti-money laundering operations, trust operations, accepting the application to purchase financial products, and online banking. The FSC determined that the Bank shall make rectification pursuant to Paragraph 1, Article 61-1 of the Banking Act on December 5, 2018.
- b. According to the Letter Jin-guan-guo-zi No. 10702256210 from the FSC on May 2, 2019, deficiencies were found regarding the implementation of the Bank's anti-money laundering operations which might compromise the healthy operations of the Bank; the FSC determined that the Bank shall make rectification pursuant to Paragraph 1, Article 61-1 of the Banking Act.

D. Disclose any matters in which sanctions were imposed by the FSC pursuant to Article 44 of the Trust Enterprise Act and Article 61-1 of the Banking Act:

- a. For the trust fund marketing under the trust and wealth management operations, carried out marketing activities for particular investment targets to particular personnel or non-professional investors who did not sign the consent for trust marketing.
- b. For trust transaction statements, poor management was found regarding the e-mail address provided by the customers, showing an unfavorable condition to the reconciliation mechanism and the personal data protection for customers.

E. Disclose any security incident arising from employee infidelity or material contingencies or failure to faithfully abide by security maintenance work. If actual losses, whether singly or in aggregate, exceed NT\$50 million in any given year: None.

F. Other matters that must be disclosed pursuant to Financial Supervisory Commission designation: The loans for purchasing high-priced houses provided by the Kaohsiung Branch of the Bank violated the requirements of no grace period in Subparagraph 1, Paragraph 3 under the "Regulations Governing High-Priced Housing Loans Extended by Financial Institutions" by the Central Bank in providing a grace period of 2 years; the Central Bank had imposed a fine amounted to NT\$1 million. To prevent the re-occurrence, the Bank has



adopted measures of increasing educational training for legal regulations, reinforcing information system control, and enhancing post-loan management to make improvements.

(15) Material resolutions of a Shareholders' meeting or a Board meeting during 2019 and up to the end of February 2020

A. Resolutions at the Shareholders' meeting of 2019 (2019.6.14) and resolution execution process

Reason for the resolution	Decision-making and Implementation
Resolution to ratify the annual final statement and statements for 2018.	The Shareholders' meeting has ratified the annual final statement and statements for 2018.
Resolution to ratify the annual earnings distribution from the final accounts of 2018.	The Shareholders' meeting has ratified the surplus distribution from the final accounts of 2018 and the execution of such distribution (cash dividend of NT\$0.3 per share and stock dividend of NT\$0.5 per share), and the distribution was made to Shareholders on September 19, 2019.
Resolution to carry out a capital increase via transferred earnings and issuance of new stocks in accordance with the earnings distribution of dividends for 2018.	Reported to the FSC upon receiving the approval from the Shareholders' meeting, and was publicly announced and became effective on July 25, 2019. Also, the alteration registration was completed according to the approval from the Ministry of Economic Affairs through Letter Jing-shou-shang-zi No. 10801120400 on September 9, 2019. Stock certificates were transferred to shareholders on September 19, 2019, and the listing for trading of our new shares completed smoothly.
Resolution of revising the Articles of Association of the Bank	Reported to the Ministry of Economic Affairs upon receiving the approval from the Shareholders' meeting. The alteration registration was completed according to the approval from the Ministry of Economic Affairs through Letter Jing-shou-shang-zi No. 10801142640 on November 1, 2019.
Removal of non-competition clauses for the Bank's Directors.	Canceled the non-competition restriction on Director Shih-Yuan Tai (representative of Bank of Taiwan Co., Ltd.), and published on the Market Observation Post System.
Resolution of amendments to the Procedures of Acquisition or Disposals of Assets of the Bank.	Implemented through the issuance of Letter Hang-cai-zi No. 1086013155 after receiving the approval from the Shareholders' meeting on July 1, 2019.
Discussion on the resolution of carrying out the capital increase through the private offering of common shares of the Bank.	After receiving the approval from the Shareholders' meeting, a resolution was passed at the 9th Board meeting of the 15th session of Board on August 19, 2019, to set August 19, 2019, as the price determination date; the pricing was NT\$11.95 per share. The National Development Fund, Executive Yuan completed the payment on August 26, 2019, and the alteration registration for the capital amount was completed according to the approval Jing-shou-shang-zi No. 10801128220 on October 24, 2019, and the stocks, with annotation of restriction on transfer, were issued on November 1, 2019.

B. Material resolutions of Board meetings for 2019 and up to the end of February 2020: Please refer to [Bank Profile](#) → [Corporate Governance](#) → [Resolutions of the Board on the website of the Bank](#) (<https://www.tbb.com.tw>).

(16) For 2019 and up to the end of February 2020, disclose any dissenting opinion of any director regarding any material resolution passed by the Board, where there is a record or written statement of such opinion: None.

(17) For 2019 and up to the end of February 2020, the resignations and dismissals of relevant personnel to the financial report

Dec. 31, 2019

Title	Name	Date of commencement	Date of dismissal	Reason for resignation or dismissal
President	Chien-An Shih	2018.3.21	2019.11.06	Retirement

Note: Relevant personnel of the Bank refers to Chairman, President, financial officer, accounting officer, internal audit officer and corporate governance officer.

4. Information on Fees for CPAs

(1) CPA professional charges grading table

Name of the accounting firm	Name of the CPA		Audit period	Notes
KPMG	Tan-Tan Chung	Chun-Kuang Chen	2019	



Unit: NT\$ 1,000

Fee range		Professional charge	Accounting charge	Non-accounting charge	Total
1	Less than NT\$ 2,000,000				
2	NT\$ 2,000,000 (inclusive) to NT\$ 4,000,000				
3	NT\$ 4,000,000 (inclusive) to NT\$ 6,000,000				
4	NT\$ 6,000,000 (inclusive) to NT\$ 8,000,000				
5	NT\$ 8,000,000 (inclusive) to NT\$ 10,000,000				
6	More than NT\$ 10,000,000 (inclusive)		15,024	10,030	25,054

Unit: NT\$ 1,000

CPA Firm Title	CPA Name	Auditing shared expenses	Non-accounting charge					CPA Audit period	Notes
			System design	Corporate registration	Human Resources	Others (Note)	Subtotal		
KPMG	Tan-Tan Chung	15,024		170		9,860	10,030	2019	
	Chun-Kuang Chen								

Note: The primary content of the service for "Others" included in the non-audit fees are: The audit for significant bad debts, legal compliance risk management and supervision, audit for personal data protection, audit for anti-money laundering and combatting the financing of terrorism controlling project, double examination report for e-payment institution revenue, operating assessment report for information system and security control, issuance of financial debts double examination opinion form, vulnerability screening and penetration test of the headquarters, assessment on overall execution of information security, green bond certification, advisory for anti-money laundering and anti-financing of terrorism, independent certification services for anti-money laundering and anti-financing of terrorism/combating terrorism control, and work and bridging visas.

(2) Having altered the CPA firm and the audit fee in the altering year is less than that in the previous year: None.

(3) For companies whose audit shared expenses have decreased by 15% or more, the ratio of the decrease in audit shared expense and the reason should be disclosed: None.

5. Information on Changing CPAs

(1) Former CPA

Date of Change	January 23, 2019		
Reason of Change and Explanation	Internal structural adjustment of KPMG		
Whether the appointment is terminated by the appointor or CPA or the CPA does not accept the appointment	Parties Involved		CPA
	Condition		Appointor
	Terminate the Appointment by Initiative	None	None
	Cease to Accept (Continue) the Appointment	None	None
Opinion and reason for issuing an audit report during the most recent 2 years containing an opinion other than an unqualified opinion	None		
Whether the CPA has any opinion discrepancy	Yes		Accounting principles or practices
			Disclosure in financial reports
			Scope or process of audit
			Other
	No	✓	
	Explanation: None		
Other Disclosures (disclosures required under item A(d), Subparagraph 6, Article 10 of the Regulations)	None		

(2) Successor CPA

Name of the Accounting Firm	KPMG
Name of the CPA	Tan-Tan Chung, Chun-Kuang Chen
Date of Appointment	January 23, 2019
Consultations and the consultation results may be issued by the CPA regarding the accounting treatment of or application of accounting principles to a specific transaction, or the type of audit opinion that might be rendered on the financial report before the appointment	None
Written opinions from the successor CPA regarding the matters on which the firm disagreed with the former CPA	None

(3) A letter of response from the former CPA regarding Item A and Item B (c), Subparagraph 6, Article 10 of the Regulations: None.

6. Bank's Chairman, President, or any manager in charge of finance or accounting matters who has, in the most recent year, held a position at the accounting firm of its CPA or at an affiliated enterprise: None.

7. Changes in Shareholdings of Directors, Executive Officers, and Shareholders Conform to the Regulations Governing the Same Person or Same Concerned Party Holding the Issued Shares with Voting Rights over a Particular Ratio of a Bank, Article 11

(1) Changes in Shareholding

Unit: Share

Title	Name	2019		As of Feb 29, 2020	
		Changes in shareholding	Changes in pledged shareholding	Changes in shareholding	Changes in pledged shareholding
Chairman (Representative, Ministry of Finance)	Bor-Yi Huang	160,020	0	20,000	0
Managing Director (Representative, Bank of Taiwan Co., Ltd.)	Shih-Yuan Tai	0	0	0	0
Managing Director (Independent Director)	Xin-Wu Lin	0	0	0	0
Managing Director (Representative, Ministry of Finance)	Lien-Wen Liang	0	0	0	0
Director (Representative, Ministry of Finance)	Shiu-Yen Lin	0	0	0	0
Director (Representative, Ministry of Finance)	Wen-Chieh Wang	0	0	0	0
Director (Representative, Ministry of Finance)	Hung-Sheng Yu	1,180	0	0	0
Director (Representative, Bank of Taiwan Co., Ltd.)	Li-Ling Lin	0	0	0	0
Director (Representative, Bank of Taiwan Co., Ltd.) (Note 2)	Tzu-Hao Tsai	0	0	0	0
Director (Representative, Land Bank of Taiwan)	Ying-Ming He	0	0	0	0
Director (Representative, TBB Industry Union)	Kuo-Chang Huang	756	0	0	0
Director	Che-Nan Wang	3,235,337	0	100,000	0
Independent Director	Jin-Long Liu	0	0	0	0



Title	Name	2019		As of Feb 29, 2020	
		Changes in shareholding	Changes in pledged shareholding	Changes in shareholding	Changes in pledged shareholding
Independent Director	Wei-Sheng Huang	0	0	0	0
Manager	Chih-Chien Chang	9,404	0	15,000	0
Manager	Yi-Yun Wang	10,370	0	0	0
Manager	Yu-Min Chang	7,909	0	0	0
Manager	Chang-Yu Lin	31,396	0	0	0
Manager	Jia-Ruey Luan	27,343	0	0	0
Manager	Chiu-Yen Chen	9,966	0	10,000	0
Manager	Li-Yueh Hsu	33,582	0	35,000	0
Manager	Tzong-Wen Chou	5,501	0	0	0
Manager	Tsung-Chu Hsieh	5,855	0	0	0
Manager	Mei-Chun Lin	12,681	0	0	0
Manager	Yin-Cheng Tseng	7,075	0	0	0
Manager	Ching-Yun Kuo	10,202	0	0	0
Manager	Ting-Huei Liao	31,869	0	0	0
Manager	Min-Chung Hsieh	76,536	0	0	0
Manager	Chi-Fen Yen	5,879	0	0	0
Manager	Chih-Wei Chen	0	0	0	0
Manager	Yu-Feng Lin	31,971	0	0	0
Manager	Hsih-Hui Chen	5,633	0	0	0
Manager	Yi-Chin Chai	22,608	0	0	0
Manager	Chu-Jou Chen	11,013	0	0	0
Manager	Wen-Shu Lin	5,410	0	0	0
Manager	Tseng-Hsiang Yi	5,574	0	0	0
Manager	Hsiou-Chen Kang	5,356	0	0	0
Manager	Yu-Chuan Chou	6,072	0	0	0
Manager	Wen-Ching Huang	9,910	0	0	0
Manager	Li-Hui Chang	6,310	0	0	0
Manager	Sung-Shui Chiu	7,065	0	0	0
Manager	Tsun-Lin Yeh	5,626	0	0	0
Manager	Chiang-Shu Lin	5,922	0	0	0
Manager	Bih-Lien Fang	33,180	0	0	0
Manager	Kuo-Liang Tseng	5,371	0	0	0
Manager	Hsiu-Chu Lin	5,503	0	0	0
Manager	Wen-Hsiu Huang	7,313	0	0	0
Manager	Huei-Nai Hung	5,358	0	0	0
Manager	Ching-Yi Lin	105,020	0	0	0
Manager	Li-Fang Lee	5,382	0	0	0
Manager	Ching-Wen Lee	3,565	0	0	0
Manager	Shuan-Hua Liu	101,955	0	0	0
Manager	Yu-Chiao Wei	4,958	0	0	0
Manager	Yuan-Hsueh Hsiao	5,366	0	0	0
Manager	Yun-Shiang Tsai	52,500	0	0	0
Manager	Shui-Chiang Fang	1,722	0	0	0
Manager	Long-Jiunn Wu	9,988	0	0	0
Manager	Chih-Cheng Cho	32,652	0	0	0
Manager	Chien-Chung Lin	2,533	0	0	0

Title	Name	2019		As of Feb 29, 2020	
		Changes in shareholding	Changes in pledged shareholding	Changes in shareholding	Changes in pledged shareholding
Manager	Mei-Chih Hou	16,649	0	0	0
Manager	Bi-Chu Chuang	5,397	0	0	0
Manager	Guei-Jin Chiou	6,221	0	0	0
Manager	Wen-Fang Lin	20,267	0	0	0
Manager	Sung-Nan Chiao	2,058	0	0	0
Manager	Chien-Fa Wang	36,237	0	0	0
Manager	Ching-Kuei Hsieh	5,654	0	0	0
Manager	Ruey-Shyang Guo	5,504	0	0	0
Manager	Chao-Lieh Chen	40	0	0	0
Manager	Ching-Hsiu Liu	21,070	0	0	0
Manager	Yueh-Yen Weng	23,921	0	0	0
Manager	Jiunn-Chin Wang	1,136	0	0	0
Manager	Yueh-Chiao Wu	5,623	0	0	0
Manager	Chao-Chih Chueh	5,411	0	0	0
Manager	Tien-Chin Lin	5,408	0	0	0
Manager (Note 3)	Tai Sun	10,107	0	-	-
Manager	Fuh-Yuh Yeh	5,365	0	0	0
Manager	Yen-Ling Chen	5,386	0	0	0
Manager	Yu Lin	15,288	0	0	0
Manager	Su-Chen Huang	3,073	0	0	0
Manager	Fu-Long Chen	25,486	0	0	0
Manager	Ming-Hui Chen	1,040	0	0	0
Manager	Wen-I Lu	2,696	0	0	0
Manager	Hsueh-Ru Liu	15,451	0	0	0
Manager	Liu-Mei Chin	2,786	0	0	0
Manager	Jiann-Yea Shyu	20,460	0	0	0
Manager	Ying-Che Fang	9,469	0	0	0
Manager	Yueh-Chin Wang	15,391	0	0	0
Manager	Hsiao-Ming Chen	5,341	0	0	0
Manager	Mei-Hui Chen	9,171	0	0	0
Manager	Jui-Yuan Huang	0	0	0	0
Manager	Nien-Tzu Chen	11,403	0	0	0
Manager	Chiu-Chin Chen	5,409	0	0	0
Manager	Fang-Chuan Chiu	5,387	0	0	0
Manager	Pao-Sheng Lin	(3,888)	0	0	0
Manager	Chun-Ta Lin	81,043	0	0	0
Manager	Shu-Ting Chen	4,277	0	0	0
Manager	Hsiu-Hsin Hou	5,385	0	0	0
Manager	Yen-Huey Wang	5,298	0	0	0
Manager	Chih-Hsiang Huang	0	0	0	0
Manager	Pi-Chuan Chien	5,440	0	0	0
Manager	Ming-Fa Chien	0	0	0	0
Manager	Ping-Hui Lee	20,381	0	0	0
Manager	Yueh-Mei Chang	0	0	0	0
Manager	Shu-E Chen	4,912	0	0	0
Manager	Shu-Fen Li	31,542	0	0	0
Manager	Li-Chuan Huang	3,549	0	0	0



Title	Name	2019		As of Feb 29, 2020	
		Changes in shareholding	Changes in pledged shareholding	Changes in shareholding	Changes in pledged shareholding
Manager	Chin-Ho Huang	5,486	0	0	0
Manager	Jiann-Gwo Guu	7,115	0	0	0
Manager	Mu-Hsiang Wu	750	0	0	0
Manager	Yu-Pei Liao	20,644	0	0	0
Manager	Chiu-Yu Liu	2,142	0	0	0
Manager	Hsu-Hsiang Huang	85,000	0	0	0
Manager	Nai-Chia Chi	8,855	0	0	0
Manager	Kuan-Yi Huang	2,681	0	0	0
Manager	Su-Fen Chen	5,376	0	0	0
Manager	Li-Huei Chen	1,560	0	0	0
Manager	Shu-Ling Yuan	(23,955)	0	21,000	0
Manager	Yun-Hui Chang	1,379	0	0	0
Manager	Hsiu-Chiao Lin	11,484	0	0	0
Manager	Sheng-Wang Chang	5,288	0	0	0
Manager	Shin-Mao Lin	2,606	0	0	0
Manager	Li-Chung Lin	5,706	0	0	0
Manager	Ping-Sung Yang	15,320	0	0	0
Manager	Man-Chung Yeh	12	0	0	0
Manager	Chih-Cheng Chen	5,759	0	0	0
Manager	Meng-Shin Jeng	7,879	0	0	0
Manager	Meng-Liang Su	5,408	0	0	0
Manager	Shun-Tseng Liao	7,959	0	0	0
Manager	Yih-Shiou Wang	6,868	0	0	0
Manager	Kuo-Tsun Pai	5,421	0	0	0
Manager	Liang-Pin Chen	38	0	0	0
Manager	Tsai-Rong Hung	8,241	0	0	0
Manager	Fu-Ching Chou	5,201	0	0	0
Manager	Cheng-An Hsieh	5,869	0	0	0
Manager	Jung-Yu Huang	5,415	0	0	0
Manager	Ming-Yi Lin	16,776	0	0	0
Manager	Ming-Tang Chen	5,583	0	0	0
Manager	Yueh-Man Sung	6,495	0	0	0
Manager	Chien-Ta Wu	4,020	0	0	0
Manager	Li-Mo Yang	11,634	0	0	0
Manager	His-Her Pai	8,615	0	0	0
Manager	Wen-Chi Chen	3,472	0	0	0
Manager	Tung-Han Lu	812	0	0	0
Manager	Su-Ying Tsai	5,651	0	0	0
Manager	I-Man Chen	5,478	0	0	0
Manager	Jiann-Jang Lin	42,890	0	0	0
Manager	Chia-Cheng Liu	52,773	0	0	0
Manager	Feng-Fu Chen	5,521	0	0	0
Manager	Hsin-Chuan Hsiao	6,613	0	0	0
Manager	Chih-Ming Chuang	5,467	0	0	0
Manager	Guo-Shiang Huang	2,278	0	0	0
Manager	Chien-Lai Su	36	0	0	0
Manager	Yung-Sheng Hu	5,621	0	0	0

Title	Name	2019		As of Feb 29, 2020	
		Changes in shareholding	Changes in pledged shareholding	Changes in shareholding	Changes in pledged shareholding
Manager (Note 3)	Chin-Hsiu Chen	11,366	0	-	-
Manager	Chang-Hui Hsu	4,589	0	0	0
Manager	Shun-Ho Chen	5,455	0	0	0
Manager	Mei-Chen Chen	6,327	0	0	0
Manager	Chiou-Hwa Su	1,486	0	0	0
Manager	Wen-Jang Jou	5,124	0	0	0
Manager	Leh-Chin Kuo	4,400	0	0	0
Manager	Der-Hsung Lin	5,382	0	0	0
Manager	Cheng-Hung Wang	8,451	0	0	0
Manager	An-Yun Lin	10,674	0	0	0
Manager	Chin-Chuan Su	14,670	0	0	0
Manager	Yi-Ching Wang	80,043	0	20,000	0
Manager	Li-Jung Lin	5,931	0	0	0
Manager	Meng-Hsun Sung	40,350	0	0	0
Manager	Yao-Chin Yang	100,000	0	0	0
Manager (Note 3)	Yuan-Yuan Ying	9,663	0	-	-
Manager	Kuang-Tsai Wang	5,371	0	0	0
Manager	Jung-Ling Wang	5,395	0	0	0
Manager	Hsueh-Hsia Chen	11,396	0	0	0
Manager	Hsueh-Mei Yang	0	0	0	0
Manager	Cheng-Tsung Hsu	50,000	0	0	0
Manager	Ching-Yang Lee	5,457	0	0	0
Manager	Shenn-Bao Jean	5,540	0	0	0
Manager	Jen-Jung Fan	5,384	0	0	0
Manager	Be-Yun Tong	(29,321)	0	0	0
Manager	Chao-Ming Huang	5,198	0	0	0
Manager	Sue-Jen Chen	102,547	0	0	0
Manager	Feng-Ying Chen	5,505	0	0	0
Manager	Chin-Fu Chiang	8,801	0	0	0
Manager	Cheng-Hung Chang	5,228	0	0	0
Manager	Hung-Tien Chiang	5,382	0	0	0
Manager (Note 3)	Hsiu-Chen Chiu	-	-	0	0
Manager (Note 3)	Lan-Ying Chu	-	-	0	0
Juristic Person Shareholder Represented by a Director (Note 1)	Ministry of Finance	7,052,824	0	0	0
Juristic Person Shareholder Represented by a Director (Note 1)	Bank of Taiwan Co., Ltd.	55,064,560	0	0	0
Juristic Person Shareholder Represented by a Director (Note 1)	Land Bank of Taiwan	7,760,724	0	0	0
Juristic Person Shareholder Represented by a Director	TBB Industry Union	221,463	0	0	0

Note 1: A primary shareholder holding 1% of the Bank's shares or above.

Note 2: Bank of Taiwan, the juristic person Shareholder, appointed the equity representative Mr. Tzu-Hao Tsai as a Director of the Bank on January 20, 2020. ("-" means that the information is not required to be disclosed)

Note 3: Managers appointed based on the resolution passed at the 12th Board meeting of the 15th session of the Board on January 21, 2020. ("-" means that the information is not required to be disclosed)

(2) Information of shareholding transfer: Not applicable.

(3) Information for shareholding pledge: None.

8. Information Disclosing the Relationship among Top Ten Shareholders in the Relationship of Related Parties or Spouses, Blood Relatives within the Second Degree of Kinship

Information on the Relationship among Top Ten Shareholders

Feb. 29, 2020

Name	Shareholding		Shareholding by Spouse & Minor Children		Shareholding under others' names		Names and the Relationship among the Top Ten Shareholders in the Relationship of Related Parties or Spouses, Blood Relatives within the Second Degree of Kinship		Shareholding
	Shares	%	Shares	%	Shares	%	Shares	%	
Bank of Taiwan (Representative: Chu-Cheng Lu)	1,156,355,774	16.21%	0	0	0	0	Ministry of Finance	Taiwan Financial Holding Co., Ltd., a wholly-owned subsidiary of the Ministry of Finance	
National Development Fund, Executive Yuan	418,410,041	5.87%	0	0	0	0	None	None	
Land Bank of Taiwan (Representative: Bor-Chang Hwang)	162,975,215	2.29%	0	0	0	0	Ministry of Finance	Land Bank of Taiwan, a wholly-owned subsidiary of the Ministry of Finance	
Ministry of Finance (Representative: Jian-Rong Su)	148,109,320	2.08%	0	0	0	0	Bank of Taiwan (subsidiary of Taiwan Financial Holding Co., Ltd.)	Taiwan Financial Holding Co., Ltd., a wholly-owned subsidiary of the Ministry of Finance	
							Land Bank of Taiwan	Land Bank of Taiwan, a wholly-owned subsidiary of the Ministry of Finance	
Morgan Stanley & Co. International Plc	77,547,325	1.09%	0	0	0	0	None	None	
JPMorgan Chase Bank N.A. Taipei Branch in custody for Vanguard Total International Stock Index Fund a series of Vanguard Star Funds	75,717,213	1.06%	0	0	0	0	None	None	
JPMorgan Chase Bank N.A. Taipei Branch in custody for Vanguard Emerging Markets Stock Index Fund A Series of Vanguard International Equity Index Funds	71,193,087	1.00%	0	0	0	0	None	None	
Citibank in custody for Norges Bank Investment Management	68,069,077	0.95%	0	0	0	0	None	None	
BES Engineering Corporation (Representative: Hwa-Yang Shen)	61,807,200	0.87%	0	0	0	0	None	None	
Kin Ming Investment Co., Ltd. (Representative: Chao-Hua Su)	59,583,102	0.84%	0	0	0	0	None	None	

Note: Shareholding amount represents the number of shares recorded on the last ex-dividend basis date.



9. The joint venture directly or indirectly controlled and managed by Directors, President, Executive Vice Presidents and General Manager of each division or branch

Omnibus Shareholding Ratio

Dec. 31, 2019

Unit: Share; %

Name of Joint Venture (Note)	The Bank's Investment		The joint venture directly or indirectly controlled and managed by Directors, President, Executive Vice Presidents and General Manager of each division or branch		Omnibus Investment	
	Shares	%	Shares	Shares	%	Shares
Taipei Forex Inc.	700,000	3.5318%	2,100,000	10.5954%	2,800,000	14.1272%
Financial Information Service Co., Ltd.	6,116,873	1.1718%	20,588,991	3.9443%	26,705,864	5.1161%
Taiwan Stock Exchange Co.	6,918,160	0.9496%	94,782,834	13.0096%	101,700,994	13.9592%
Taiwan Futures Exchange Co.	3,541,364	1.0000%	28,508,004	8.0500%	32,049,368	9.0500%
Taiwan Asset Management Corporation	60,000,000	5.6754%	120,000,000	11.3507%	180,000,000	17.0261%
Taiwan Financial Asset Service Corporation	5,000,000	2.9412%	15,000,000	8.8235%	20,000,000	11.7647%
Sunny Asset Management Corporation	46,062	0.7678%	74,729	1.2457%	120,791	2.0135%
Financial eSolution Co., Ltd.	905,475	4.1158%	2,156,769	9.8035%	3,062,244	13.9192%
Taiwan Depository & Cleansing Corporation	314,988	0.0830%	271,455	0.0715%	586,443	0.1545%
Taiwan Mobile Payment Co.	600,000	1.0000%	2,400,000	4.0000%	3,000,000	5.0000%
Taiwan Power Company	1,451,523	0.0044%	918,981,385	2.7848%	920,432,908	2.7892%
Taiwan Sugar Corporation	16,831,537	0.2986%	24,307,963	0.4312%	41,139,500	0.7298%
Taiwan Incubator SME Development Corporation	3,417,440	4.8438%	-	-	3,417,440	4.8438%
Sunsino Development Associated Inc.	1,480,402	3.1166%	-	-	1,480,402	3.1166%
CDIB & Partners Investment Holding Corp.	54,000,000	4.9505%	-	-	54,000,000	4.9505%
Taipei Financial Center Co.	11,760,000	0.8000%	-	-	11,760,000	0.8000%
Taiwan Urban Regeneration & Financial Services Co., Ltd.	2,500,000	5.0000%	5,000,000	10.0000%	7,500,000	15.0000%
Chaofu Real Estate Management Co., Ltd.	150,000	3.0000%	-	-	150,000	3.0000%
Taiwan High Speed Rail Corporation	44,500,000	0.7906%	29,365	0.0005%	44,529,365	0.7911%
Taiwan Business Bank Insurance Agency Co., Ltd.	500,000	100.000%	-	-	500,000	100.000%
Taiwan Business Bank Property Insurance Agency Co., Ltd.	500,000	100.000%	-	-	500,000	100.000%
TBB International Leasing Co., Ltd.	150,000,000	100.000%	-	-	150,000,000	100.000%
TBB (Cambodia) Microfinance Institution Plc	20,000	100.000%	-	-	20,000	100.000%
TBB Venture Capital Co., Ltd.	30,000,000	100.000%	-	-	30,000,000	100.000%
Taiwania Capital Buffalo II Bioventures, LP	-	1.6900%	-	-	-	1.6900%

Note: Long-term investment of the Bank.



IV

Fund-Raising Status

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1. Shares and Dividends
2. Issuance Status of Financial Bonds
3. Preferred Stocks, Global Depository Receipts, and Employee Stock Warrants, New Restricted Employee Shares, Any Merger and Acquisition Activities, and Acceptance of Transfer of the Shares of Another Financial Institution
4. Status of Implementation of Capital Allocation Plans

1. Shares and Dividends

(1) Sources of Capital

Unit: Shares; NT\$

Year/ Month	Issuing Price	Authorized Capital		Paid-in Capital		Note	
		Number of Shares	Amount	Number of Shares	Amount	Sources of Capital	Others
2019.9	10.00			6,713,574,203	67,135,742,030	Capital Increased by Earnings 3,196,940,100	Letter No. 10801120400 issued by MOEA approved the change in registration on Sep. 9, 2019.
2019.10	11.95	8,000,000,000	80,000,000,000	7,131,984,244	71,319,842,440	Capital Increased by Private placement of Common Shares 4,184,100,410	Letter of No. 10801128220 issued by MOEA approved the change in registration on Oct. 24, 2019.

Unit: Shares

Category of Shares	Authorized Capital			Note
	Outstanding Shares	Un-issued Shares	Total	
Common Shares	7,131,984,244	868,015,756	8,000,000,000	Listed Shares
Preferred Shares	0	0	0	
Total	7,131,984,244	868,015,756	8,000,000,000	

(2) Structure of Shareholders

Feb. 29, 2020

Structure of Shareholders Quantity	Government Institutions	Financial Institutions	Other Juristic Person Shareholder	Personal Shareholder	Foreign Institutions and Personal Shareholder	Total
Number of Shareholders	4	10	396	190,454	803	191,667
Shareholding Amount	592,530,721	1,343,665,070	428,649,443	2,908,413,108	1,858,725,902	7,131,984,244
Shareholding Ratio (%)	8.31	18.84	6.01	40.79	26.05	100.00

(3) Distribution of Shareholding

Par Value NT\$10

Feb. 29, 2020

Classification of Shareholding	Number of Shareholders	Shareholding Amount	Shareholding Ratio (%)
1 to 999	49,290	12,470,442	0.17
1,000 to 5,000	67,461	151,899,645	2.13
5,001 to 10,000	24,411	162,715,559	2.28
10,001 to 15,000	15,942	187,374,743	2.63
15,001 to 20,000	5,986	100,516,458	1.41
20,001 to 30,000	9,844	230,895,706	3.24
30,001 to 40,000	4,199	141,504,111	1.98
40,001 to 50,000	2,714	119,151,062	1.67
50,001 to 100,000	5,809	390,787,007	5.48
100,001 to 200,000	3,367	443,150,865	6.21
200,001 to 400,000	1,491	400,489,637	5.62
400,001 to 600,000	432	208,682,576	2.93
600,001 to 800,000	172	118,694,535	1.66
800,001 to 1,000,000	104	92,087,910	1.29
1,000,001 to 99,999,999,999	445	4,371,563,988	61.30
Total	191,667	7,131,984,244	100.00

(4) Major Shareholders

Feb. 29, 2020

Shareholder's Name	Shareholding Amount	Shareholding Ratio (%)
Bank of Taiwan	1,156,355,774	16.21%
National Development Fund, Executive Yuan	418,410,041	5.87%
Land Bank of Taiwan	162,975,215	2.29%
Ministry of Finance	148,109,320	2.08%
Morgan Stanley & Co. International Plc	77,547,325	1.09%
JPMorgan Chase Bank N.A. Taipei Branch in custody for Vanguard Total International Stock Index Fund a series of Vanguard Star Funds	75,717,213	1.06%
Vanguard Emerging Markets Stock Index Fund A Series of Vanguard International Equity Index Funds	71,193,087	1.00%
Citibank in custody for Norges Bank Investment Management	68,069,077	0.95%
BES Engineering Corporation	61,807,200	0.87%
Kin Ming Investment Co., Ltd	59,583,102	0.84%

Note: Shareholding amount represents the number of shares recorded on the last ex-dividend basis date.

(5) Market Price Per Share, Net Value, EPS, Dividends, and Related Information for the Past Two Years (based on consolidated financial information)

Item		Year	2018	2019	As of Feb. 29, 2020
Market Price Per Share (NT\$)	Max		11.35	13.95	12.75
	Min		8.30	10.25	12.00
	Average		9.72	12.40	12.34
Net Value Per Share	Before Distribution		13.27	13.39	-
	After Distribution		-	-	-
Earnings Per Share	Weighted Average Number of Shares (before adjustment)		6,393,881,000 shares	6,855,719,000 shares	7,131,985,000 shares
	Weighted Average Number of Shares after adjustment)		6,713,575,000 shares	-	-
	Earnings Per Share (before adjustment) (NT\$)		1.19	0.98	-
	Earnings Per Share (after adjustment) (NT\$)		1.14	-	-
Dividends Per Share (NT\$)	Cash Dividends		0.30	(Note 4)	-
	Stock Dividends	Stock Dividends from Surplus	0.50	(Note 4)	-
		Capital Surplus Distribution	-	-	-
	Accumulated Undistributed Dividend		-	-	-
Return on Investment Analysis	Price/Earnings (P/E) Ratio (Note 1)		8.17	12.65	-
	Price/Dividend Ratio (Note 2)		32.40	-	-
	Cash Dividend Yield (Note 3)		3.09	-	-

Note: 1. Price/Earnings (P/E) Ratio = Average Closing Price Per Share of the Year / Earnings Per Share.

2. Price/Dividend Ratio = Average Closing Price Per Share of the Year / Cash Dividends Per Share

3. Cash Dividend Yield = Cash Dividends Per Share / Average Closing Price Per Share of the Year

4. To be determined in accordance with the resolutions of shareholders' meeting



IV

FUND-RAISING STATUS

(6) Dividend Policy and Distributions

- A. Dividend policy prescribed in the Articles of Association of the Bank: Please refer to "Earnings Distribution and Dividend Policy" in the "Notes to the Financial Statements" of "VI. Financial Status."
- B. Dividend distribution to be proposed in the upcoming shareholders' meeting: A cash dividend of NT\$0.20 per share and a stock dividend of NT\$0.50 per share are proposed to be distributed from the capital surplus of 2019 of the Bank.

(7) Impacts of the Stock Dividends to be Proposed in the Upcoming Shareholders' Meeting to Operating Performance and Earnings Per Share

According to the requirements under the "Regulations Governing the Publication of Financial Forecasts of Public Companies" and "Standards for Determining Whether a TWSE Listed Company Shall Publish Complete Financial Forecasts," the Bank did not disclose the complete financial forecast for 2020; therefore, this disclosure item is not applicable.

(8) Employees and Directors' Compensation

- A. Percentage or scope of employees and directors' compensation set out in the Articles of Association of the Bank: Please refer to "Employees and Directors' Compensation" in the "Notes to the Financial Statements" of "VI. Financial Status."
- B. If there is any discrepancy between the actual distribution amount of the estimated employees and directors' remuneration and the estimated amount, the difference will be recorded as an estimated change and included in the profit and loss of 2020.
- C. Status of compensation distribution as approved by the Board of Directors
 - a. The Bank has proposed a total of NT\$384,639 thousand of employees' remuneration and NT\$50,456 thousand of directors' remuneration to be distributed for 2019.
 - b. The amount of any employee compensation distributed in stocks as a percentage of the sum of the current after-tax net income and total employee compensation: The Bank has not distributed any employee compensation in stocks during 2019.
- D. Actual distribution of employees and directors' compensation for the previous year: The Bank distributed employees and directors' compensation for the previous year amounted to NT\$583,736 thousand and NT\$58,374 thousand, respectively, equivalent to the estimates set out in the financial statement of 2018.

(9) Share Redemption by the Bank in 2019 and as of the End of February 2020: None.



本行榮獲 2019 年 BSI 國際永續標準協會之「永續傑出獎」



2. Issuance Status of Financial Bonds

Tier of Financial Bonds	Tranche 99-1 (A) non-cumulative perpetual subordinated bonds	Tranche 99-1 (B) non-cumulative perpetual subordinated bonds	Tranche 102-1 long-term subordinated bonds
Approval Date and Approval Document Number of the Central Competent Authority	Aug. 4, 2010 Letter of Jin-Guan-Yin-Guo-Zi No. 09900289540	Aug. 4, 2010 Letter of Jin-Guan-Yin-Guo-Zi No. 09900289540	Jan. 28, 2013 Letter of Jin-Guan-Yin-Guo-Zi No. 10200016490
Date of Issuance	Sep. 23, 2010	Sep. 23, 2010	Mar. 25, 2013
Nominal Value	NT\$10 million	NT\$10 million	NT\$10 million
Place of Issuance and Trading	Taiwan	Taiwan	Taiwan
Currency	New Taiwan Dollar	New Taiwan Dollar	New Taiwan Dollar
Issuing Price	Issued at full face value	Issued at full face value	Issued at full face value
Total Amount	NT\$3.2 billion	NT\$0.8 billion	NT\$5 billion
Coupon Rates	The first 10 years' coupon rates after issuance: At the floating interest rate on a one-year time general deposit, as posted by the Chunghwa Post Co., Ltd., plus 1.34 percentage points; starting from the 11th year, at the floating interest rate on a one-year time general deposit, as posted by the Chunghwa Post Co., Ltd., plus 2.34 percentage points	The first 10 years' coupon rates after issuance: at the fixed rate of 3.05% per annum; from the 11th year, at the fixed rate of 4.05% per annum.	Annual rate fixed at 1.68%
Term	No maturity date	No maturity date	7-year term Maturity date: March 25, 2020
Priority of Distribution	Subordinate to the holders of the Bank's Tier II subordinated bonds and other ordinary creditors	Subordinate to the holders of the Bank's Tier II subordinated bonds and other ordinary creditors	Superior to stockholders' rights in asset securitization and subordinate to all depositors and other ordinary creditors
Guarantor	None	None	None
Trustee	None	None	None
Underwriting Agency	None	None	None
Verification Lawyer	None	None	None
Verification Accountant	KPMG Tan-Tan Chung, CPA	KPMG Tan-Tan Chung, CPA	KPMG Tan-Tan Chung, CPA
Verification Financial Institution	None	None	None
Payment Method	10 years (including) after the bond is issued, the Bank may redeem the bond, upon the approval of the competent authority, in full at its face value with the accrued interest paid.	10 years (including) after the bond is issued, the Bank may redeem the bond, upon the approval of the competent authority, in full at its face value with the accrued interest paid.	Lump sum payment at maturity (bullet loan)
Outstanding Balances	NT\$3.2 billion	NT\$0.8 billion	NT\$5 billion
Paid-in Capital of the Preceding Year	NT\$38.735 billion	NT\$38.735 billion	NT\$48.982 billion
Net Worth of Paid-in Capital After Final Report for the Preceding Year	NT\$41.727 billion	NT\$41.727 billion	NT\$55.038 billion
Payment Status	Normal	Normal	Normal
Terms for Redemption or Early Settlement	10 years (including) after the bond is issued, the Bank may redeem the bond, upon the approval of the competent authority, in full at its face value with the accrued interest paid.	10 years (including) after the bond is issued, the Bank may redeem the bond, upon the approval of the competent authority, in full at its face value with the accrued interest paid.	None
Conversion and Exchange Terms	None	None	None
Restrictive Term	Subordinate bonds	Subordinate bonds	Subordinate bonds
Net Worth of Paid-in Capital After Final Report for the Preceding Year	105.69	105.69	88.85
Application of Funds	Medium- to long-term loans	Medium- to long-term loans	Medium- to long-term loans
Eligible Equity Capital	Tier I Capital	Tier I Capital	Tier II Capital
Credit Rating Agencies, Evaluation Date and Rating Score	Jan. 25, 2017 Taiwan ratings: twA-	Jan. 25, 2017 Taiwan ratings: twA-	Jan. 25, 2017 Taiwan ratings: twA-

Tier of Financial Bonds	Tranche 102-2 (A) long-term subordinated bonds	Tranche 102-2 (B) long-term subordinated bonds	Tranche 104-1 non-cumulative perpetual subordinated bonds
Approval Date and Approval Document Number of the Central Competent Authority	Oct. 2, 2013 Letter of Jin-Guan-Yin-Guo-Zi No. 10200273730	Oct. 2, 2013 Letter of Jin-Guan-Yin-Guo-Zi No. 10200273730	Apr. 8, 2015 Letter of Jin-Guan-Yin-Guo-Zi No. 10400065480
Date of Issuance	Nov. 25, 2013	Nov. 25, 2013	Jun. 18, 2015
Nominal Value	NT\$10 million	NT\$10 million	NT\$10 million
Place of Issuance and Trading	Taiwan	Taiwan	Taiwan
Currency	New Taiwan Dollar	New Taiwan Dollar	New Taiwan Dollar
Issuing Price	Issued at full face value	Issued at full face value	Issued at full face value
Total Amount	NT\$3.1 billion	NT\$2.9 billion	NT\$5 billion
Coupon Rates	1. The annual rate is calculated in simple interest based on the Index Rate plus 0.52%. The Index Rate is the average of the fixing rate of the 90-day NTD commercial papers in the secondary market shown on p.6165 of Reuter's information screen at 11:00 am (Taipei time) two business days before the interest accrual date. 2. Since January 1, 2015, the Index Rate has been changed to the 3-month "Taipei Interbank Offered Rate (TAIBOR)" published two business days before the interest accrual date on the website of Bankers Association of the Republic of China.	Annual rate fixed at 1.92%	Annual rate fixed at 3.9%
Term	7-year term Maturity date: November 25, 2020	7-year term Maturity date: November 25, 2020	No maturity date
Priority of Distribution	Superior to stockholders' rights in asset securitization and subordinate to all depositors and other ordinary creditors	Superior to stockholders' rights in asset securitization and subordinate to all depositors and other ordinary creditors	Subordinate to the holders of the Bank's Tier II subordinated bonds and other ordinary creditors
Guarantor	None	None	None
Trustee	None	None	None
Underwriting Agency	None	None	None
Verification Lawyer	None	None	None
Verification Accountant	KPMG Tan-Tan Chung, CPA	KPMG Tan-Tan Chung, CPA	KPMG Feng-Hui Lee, CPA
Verification Financial Institution	None	None	None
Payment Method	Lump sum payment at maturity (bullet loan)	Lump sum payment at maturity (bullet loan)	5 years (including) after the bond is issued, the Bank may redeem the bond, upon the approval of the competent authority, in full at its face value with the accrued interest paid.
Outstanding Balances	NT\$3.1 billion	NT\$2.9 billion	NT\$5 billion
Paid-in Capital of the Preceding Year	NT\$48.982 billion	NT\$48.982 billion	NT\$52.979 billion
Net Worth of Paid-in Capital After Final Report for the Preceding Year	NT\$55.038 billion	NT\$55.038 billion	NT\$62.738 billion
Payment Status	Normal	Normal	Normal
Terms for Redemption or Early Settlement	None	None	5 years (including) after the bond is issued, the Bank may redeem the bond, upon the approval of the competent authority, in full at its face value with the accrued interest paid.
Conversion and Exchange Terms	None	None	None
Restrictive Term	Subordinate bonds	Subordinate bonds	Subordinate bonds
Net Worth of Paid-in Capital After Final Report for the Preceding Year	93.48	93.48	66.31
Application of Funds	Medium- to long-term loans	Medium- to long-term loans	Medium- to long-term loans
Eligible Equity Capital	Tier II Capital	Tier II Capital	Tier I Capital
Credit Rating Agencies, Evaluation Date and Rating Score	Jan. 25, 2017 Taiwan ratings: twA-	Jan. 25, 2017 Taiwan ratings: twA-	



Tier of Financial Bonds	Tranche 104-2 (A) long-term subordinated bonds	Tranche 104-2 (B) long-term subordinated bonds	Tranche 105-1 non-cumulative perpetual subordinated bonds
Approval Date and Approval Document Number of the Central Competent Authority	Apr. 8, 2015 Letter of Jin-Guan-Yin-Guo-Zi No. 10400065480	Apr. 8, 2015 Letter of Jin-Guan-Yin-Guo-Zi No. 10400065480	Jun. 24, 2016 Letter of Jin-Guan-Yin-Guo-Zi No. 10500148070
Date of Issuance	Aug. 31, 2015	Aug. 31, 2015	Sep. 20, 2016
Nominal Value	NT\$10 million	NT\$10 million	NT\$10 million
Place of Issuance and Trading	Taiwan	Taiwan	Taiwan
Currency	New Taiwan Dollar	New Taiwan Dollar	New Taiwan Dollar
Issuing Price	Issued at full face value	Issued at full face value	Issued at full face value
Total Amount	NT\$4.7 billion	NT\$0.3 billion	NT\$8 billion
Coupon Rates	Annual rate fixed at 2.05%	Annual rate fixed at 2.10%	Annual rate fixed at 3.20%
Term	8-year term Maturity date: Aug. 31, 2023	10-year term Maturity date: Aug. 31, 2025	No maturity date
Priority of Distribution	Superior to stockholders' rights in asset securitization and subordinate to all depositors and other ordinary creditors	Superior to stockholders' rights in asset securitization and subordinate to all depositors and other ordinary creditors	Subordinate to the holders of the Bank's Tier II subordinated bonds and other ordinary creditors
Guarantor	None	None	None
Trustee	None	None	None
Underwriting Agency	None	None	None
Verification Lawyer	None	None	None
Verification Accountant	KPMG Feng-Hui Lee, CPA	KPMG Feng-Hui Lee, CPA	KPMG Tan-Tan Chung, CPA
Verification Financial Institution	None	None	None
Payment Method	Lump sum payment at maturity (bullet loan)	Lump sum payment at maturity (bullet loan)	5 years and 3 months (including) after the bond is issued, the Bank may redeem the bond, upon the approval of the competent authority, in full at its face value with the accrued interest paid.
Outstanding Balances	NT\$4.7 billion	NT\$0.3 billion	NT\$8 billion
Paid-in Capital of the Preceding Year	NT\$52.979 billion	NT\$52.979 billion	NT\$56.846 billion
Net Worth of Paid-in Capital After Final Report for the Preceding Year	NT\$62.738 billion	NT\$62.738 billion	NT\$67.659 billion
Payment Status	Normal	Normal	Normal
Terms for Redemption or Early Settlement	None	None	5 years and 3 months (including) after the bond is issued, the Bank may redeem the bond, upon the approval of the competent authority, in full at its face value with the accrued interest paid.
Conversion and Exchange Terms	None	None	None
Restrictive Term	Subordinate bonds	Subordinate bonds	Subordinate bonds
Net Worth of Paid-in Capital After Final Report for the Preceding Year	72.68	72.68	71.02
Application of Funds	Medium- to long-term loans	Medium- to long-term loans	Medium- to long-term loans
Eligible Equity Capital	Tier II Capital	Tier II Capital	Tier I Capital
Credit Rating Agencies, Evaluation Date and Rating Score			

Tier of Financial Bonds	Tranche 105-2 long-term subordinated bonds	Tranche 106-1 (A) long-term subordinated bonds	Tranche 106-1 (B) long-term subordinated bonds
Approval Date and Approval Document Number of the Central Competent Authority	Jun. 24, 2016 Letter of Jin-Guan-Yin-Guo-Zi No. 10500148070	Jun. 24, 2016 Letter of Jin-Guan-Yin-Guo-Zi No. 10500148070	Jun. 24, 2016 Letter of Jin-Guan-Yin-Guo-Zi No. 10500148070
Date of Issuance	Dec. 20, 2016	Mar. 28, 2017	Mar. 28, 2017
Nominal Value	NT\$10 million	NT\$10 million	NT\$10 million
Place of Issuance and Trading	Taiwan	Taiwan	Taiwan
Currency	New Taiwan Dollar	New Taiwan Dollar	New Taiwan Dollar
Issuing Price	Issued at full face value	Issued at full face value	Issued at full face value
Total Amount	NT\$2.7 billion	NT\$0.39 billion	NT\$0.25 billion
Coupon Rates	Annual rate fixed at 1.40%	Annual rate fixed at 1.50%	Annual rate fixed at 1.60%
Term	7-year term Maturity date: Dec. 20, 2023	7-year term Maturity date: March 28, 2024	8-year term Maturity date: March 28, 2025
Priority of Distribution	Superior to stockholders' rights in asset securitization and subordinate to all depositors and other ordinary creditors	Superior to stockholders' rights in asset securitization and subordinate to all depositors and other ordinary creditors	Superior to stockholders' rights in asset securitization and subordinate to all depositors and other ordinary creditors
Guarantor	None	None	None
Trustee	None	None	None
Underwriting Agency	None	None	None
Verification Lawyer	None	None	None
Verification Accountant	KPMG Tan-Tan Chung, CPA	KPMG Tan-Tan Chung, CPA	KPMG Tan-Tan Chung, CPA
Verification Financial Institution	None	None	None
Payment Method	Lump sum payment at maturity (bullet loan)	Lump sum payment at maturity (bullet loan)	Lump sum payment at maturity (bullet loan)
Outstanding Balances	NT\$2.7 billion	NT\$0.39 billion	NT\$0.25 billion
Paid-in Capital of the Preceding Year	NT\$56.846 billion	NT\$59.689 billion	NT\$59.689 billion
Net Worth of Paid-in Capital After Final Report for the Preceding Year	NT\$67.659 billion	NT\$70.87 billion	NT\$70.87 billion
Payment Status	Normal	Normal	Normal
Terms for Redemption or Early Settlement	None	None	None
Conversion and Exchange Terms	None	None	None
Restrictive Term	Subordinate bonds	Subordinate bonds	Subordinate bonds
Net Worth of Paid-in Capital After Final Report for the Preceding Year	71.02	64.48	64.48
Application of Funds	Medium- to long-term loans	Medium- to long-term loans	Medium- to long-term loans
Eligible Equity Capital	Tier II Capital	Tier II Capital	Tier II Capital
Credit Rating Agencies, Evaluation Date and Rating Score			



Tier of Financial Bonds	Tranche 106-1 (C) long-term subordinated bonds	Tranche 106-2 long-term subordinated bonds	Tranche 106-3 unsecured US dollar bonds
Approval Date and Approval Document Number of the Central Competent Authority	Jun. 24, 2016 Letter of Jin-Guan-Yin-Guo-Zi No. 10500148070	Jun. 24, 2016 Letter of Jin-Guan-Yin-Guo-Zi No. 10500148070	Apr. 28, 2017 Letter of Jin-Guan-Yin-Guo-Zi No. 10600090390
Date of Issuance	Mar. 28, 2017	May 23, 2017	October 27, 2017
Nominal Value	NT\$10 million	NT\$10 million	US\$1 million
Place of Issuance and Trading	Taiwan	Taiwan	Taiwan
Currency	New Taiwan Dollar	New Taiwan Dollar	US dollar
Issuing Price	Issued at full face value	Issued at full face value	Issued at full face value
Total Amount	NT\$3.36 billion	NT\$1.3 billion	US\$0.12 billion
Coupon Rates	Annual rate fixed at 1.850%	Annual rate fixed at 1.850%	Issued as zero coupon bond, with an internal rate of return of 4.10%
Term	10-year term Maturity date: March 28, 2027	10-year term Maturity date: May 23, 2027	30-year term Maturity date: October 27, 2047
Priority of Distribution	Superior to stockholders' rights in asset securitization and subordinate to all depositors and other ordinary creditors	Superior to stockholders' rights in asset securitization and subordinate to all depositors and other ordinary creditors	The distribution priority is equivalent to other unsecured creditors of the Bank
Guarantor	None	None	None
Trustee	None	None	None
Underwriting Agency	None	None	None
Verification Lawyer	None	None	None
Verification Accountant	KPMG Tan-Tan Chung, CPA	KPMG Tan-Tan Chung, CPA	KPMG Tan-Tan Chung, CPA
Verification Financial Institution	None	None	None
Payment Method	Lump sum payment at maturity (bullet loan)	Lump sum payment at maturity (bullet loan)	Except for the redemption via the "issuer's right," the bond is subject to lump sum repayment at maturity (bullet loan).
Outstanding Balances	NT\$3.36 billion	NT\$1.3 billion	US\$0.12 billion
Paid-in Capital of the Preceding Year	NT\$59.689 billion	NT\$59.689 billion	NT\$59.689 billion
Net Worth of Paid-in Capital After Final Report for the Preceding Year	NT\$70.87 billion	NT\$70.87 billion	NT\$70.87 billion
Payment Status	Normal	Normal	Normal
Terms for Redemption or Early Settlement	None	None	Issuer's redemption right: 5 years after the bond is issued, the Bank may redeem the bond in full, on each effective day of redemption and at the par value prices per share as set out in the bonds redemption table.
Conversion and Exchange Terms	None	None	None
Restrictive Term	Subordinate bonds	Subordinate bonds	
Net Worth of Paid-in Capital After Final Report for the Preceding Year	64.48	66.32	62.96
Application of Funds	Medium- to long-term loans	Medium- to long-term loans	Medium- to long-term loans
Eligible Equity Capital	Tier II Capital	Tier II Capital	No
Credit Rating Agencies, Evaluation Date and Rating Score			

Tier of Financial Bonds	Tranche 107-1 unsecured senior bonds	Tranche 107-2 long-term subordinated bonds	Tranche 107-3 unsecured US dollar bonds
Approval Date and Approval Document Number of the Central Competent Authority	Nov. 15, 2017 Letter of Jin-Guan-Yin-Guo-Zi No. 10600265650	Jun. 6, 2018 Letter of Jin-Guan-Yin-Guo-Zi No. 10702114820	Apr. 28, 2017 Letter of Jin-Guan-Yin-Guo-Zi No. 10600090390
Date of Issuance	Jan. 5, 2018	Aug. 20, 2018	Sep. 27, 2018
Nominal Value	NT\$10 million	NT\$10 million	US\$1 million
Place of Issuance and Trading	Taiwan	Taiwan	Taiwan
Currency	New Taiwan Dollar	New Taiwan Dollar	US dollar
Issuing Price	Issued at full face value	Issued at full face value	Issued at full face value
Total Amount	NT\$1 billion	NT\$5.45 billion	US\$0.18 billion
Coupon Rates	Annual rate fixed at 0.70%	Annual rate fixed at 1.450%	Issued as zero coupon bond, with an internal rate of return of 4.70%
Term	3-year term Maturity date: January 5, 2021	10-year term Maturity date: Aug. 20, 2028	30-year term Maturity date: Sep. 27, 2048
Priority of Distribution	Equivalent to other unsecured creditors of the Bank	Superior to stockholders' rights in asset securitization and subordinate to all depositors and other ordinary creditors	Equivalent to other unsecured creditors of the Bank
Guarantor	None	None	None
Trustee	None	None	None
Underwriting Agency	None	None	None
Verification Lawyer	None	None	None
Verification Accountant	KPMG Tan-Tan Chung, CPA	KPMG Tan-Tan Chung, CPA	KPMG Tan-Tan Chung, CPA
Verification Financial Institution	None	None	None
Payment Method	Lump sum payment at maturity (bullet loan)	Lump sum payment at maturity (bullet loan)	Except for the redemption via the "issuer's right," the bond is subject to lump sum repayment at maturity (bullet loan).
Outstanding Balances	NT\$1 billion	NT\$5.45 billion	US\$0.18 billion
Paid-in Capital of the Preceding Year	NT\$61.48 billion	NT\$61.48 billion	NT\$61.48 billion
Net Worth of Paid-in Capital After Final Report for the Preceding Year	NT\$75.818 billion	NT\$75.818 billion	NT\$75.818 billion
Payment Status	Normal	Normal	Normal
Terms for Redemption or Early Settlement	None	None	Issuer's redemption right: 5 years after the bond is issued, the Bank may redeem the bond in full, on each effective day of redemption and at the par value prices per share as set out in the bonds redemption table.
Conversion and Exchange Terms	None	None	None
Restrictive Term		Subordinate bonds	
Net Worth of Paid-in Capital After Final Report for the Preceding Year	60.19	67.37	74.66
Application of Funds	Medium- to long-term loans	Medium- to long-term loans	Medium- to long-term loans
Eligible Equity Capital	No	Tier II Capital	No
Credit Rating Agencies, Evaluation Date and Rating Score			



Tier of Financial Bonds	Tranche 108-1 (A) long-term subordinated bonds	Tranche 108-1 (B) long-term subordinated bonds
Approval Date and Approval Document Number of the Central Competent Authority	Jun. 6, 2018 Letter of Jin-Guan-Yin-Guo-Zi No. 10702114820	Jun. 6, 2018 Letter of Jin-Guan-Yin-Guo-Zi No. 10702114820
Date of Issuance	Mar. 21, 2019	Mar. 21, 2019
Nominal Value	NT\$10 million	NT\$10 million
Place of Issuance and Trading	Taiwan	Taiwan
Currency	New Taiwan Dollar	New Taiwan Dollar
Issuing Price	Issued at full face value	Issued at full face value
Total Amount	NT\$1 billion	NT\$4.8 billion
Coupon Rates	Annual rate fixed at 1.20%	Annual rate fixed at 1.30%
Term	7-year term Maturity date: Mar. 21, 2026	10-year term Maturity date: Mar. 21, 2029
Priority of Distribution	Superior to stockholders' rights in asset securitization and subordinate to all depositors and other ordinary creditors	Superior to stockholders' rights in asset securitization and subordinate to all depositors and other ordinary creditors
Guarantor	None	None
Trustee	None	None
Underwriting Agency	None	None
Verification Lawyer	None	None
Verification Accountant	KPMG Tan-Tan Chung, CPA	KPMG Tan-Tan Chung, CPA
Verification Financial Institution	None	None
Payment Method	Lump sum payment at maturity (bullet loan)	Lump sum payment at maturity (bullet loan)
Outstanding Balances	NT\$1 billion	NT\$4.8 billion
Paid-in Capital of the Preceding Year	NT\$63.938 billion	NT\$63.938 billion
Net Worth of Paid-in Capital After Final Report for the Preceding Year	NT\$84.853 billion	NT\$84.853 billion
Payment Status	Normal	Normal
Terms for Redemption or Early Settlement	None	None
Conversion and Exchange Terms	None	None
Restrictive Term	Subordinate bonds	Subordinate bonds
Net Worth of Paid-in Capital After Final Report for the Preceding Year	73.36	73.36
Application of Funds	Medium- to long-term loans	Medium- to long-term loans
Eligible Equity Capital	Tier II Capital	Tier II Capital
Credit Rating Agencies, Evaluation Date and Rating Score		

3. Preferred Stocks, Global Depository Receipts, and Employee Stock Warrants, New Restricted Employee Shares, Any Merger and Acquisition Activities, and Acceptance of Transfer of the Shares of Another Financial Institution: None.

4. Status of Implementation of Capital Allocation Plans

(1) Plan Details

- A. To improve the Bank's capital adequacy and risk-bearing capacity in response to the capital requirement of business development, the issuance of long-term subordinated bonds in the amount of NT\$5.8 billion was completed on Mar. 21, 2019; a capital increase through a private placement of common shares was completed on Aug. 30, 2019, with the issuance of 418,410,041 shares at the issuance price of NT\$11.95 per share, and the total amount was NT\$5 billion.
- B. In response to the program of government-funded financial institutions business innovation, TBB Venture Capital Co., Ltd., a subsidiary of the Bank, complied with the government's initiative to help the transformation and upgrade of SMEs and provided funds required for innovative development or inheritance. As of Dec. 31, 2019, it had approved 10 investment cases and appropriated funds for 7 investment cases. Furthermore, to meet the demand for future operations and business promotion, the Bank completed a capital increase of NT\$0.3 billion on Jan. 7, 2020.

(2) Status of Implementation

Analysis of the changes of major financial ratios, capital adequacy ratios, and after-tax earnings per share of the Bank:

Unit: NT\$1,000 ; %

Items	Year	2019	2018	Increase/Decrease
Financial Ratios				
After-tax Return on Assets (ROA)		0.40%	0.48%	-0.08%
After-tax Return on Shareholders' Equity (ROE)		7.47%	9.51%	-2.04%
Capital Adequacy Ratio		12.66%	12.70%	-0.04%
Net Income		6,734,253	7,640,542	-906,289
Earnings Per Share After Tax		0.98	1.14	-0.16

Notes:

- Earnings per share is calculated according to the weighted average number of shares of the current fiscal year. The effects of retrospective adjustments apply to basic earnings per share for 2018.
- Net income for 2019 totaled NT\$6.734 billion, decreased by NT\$0.906 billion from 2018, primarily due to the increase in the allowance for bad debts.



Business Operation

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1. Business Scope
2. Employees
3. Corporate Responsibilities and Ethics
4. The Number of Non-Managerial Full-time Employees, and Their Average Salary and Median Salary
5. Information Equipment
6. Labor-Management Relations
7. Important Contracts
8. Relevant Information on Securitization Products

1. Business Scope

(1) Principal Activities for Different Areas of Business

A. Corporate Banking

a. Corporate financing loan

Engage in different corporate loans, project loans, syndication, bills discounting, domestic credit issuing, domestic and overseas guarantee provision, as well as accounts receivable financing and factoring.

b. Foreign exchange

Engage in import, export, foreign-currency deposits, foreign exchange, foreign-currency loans, forfaiting of time credit without recourse, and overseas financing.

B. Personal Banking

a. Personal loans

Engage in personal mortgage and consumer financing business, etc.

b. Credit card

Engage in credit card issuance and acquiring businesses.

c. Wealth management

Engage in the promotion of wealth products such as life insurance, property insurance, funds, foreign bonds, and gold passbook.

d. Trusts

1) Monetary trust: Fiduciary investments in domestic and overseas marketable securities, advance trust, real estate transaction trust, civil servant estate trust, government projects subsidy trust, caring trust, insurance trust, third-party payment trust, foreign exchange trust, charitable trust, employee stock ownership trust, and other monetary trusts.

2) Custodian business: Entrusted for keeping domestic securities investment trust fund, entrusted for keeping investment-linked fund products, and entrusted for keeping operation bond and foreign investment safe-keeping.

3) Others: Real estate trust, superficies trust, marketable securities trust, and marketable securities certification services.

e. Securities

Engage in marketable securities transactions, margin trading and short selling, as well as futures introducing broker services.

C. Finance Logistics

Engage in the capital movement for New Taiwan Dollars and foreign currencies, foreign exchange transactions, marketable securities transactions, long-term equity investments, financial products marketing, and derivatives business.

D. Deposits

Engage in check deposits, passbook deposit, certificate deposit, tax collection, national treasury agent, collections, and remittance.

E. E-Banking

Engage in e-banking services such as personal internet banking, corporate internet banking, global eBanking, mobile banking, telephone banking, eATM, online cash register, national payment, parking fee collection, virtual accounts, digital deposit account, cross-border e-Pay, Alipay, deposit account acquisition with QR Code, and ACH (eACH, eDDA).

(2) Business Overview for the Past Two Years

A. Corporate Banking

a. Corporate financing loan

Unit: NT\$ million

Items \ Year	2019		2018		Increase (Decrease) %
	Amount	Percentage %	Amount	Percentage %	
SMEs loan balances	513,663	59.95	471,227	58.78	9.01
Large enterprises loan balances	139,194	16.25	130,192	16.24	6.91
Government and public enterprise loan balances	75,702	8.84	82,739	10.32	-8.51
Corporate banking New Taiwan Dollar loan balances	728,559	85.04	684,158	85.34	6.49
Foreign currency loan balances	128,206	14.96	117,562	14.66	9.05
Total	856,765	100.00	801,720	100.00	6.87

b. Foreign exchange

Unit: NT\$ million

Items \ Year	2019		2018		Increase (Decrease) %
	Amount	Percentage %	Amount	Percentage %	
Foreign currency demand deposit	86,499	39.26	89,239	41.61	-3.07
Foreign currency time deposit	133,812	60.74	125,239	58.39	6.85
Total	220,311	100.00	214,478	100.00	2.72

Unit: US\$ million

Items \ Year	2019	2018	Increase (Decrease) %
Volume of foreign exchange business	56,698	69,688	-18.64

Note: The volume of foreign exchange business is the sum of DBU and OBU.

B. Personal Banking

a. Personal loans

Unit: NT\$ million

Items \ Year	2019		2018		Increase (Decrease) %
	Amount	Percentage %	Amount	Percentage %	
Consumer loan balances	6,142	2.16	7,920	2.81	-22.45
Mortgage balances	189,253	66.68	191,707	68.13	-1.28
Other personal loan balances	88,429	31.16	81,779	29.06	8.13
Total	283,824	100.00	281,406	100.00	0.86

b. Wealth management

Unit: NT\$ million

Items \ Year	2019		2018		Increase (Decrease) %
	Amount	Percentage %	Amount	Percentage %	
Fee income for trust funds	528.76	36.60	440.66	28.11	19.99
Fee income for life insurance collection (Note)	881.49	61.01	1089.13	69.47	-19.06
Fee income for property insurance collection	32.08	2.22	34.17	2.18	-6.12
Gold passbook income	2.39	0.17	3.78	0.24	-36.77
Total	1444.72	100.00	1567.74	100.00	-7.85

Note: The fee income from mortgage life insurance and credit card telemarketing insurance is not included in the fee income of life insurance



V

BUSINESS OPERATION

c. Trusts

Unit: NT\$ million

Items	Year	2019	2018	Increase (Decrease) %
Fiduciary investments in domestic and overseas marketable securities balances		55,185	55,521	-0.61
Custodian bank balances (Note)		97,137	88,233	10.09
Other trusts balances		21,388	17,894	19.53

Note: The "Custodian bank balances" includes balances of securities investment trust fund held in trust and discretionary investment assets held in trust.

d. Credit card

Unit: NT\$ million/card

Items	Year	2019	2018	Increase (Decrease) %
Card transaction volume		12,143	12,207	-0.52
Number of issued cards		203,587	326,737	-37.69

Note 1: Visa Debit and Easy Debit cards are not included in the number of issued cards.

Note 2: In September 2019, according to the "contract termination" under credit card terms and conditions, the Bank notified the cardholders who have no credit card transactions for over three years in writing of the termination of contracts to reduce the card-producing and maintaining costs of credits cards.

e. Securities

Unit: NT\$ million/lot

Items	Year	2019	2018	Increase (Decrease) %
Securities broker transacted amount		276,243	291,045	-5.09
Average securities financing balances		1,950	2,344	-16.81
Lot amount for futures (lot)		148,147	234,278	-36.76

C. Finance Logistics

a. Foreign currency and foreign capital transaction

Unit: US\$ million

Items	Year	2019		2018		Increase (Decrease) %
		Amount	Percentage %	Amount	Percentage %	
Forwards		485	0.37	432	0.36	12.36
SWAP		36,884	28.26	24,434	20.32	50.95
Non-deliverable forwards		35	0.03	0	0	100.00
Options		435	0.33	249	0.21	74.58
Inter-bank borrowings and inter-bank loans		92,674	71.01	95,125	79.11	-2.58
Total		130,514	100	120,240	100.00	8.54

Note: The volume of foreign exchange transaction is the sum of the transaction volume of the head office and overseas branches.

b. Stock fund investment

Unit: NT\$ million

Items	Year	2019		2018		Increase (Decrease) %
		Amount	Percentage %	Amount	Percentage %	
Shares		5,167	98.85	2,158	99.04	139.43
Funds		60	1.15	21	0.96	185.71
Total		5,227	100.00	2,179	100.00	139.88

Note: Stated at the initial acquisition costs.

c. Bonds and notes

Unit: NT\$ million

Items	Year	At the end of 2019		At the end of 2018		Increase (Decrease) %
		Amount	Percentage %	Amount	Percentage %	
Short-term notes		195,920	51.66	169,731	51.16	15.43
Certificates of deposit acquisition		174,880		165,150		
Commercial paper acquisition		21,040		4,581		
Acceptances acquisition						
Bonds		183,353	48.34	161,997	48.84	13.18
Government debts		75,398		73,254		
Corporate bonds		51,852		42,720		
Financial bonds		54,637		44,711		
Beneficiary securities and asset-backed securities		1,466		1,312		
Total		379,273	100.00	331,728	100.00	14.33

Note: Stated at the initial acquisition costs.



d. Reinvestment

Investment Target	Investment Amount (NT\$1,000)	Shareholding Ratio (%)
Taipei Forex Inc.	7,000	3.53
Financial Information Service Co., Ltd.	50,041	1.17
Taiwan Stock Exchange Co.	198,012	0.95
Taiwan Futures Exchange Co.	20,000	1
Taiwan Asset Management Corporation	600,000	5.68
Taiwan Financial Asset Service Corporation	50,000	2.94
Sunny Asset Management Corporation	461	0.77
Financial eSolution Co., Ltd.	9,244	4.12
Taiwan Depository & Cleansing Corporation	4,639	0.08
Taiwan Mobile Payment Co.	6,000	1
Taiwan Power Company	11,427	0.004
Taiwan Sugar Corporation	58,294	0.3
Taiwan Incubator SME Development Corporation	29,000	4.84
Sunsino Development Associated Inc.	17,440	3.12
CDIB & Partners Investment Holding Corp.	500,000	4.95
Taipei Financial Center Co.	328,104	0.8
Taiwan Urban Regeneration & Financial Services Co., Ltd.	25,000	5
Chaofu Real Estate Management Co., Ltd.	8,598	3
Taiwan High Speed Rail Corporation	445,000	0.79
Taiwania Capital Buffalo II Bioventures, LP	50,000	1.69

D. New Taiwan Dollar Deposits business

Unit: NT\$ million

Items	Year	At the end of 2019		At the end of 2018		Increase (Decrease) %
		Amount	Percentage %	Amount	Percentage %	
Demand Deposits		669,549	52.16	605,798	52.56	10.52
Time Deposits		614,040	47.84	546,914	47.44	12.27
Total		1,283,589	100	1,152,712	100	11.35

E. E-Banking

Unit: Customer/Transaction

Items	Year	At the end of 2019	At the end of 2018	Increase (Decrease) %
Number of internet banking customers		1,469,297 Customers	1,388,314 Customers	5.83%
Number of mobile banking customers		696,622 Customers	598,606 Customers	16.37%
Number of e-banking transactions		11,572,377 Transactions	10,012,742 Transactions	15.57%

(3) Operating Plan for 2020

A. Corporate Banking

a. Corporate financing loan

- 1) Continue to promote the government's initiative for actively assisting in micro-to-small enterprises and start-ups (of which the capital is below NT\$ 30 million) to obtain the capital required for operations; participate in project loans inaugurated by county/city governments; support youth entrepreneurs as well as small and medium enterprise (SME) corporate financing; invigorate the local economy and fulfill its corporate social responsibilities.
- 2) Promote the "Investment via Taiwan's three major programs" and key innovative industries financing policies of the government to assist enterprises to obtain required funding and increase the investment in Taiwan, creating more domestic employment opportunities.
- 3) Focus on the cluster area of companies to expand the scale of loan and market share in the industrial area.
- 4) Focus on long-term SME customers of or SMEs supported by the Bank and actively organize and manage the syndicated loans to expand the volume of corporate loans and fee incomes.

- 5) With consideration of loan risks and revenue, adjust loan structure, increase the credit guarantee funds transferring to reduce the risk-adjusted assets, and expand the volume of SME loans.
- 6) Focus on the promotion of key businesses of SMEs, enhance educational training and professional competencies to effectively control risks and improve overall service quality.
- 7) Promote the Urban Renewal Finance 2.0 to solve two seniority issues (old buildings and aging population) and two insufficiency issues (land insufficiency and electricity insufficiency); the Bank will combine the urban renewal with senior caring to realize the concept of nursing at home; meanwhile, the Bank will integrate urban renewal with electricity-farming and energy-saving to solve the problems of land and electricity insufficiencies.
- 8) Grasp the green business opportunities, enhance the promotion for green finance, and assist corporates in the development of green industries to achieve the goal of sustainable operations.

b. Foreign exchange

- 1) Strengthen the expansion of our foreign exchange business
 - i. Establish different preferential strategies according to the foreign exchange business scale of customers to give consideration to both business promotion and revenue.
 - ii. Adopt incentive measures or projects in due course; actively expand the foreign exchange business
 - iii. Improve the interactions with regional operation centers to collectively provide assistance to the development of foreign exchange business for branches in the jurisdiction.
 - iv. Enhance educational training to improve professional competencies for foreign exchange, and increase the service quality of foreign exchange business.
 - v. Examine the operating regulations and implement standard operation procedures (SOP) to minimize operating risks.
- 2) Considering the size of the Bank, our overseas branches take risks and revenue into account to remain cautious regarding the compliance with local regulatory measures operate in a prudent manner. Also, due to the differences in regional characters, legal and supervision strength, as well as policies of our head office, our overseas branches may expand their businesses according to the factors of local political and economic situations, industrial changes, and their permitted scope of business.

B. Personal Banking

a. Personal loans

- 1) Enhance the operating efficiencies of personal banking and focus on the growth of revenue.
- 2) Continue to strengthen the expansion of mortgage and life insurance business to increase the fee income of the Bank.
- 3) Fulfill its corporate social responsibilities and fully cooperate with government policies.
- 4) Continue to support the "Home Ownership" policies implemented by the government and expand related policy loans.
- 5) Focus on corporate customers (including employees) and customers using payroll transfer services, and launch preferential mortgage, to increase the revenue of the Bank.

b. Wealth management

- 1) Provide assets allocation plan according to the requirements and the investment nature of customers; invest in premium wealth management customers and take the initiative to develop; fully exert the marketing capacities of employees to improve our commission income.
- 2) Establish a ranking system for professional competencies, provide training and management for wealth management personnel, enhance their marketing techniques, utilize the wealth management database effectively, and take the initiative to seek interacting opportunities with customers to increase sales performance and create the win-win situation.
- 3) Improve performance management, establish dynamic assessment objectives for branches, motivate our fellow employees to scale new heights and strive for honor, so as to achieve the full-year budget target.
- 4) Actively promote cross-departmental resources integration to create synergy effects that deliver satisfactory conditions for all parties involved.

c. Trusts

- 1) Expand the asset scale in our custody through cross-industry cooperation. We continue to cooperate with insurance companies to safe keep the target maturity funds related to investment-linked products so as to provide healthy investment instruments with low volatility to our customers and improve the asset scale and revenue in our custody.
- 2) Engage in the custodian of ETF and private offered fund issued by investment funds; expand and enrich the product line of custodianship of the Bank.

- 3) Continue introducing offshore debenture products with marketability and satisfy the demand from high-asset customers to increase the market competitiveness of the Bank.
 - 4) Comply with the government policy and participate in the Property Trust for the Senior and the Disabilities evaluation and continue to implement trust activities in order to fulfill the corporate social responsibility of the Bank.
 - 5) Organize the "Transmission through Successive Generations Family Trust" event; ensure the successive inheritance for family businesses of SME owners and increase the driving momentum for family trusts.
 - 6) Promote employee benefits saving/shareholding trust for the employee cohesiveness of the corporate; improve the stability of life for employees after retirement, foster harmonious labor relations, maintain company equity to deliver healthy development for the corporate and increase business volume between corporate customers and the Bank.
 - 7) Engage in the public welfare and benefit trust to care for the community, improve the living and caring standards for seniors and the underprivileged groups.
 - 8) Inaugurate foreign currency trust activities in response to the promulgation of the Management, Utilization, and Taxation of Repatriated Offshore Funds Act, pursue the business opportunities of repatriated offshore funds, and fulfill requirements of foreign currency from customers such as asset allocation and wealth management.
 - 9) Provide trust services for real estate and capital in line with the urban renewal and reconstruction of unsafe and old buildings financing for city amenities and living environment improvement.
- d. Credit card
- 1) Cooperate with the government-funded platform to introduce Taiwan Pay scanned transactions, continue holding marketing events, and encourage cardholders' usage by utilizing credit card statements and website of the Bank to achieve the goal of mobile payment promoted by the government and increase the usage rate of mobile payment.
 - 2) Plan for its product portfolio and adjust the rights of existing products to attract customers with different payment requirements and provide more options for cardholders to meet the market demand.
 - 3) Continue the promotion for the Silver Love Credit Card, in which the Bank allocated 0.3% of the general card consumption to help seniors, and further expand the field for such support and care, such as providing cares for the communities and improving living and caring quality for seniors, the disadvantaged, the disabled, children, youth, and women, as well as family support and community relief, to spread love across Taiwan, in the hope of calling upon more people to join public welfare activities and generating the power of love and warmth in Taiwan.
 - 4) Seek cross-industry alliances with moderate size and similar philosophy to launch credit cards, keep on developing stores with discount deals or using payment by installment services, and organize marketing events with stores from time to time, such as free gifts with credit card purchases achieving a prescribed amount to increase credit card trade volume and brand awareness.
 - 5) Categorize the existing customers for departments to carry out marketing events, confirm the joint goal and performance indicators, and maximize cross-department benefits to increase the revenue of the Bank.
 - 6) Organize incentive programs according to the market demand to provide incentives to branches with outstanding promotion performance, so as to improve the business operating performance and attain the budgeting targets for 2020.
- e. Securities
- 1) Cooperate with Yuanta Futures newly engaged by the Bank to organize marketing reward activities; actively expand the ancillary business of futures to increase the trade volume and commission income.
 - 2) Vigorously cooperate with branches to jointly visit the target customer groups, execute annual key operations, and develop securities business to fully exerting the integral marketing function of the Bank and improve the overall contribution of customers.
 - 3) Our training for security personnel focuses on programs related to legal compliance, anti-money laundering, and risk control, so as to enhance our employees' professional know-how for securities and futures investment, to increase dealings with customers and improve our credibility.
 - 4) In order to comply with the Continuous Trading system to be duly implemented by Taiwan Stock Exchange in March 2020, the Bank intends to continuously carry out securities mainframe and hardware upgrades and application system repair procedures.
 - 5) To better meet the investment demand from our customers, the Bank intends to establish an "e-instant accounting" system in 2020 that allows customers to have instant access to information on their personal accounts online to boost customer satisfaction.



C. Finance Logistics

- a. Enhance capital management and operating efficiency to maintain liquidity and improve capital utilization income.
- b. Actively carry out foreign exchange operations to increase exchange gains.
- c. Closely monitor domestic and overseas governmental and economic conditions to get hold of the overall market investment trend. Select premium stocks in different industries in due course to balance the investment allocation and increase our investment income.
- d. Improve the planning and management for our reinvestment business to increase the reinvestment income of the Bank.
- e. Cautiously select premium investment targets with growth potentials and financial health to expand our investment portfolio, boosting foreign currency securities income.
- f. Implement KYC system and assessment for product adequacy; closely monitor customers' credit limits and carry out risks control.

D. Deposits

- a. Make use of various incentive oversight and evaluations to improve the demand deposits promotion momentum of branches, and expand the scale of demand deposit.
- b. Implement oversight and evaluations for branches and strictly control capital costs.
- c. Maintain a stable supply of deposit capital according to the requirements of business development.
- d. Advance our deposits services and reinforce our business advantages.

E. E-Banking

a. Digital upgrades for physical branches

- 1) Apply digital finger vein recognition: Utilize digital finger vein recognition technologies for release made by managers of the Bank; replace the current password release system with the uniqueness of managers' finger vein to save time for release made by managers and improve the security control standards for the review.
- 2) Queuing machine: Numbering machines provide general number-taking and appointment number-taking functions, integrates number-calling system and trading appointment functions, and allow the Bank to understand the number-calling for counter services of all branches.
- 3) Digital display board: To improve the cleanness of all branches and reduce the usage of paper, digital display boards are set up at all branches to display product posters and announcements of the Bank in a carousel.

b. Optimize virtual channels

- 1) Revisions of personal internet banking: Provide the new version of personal internet banking, improve application system and function, and re-design webpages to simplify procedures, offering brand-new experiences for customers.
- 2) Revisions of corporate internet banking: Establish the new version of corporate internet banking, improve application system and function for corporate internet banking, and add new functions for corporate customers and corporate internet banking APP.
- 3) Revisions of mobile banking: Establish the new version of mobile banking, improve mobile banking efficiency, and enhance the user experience for customers.
- 4) Revisions of eATM: Establish the new version of eATM, improve application system and function and re-design webpages to simplify procedures, so as to address customers' requirements.
- 5) Planning for the revisions of the Bank's website: Value the design regarding the user experiences for UI/UX to address customers' requirements.
- 6) Online personal credit loan: Provide personal account online credit trial, loan application and contract identity verification services.
- 7) Online application for micro business loans: Provide services of online credit trial calculation and loan application for business customers.
- 8) Push authentication: To improve the security and convenience of online transactions, establish the security control system of push authentication, which may be used in both internet banking and mobile banking, allowing customers to execute low-risk transactions, such as predesignated transfer and predesignated small-amount transfer.



c. Emerging payment

- 1) Establish the acquiring system for merchants using Taiwan Pay services: To enhance the risk management of and control over merchants' cash flow for merchants using Taiwan Pay services, adopt the real-time monitoring mechanism through the system to achieve the effect of preventing risk in advance and save the labor on post-collection. Furthermore, expand the payment scenarios and introduce credit card interfacing to provide debit card payment and credit card payment services for merchants using Taiwan Pay services.
- 2) Cooperate with JKOPAY: Customers using the deposit services of the Bank may link with their JKOPAY accounts for value storing and payment deduction, offering a convenient payment method.
- 3) Join the official Taiwan Pay Line account and member platform: Utilize the community marketing strategy of LINE, provide new and diversified services for users, enhance the connections with users through social network, as well as integrate marketing resources and channels for push notification.
- 4) Introduce Taiwan Pay bonus points: Establish the bonus management system under the banking system; customers may enjoy bonus rewards at a fixed percentage when using Taiwan Pay for consumption and check their bonus points.

d. FinTech:

- 1) API application for blockchain confirmation: Through interfacing with the API service of "Financial Blockchain Confirmation" provided by FISC, auto-capture the confirmation authorization and inquiries of customers; after the system automatically completed the collection of customers' confirmation data according to the dealings data of customers, the case would be automatically assigned to the department for review, to control cases more efficiently and save human resources.
- 2) Robot advisor: Provide tailor-made investment recommendations according to information and investment targets of investors, recommend the most suitable products by using Big Data to analyze and compare with the database with reference to the investment habit of customers.
- 3) Robotic Process Automation (RPA): Through process automation, automated operations or forms that are more complicated, repetitive, and regular during the operating procedures to improve the efficiency of teller operations and provide faster services for customers.
- 4) Big Data application: Adopt the Big Data application program to collect and analyze customer information, understand customers' behavioral pattern and demand through the omnidirectional view of customers, provide premium services and precise marketing, and further explore the possibilities for developing other businesses.

F. Risks Management

- a. Establish internal credit rating models of "micro SME" and "small SME" to enhance the Bank's management capacity for credit risks.
- b. Implement "Channeling Costs of Risk Capital into Earnings of Domestic Branches Evaluation" system to guide branches adjusting the loan structure to reduce risk-adjusted assets and improve the capital adequacy rate.
- c. Pursue enhancing linking function among the top three managing tools for operating risks, allowing management tools to support and link to one another, perform cross-over analysis and verification, to improve the Bank's capacity for active and advance control on operating risks.
- d. Set up the management process for business risk detection and establish the "Regulations for the Management of Business Risk Detection," to identify, measure, monitor, and control the business risks of the Bank.

G. Legal compliance and anti-money laundering

- a. Continue to optimize the system for anti-money laundering (AML) and combating the financing of terrorism.
- b. Strengthen the supervision for the first line of defense as well as field visits and sampling test for our branches.
- c. Continue to organize educational training and deepen the culture of legal compliance within the Bank.
- d. Establish the classified management levels of legal compliance, anti-money laundering, and combating the financing of terrorism for overseas branches in accordance with the risk based approach, to adopt different levels of administration methods, enhancing the management of overseas branches.
- e. Establish a risk management system for legal compliance to enhance the efficiencies for evaluating risks of legal compliance of the Bank and simplify relevant operational procedures.

(4) Market Analysis

A. Geographic Scope of Operations

Apart from being a specialized bank for SMEs, the Bank also provides diversified services in personal financing, wealth management, and professional financing field. With our branches spreading across the nation, we have 125 branches in Taiwan and 1 Offshore Banking Unit, 8 overseas branches in Hong Kong, Los Angeles, Sydney, Shanghai, Brisbane, Wuhan, New York, and Tokyo as well as one representative office in Yangon, Myanmar.

B. Market supply and demand and market growth in the future

Looking into the domestic and overseas economic performance in 2020, with the trade negotiation between the U.S. and the PRC had reached the initial agreement, the trade conflicts therein are expected to slow down; therefore, the global economic prospects are expected to experience positive development in 2020. However, the outbreak of COVID-19 began to spread worldwide from China since January 2020, causing impacts on petrochemical and electronic manufacturing industries, F&B, retail, tourism and travel, and transportation service industries around the world. In the future, control over COVID-19 will become a significant factor that affects the global economic environment in 2020.

In terms of domestic economic performance, the Directorate-General of Budget, Accounting and Statistics, Executive Yuan estimated the 2020 economic growth rate of Taiwan to be 2.37% on February 12, 2020, a decrease of 0.35% as compared to 2.72% projected in November 2019.

The outbreak of COVID-19 has brought up a trend of interest rate cut worldwide. Central Bank of Taiwan announced a decrease in interest rate by 0.25% on March 19, 2020. It is expected that the Central Bank will still adopt an adequate loose monetary policy in 2020 to stabilize the financial market. Even though New Taiwanese Dollar could have appreciated due to the effect of the repatriate funds from Taiwanese businesses, the outbreak of COVID-19 resulted in significant fluctuation in the global financial market, and the U.S. dollar became the strong currency. It is expected that the development of New Taiwanese Dollar will experience greater fluctuation in accordance with the changes of the outbreak in 2020.

As for the performance of the banking industry, driven by the trade conflicts between the U.S. and the PRC, an increasing number of Taiwanese businessmen return to invest in Taiwan. In particular, the government policies draw the funds to programs of 5+2 industries, long-term care, urban renewal, and the Forward-looking Infrastructure Development Program, which benefit the investment of physical industries and bring relevant business contributions to banks, allowing the loan business of banks to grow. The repatriated funds will also facilitate the business demand for wealth management. Regarding the adverse factors, in the case where COVID-19 continues to plague, loans and wealth management businesses of banks may decrease, posing an unfavorable condition to the banking industry. In addition, the interest rate cut imposed by Central Bank also shrank the profiting space for banks.

In terms of the financial industry's development trend, domestic banks have been vigorously exploring the field of FinTech in recent years to minimize costs and improve service capacities. Three internet-only banks have been approved by the Financial Supervisory Commission (FSC) in July 2019. It is expected to bring healthy business competition to domestic banks and positive influences for the long-term development of domestic banks. However, the impacts of COVID-19 on the global economy still remain as uncontrollable risks that increase operating variables to the banking industry.

C. Positive and negative factors affecting competitive niches and long-term development, as well as response strategies

Regarding the fast-changing global financing and economic state, the Bank may encounter the following circumstances:

a. Favorable factors

- 1) Central banks around the world will maintain loose and low interest rate policies; the inflation outlook remains benign and free of stagflation; currently, there is no systematic risk.
- 2) The Bank possesses a profound local operation basis and extensive groups of customers having long-term relationships with the Bank.
- 3) Leverage on the competitive advantage of "Financing + Counselling," the Bank has been focusing on the SMEs loan business in the long run, assuming an essential part in the market share of SMEs loans with the benefit of scale profit.

b. Unfavorable Factors

- 1) Where stock markets in the U.S. and Europe have experienced the historical high, uncertainties such as the subsequent execution of trade agreement between the U.S. and the PRC, Brexit, and the U.S. presidential election will create significant fluctuation in the global market.
- 2) Increasing competition among domestic financial institutions and high homogeneity in products and services provided.



c. Countermeasures

- 1) Conservative and stable strategies are intended to be taken for our investment operating to obtain stable returns.
- 2) Consider factors of risks and returns to make effective adjustments on assets allocation for the increase of overall income.
- 3) Strengthen the specialized field of SMEs with balanced consideration to both financing and counseling and continue the Bank's role as the specialized bank for SMEs when advancing with times.
- 4) Integrate marketing resources, focus on product promotion, realize cross-selling, and increased business volume with targeting customers to improve the overall contributions of customers.
- 5) Leverage on the channel advantages and integrate marketing resources, deepen relations with target customers and intensify core product promotions to improve the operating performance.
- 6) Establish market segregations and carry out grouped and graded management according to assets of customers; focus on targeted wealth management customers and provide customized integral planning for finance and asset for such customers.
- 7) Introduce diversified products, fixate on the cooperative relationship regarding investment credit, and expand the investment choices to satisfy customers' needs, enhance competitiveness, and improve service fee income.

(5) Financial Product Research and Business Development Summary

A. Primary Financial Products and Size of Newly Added Business Department, and Profit or Loss for the Past Two Years

a. Major financial products of the Bank for the past two years

- 1) Providing the "Micro-to-small Enterprises and Startups Loan," and the loan balances were NT\$38.37 billion at the end of February 2020.
- 2) Providing the "Preferential Loans for Key Innovative Industries," and the loan balances were NT\$97.441 billion at the end of February 2020.
- 3) Providing the "Green Energy Sustainable Project Loan," and the loan balances were NT\$0.95 billion at the end of February 2020.
- 4) Providing the "Happy Family" mortgage project, and the loan balances were NT\$9.584 billion at the end of February 2020.
- 5) Providing the retirement housing "Joyful Retirement" project, and the approved loan amount was NT\$1.401 billion at the end of February 2020.
- 6) Providing the "Eternal Peace and Good Health" house guaranteed loan, and the loan balances were NT\$11.227 billion at the end of February 2020.
- 7) Providing the "Heart of Gold" civil and teaching personnel credit loan, and the loan balances were NT\$0.938 billion at the end of February 2020.
- 8) Providing the "Corporate Elite Loan" and "Premium Loan" mortgage projects, and the loan balances were NT\$12.828 billion at the end of February 2020.
- 9) Providing the "Convenient Revolving Credit Loan" program, and the loan balances were NT\$15.511 billion at the end of February 2020.

b. Newly added business department of the Bank for the past two years: None

B. R&D expenses and results, and the future R&D plan

a. R&D expenses for the past two years

Unit: NT\$ thousand

Year	2019	2018
Amount	36,464	27,990

b. R&D results for the past two years

1) Provide industrial information on a regular basis

To improve the professional knowledge and expertise of industries for our employees, industrial analysis reports were written by the Bank on a regular basis; 96 industrial dynamics reports, 12 profile analysis on domestic and overseas economics and finance, 8 monthly statement for industrial trend, 4 quarterly reports for prospects of domestic industries, and 54 project reports were completed during 2019.

96 industrial dynamics reports, 12 profile analysis on domestic and overseas economics and finance, 8 monthly statements for industrial trend, 4 quarterly reports for prospects of domestic industries, and 6 project reports are expected to be completed during 2020.

- 2) Analysis, reports, and research on particular and major industries
 - i. As Taiwan plays a major role regarding the development of global semiconductor and ICT components, a complete industry chain, including chip design, manufacturing, and modular terminal, is in place. Even though Taiwan may not set international standards, it can manage its role as the critical supply chain player. As such, the department wrote an article of "5G Welcomes New Life" to introduce the evolving progress of 5G and the application of 5G (including smart entertainment, smart manufacturing, smart driving, and smart medicare), hoping to find new business opportunities and provide a reference to the head office for adjusting relevant decisions on corporate loans.
 - ii. In line with the syndicated loans organized and coordinated by the Bank, completed project reports of "Construction Industry," "Effects of the African Swine Flu in the PRC on Relevant Industries in Taiwan," "Heated Tariff War, Technology War, and Currency War between the U.S. and the PRC Resulted in the Increasing Operational Risks," Construction and Engineering Industry," and "Water Processing Industry."
- 3) The issuance of unsecured senior financial bonds in the amount of NT\$1 billion was completed on January 5, 2018.
- 4) The accessible eATM received the certification of Web Content Accessibility Guidelines 2.0 Conformance Level AAA on January 31, 2018.
- 5) Overseas bond investment business commenced from March 1, 2018; relevant operating manuals, booklets, forms were added, and the standard operating procedures were established to improve the investment and wealth management services provided to customers, satisfying the wealth management requirements from customers and reducing operating risks.
- 6) Taiwan Pay links to the "Paytax" online tax payment platform of the Ministry of Finance: From March 31, 2018, functions for auditing fixed categories of taxes such as payment for Individual Income Tax, Vehicle License Tax, House Tax, and Land Value Tax were opened up for Taiwan Pay.
- 7) Foreign currency notes online reservation: The foreign currency notes online reservation function has been opened up for customers at their mobile devices, personal PC, or the SmartTable at smart branches since March 22, 2018.
- 8) Taiwan Pay added barcode and QR code scanned for purchase function: In response to multi-payment scenarios, the function in Taiwan Pay was inaugurated for stores to scan the barcode and QR code of the consumers with the code scanner to complete the debit payments for such purchases.
- 9) The accessible internet banking received the certification of Web Content Accessibility Guidelines 2.0 Conformance Level AA on May 7, 2018.
- 10) TBB Security system was added to the non-predesignated transfer with mobile banking: The execution of "non-predesignated transfer" function through TBB Security with mobile banking was inaugurated on May 15, 2018.
- 11) The accessible official website received the certification of Web Content Accessibility Guidelines 2.0 Conformance Level AA on May 29, 2018.
- 12) "The application platform for the disabilities to apply for ATM inter-bank transaction fee reduction online" was added on July 1, 2018.
- 13) Fast login function added to mobile banking: The "mobile banking fast login function" was inaugurated on July 3, 2018, providing the login function for customers to log in through biometrics or pattern recognition.
- 14) The Bank established the risk hierarchy for the overseas bonds to implement the commodity risk hierarchy and the principle of customer adaptation on July 25, 2018.
- 15) The central billing mainframe report was transferred to an open mainframe; phase one data source collection was completed in July 2018, and relevant reports were produced.
- 16) Taiwan Pay fast transaction and small amount transaction function was added to mobile banking: To simplify the transaction procedures for Taiwan Pay mobile payment, Taiwan Pay fast transaction and small amount transaction was inaugurated on August 9, 2018. When using Taiwan Pay for consumption debiting, shopping by transfer, bill payment, tax payment, and personal transfer, customers may use biometrics verification and pattern recognition to confirm the transaction and complete the Taiwan Pay transaction, expediting the mobile payment procedures.
- 17) The Bank issued the long-term subordinated financial bonds in the amount of NT\$5.45 billion on August 20, 2018.
- 18) The Bank amended the operating procedure for the monitoring of "Type of Suspicious Money Laundering or Terrorism Financing Transactions" for the AML/CFT of trust business on September 6, 2018.
- 19) The Bank completed the issuance of unsecured US dollar financial bonds in the amount of \$0.18 billion on September 27, 2018.
- 20) In response to the version upgrade requirements for operating systems, the Bank carried out the upgrade for the short-term bills clearing-settlement banking mechanism in September 2018.

- 21) The individual network segment operations for three operation centers in Northern area were completed in September 2018 to improve the network structure and enhance the operating efficiency.
- 22) The new mainframe hard drive operating system information transfer was completed on October 20, 2018, to accelerate the data access speed.
- 23) The local and remote backup mechanism for the new mainframe hard drive was completed on October 27, 2018.
- 24) In response to the policy direction of the government and to help domestic industries to obtain the required funds for development, the Bank reinvested in its wholly-owned TBB Venture Capital Co., Ltd., with an investment amount of NT\$2 billion, which was officially opened on October 23, 2018.
- 25) Upgrade of the programming language PL/I of the central mainframe to Enterprise PL/I V4.4, the highest compatible version currently available, was completed on November 17, 2018, to smoothly connect to the subsequent mainframe upgrade and system maintenance and operation.
- 26) On November 17, 2018, the Bank added the function for the end system to print "Non-discretionary Money Trusts Acquisition/Conversion Application" and "Non-discretionary Money Trusts Investing on Overseas Bonds Acquisition/Redemption Application" with specific transaction time automatically.
- 27) Financial blockchain confirmation services: Trail run for "Financial Blockchain Confirmation Services" has completed the confirmation operation on November 29, 2018.
- 28) Established the data warehouse module and collect the internal and external data for the industry for rapid data processing. The establishment of the data module was completed in December 2018 and had been providing to branches for use successively.
- 29) Free-of-form function: To provide convenient services to customers, free-of-form service regarding depositing, withdrawal, and transfer for over-the-counter services have been inaugurated since December 24, 2018.
- 30) Reset the personal internet banking username, password online: To improve the convenience for customers, the Bank provided customers to reset the personal internet banking username, login, transaction password online from December 24, 2018.
- 31) The Bank entered into a Global Master Repurchase Agreement with BANK SINOPAC COMPANY LIMITED on December 26, 2018.
- 32) Carried out upgrades for the personal internet banking, eATM, and mobile banking application system, as well as software and hardware equipment by stage. Introducing micro-service system for the financial module; phase one multi-language webpage was launched on December 28, 2018.
- 33) Personal internet banking revision establishment: The Bank opened up the multi-language services of the new generation internet banking for customers on December 28, 2018.
- 34) The Bank amended the review requirements with approval level to be increased for non-discretionary money trusts in domestic and overseas securities account openings when customers involve higher risk factors of money-laundering and terrorism financing on December 28, 2018.
- 35) The Bank amended the discount authorization for purchase application of all levels to improve the operational efficiency and align with the practices on January 2, 2019.
- 36) The Bank completed the derivative guarantee and market price evaluation comparison on January 16, 2019, to control the opening of derivatives and disgorgement of guarantee.
- 37) The Bank added functions of "user authentication procedure" and "QR Code scanned payment for cross-border online shopping" for the cross border online shopping (cross-border outward remittance) service on January 30, 2019.
- 38) The Bank completed the speed raising for VPN in January 2019; the bandwidth was increased to 20Mbps/60Mbps (uploading/downloading). Divert the administration and business network connection yet carry out the backup procedures for one another for the branches, and allocate the bandwidth more efficiently.
- 39) Taiwan Pay Red Envelope Issuing: The Bank organized the Taiwan Pay Red Envelope Issuing for its mobile banking from February 1 to February 10, 2019.
- 40) The Bank added the expiry notice and review function for the overseas bond custodian system on February 13, 2019, to increase the control over process risks and minimize human-error during the operations.
- 41) The Bank added the system function of automated interest crediting/debting at the end of February 2019 to reduce human work and simplify operating procedures.
- 42) The Ministry of Health and Welfare permitted the Bank to establish the "Public Welfare Trust - Senior Carefree Social Welfare Fund" as the trustee on March 15, 2019. The "Public Welfare Trust - Senior Carefree Social Welfare Fund" made donations to Baojhang Community Development Association in Guanyin District, Taoyuan City and Houhu Community Development Association in Xinwu District, Taoyuan City to assist the associations in repairing the venue and equipment for social care, realizing community care.
- 43) The Bank issued the long-term subordinated financial bonds in the amount of NT\$5.8 billion on March 21, 2019.



- 44) Added Taiwan Pay Scanned for Withdrawal: The Bank adopted the cross-bank scanned for withdrawal specification established by FISC to provide Taiwan Pay Scanned for Withdrawal through mobile banking since March 29, 2019.
- 45) The Bank added functions such as procedures for rejected statements and data maintenance, transaction notification, and repeated statement for mailbox, on April 18, 2019 to reduce human work and provide instant investment information for customers.
- 46) The Bank completed the update for the central billing mainframe on April 20, 2019, to improve the usability of the system.
- 47) The Bank successively completed the storage encryption system for the core system database of its 7 overseas branches since April 2019.
- 48) The Bank added Taiwan Pay Tax Payment by Credit Cards: To provide convenient tax payment for taxpayers, the Bank inaugurated the credit card payment services for Taiwan Pay to make tax payments on April 22, 2019.
- 49) The Bank added the fund return (interests included) information under "Internet Banking - Fund Balances and Profit or Loss Inquiry" and "Trust Fund Transaction Report and Physical/E-Statement" on May 9, 2019, to improve the information disclosure, allowing the beneficiaries of funds to learn the full picture of their investments and understand the investment performance.
- 50) The Bank organized the "Transmission through Successive Generations Family Trust" event on May 10, 2019, to ensure the successive inheritance for family businesses of SME owners and increase the driving momentum for family trusts.
- 51) Taiwan Pay Debit Payment for Credit Card Purchase: The Bank added the credit card payment function of Taiwan Pay to make purchase payment on June 24, 2019, to expand the utilizing scenarios and usage of Taiwan Pay credit card purchase.
- 52) Cloud Payment HCE Card Service: The Bank inaugurated the pilot for Cloud Payment HCE Card Service on June 28, 2019; customers may use the Taiwan Pay mobile banking APP to convert the debit card number or deposit account number with the Bank to corresponding code and download the code to customers' mobile devices for customers to make proximal and remote mobile payment transactions such as transfer, purchase, and tax/fee payments.
- 53) The Bank simplified the accounting closing procedures of the Bank in June 2019, which significantly improved the operating efficiency of its branches and minimized the time for accounting closing.
- 54) The Bank was invited to the ceremony of "Property Trust Evaluation of the Senior and the Disabilities by Trust Business" held by the FSC on July 18, 2019. The nursing trust business of the Bank recorded outstanding performance in 2018 and received an award from the FSC as recognition. According to the statistics of the Trust Association, from 2016 to the 3rd quarter of 2019, the Bank's size of trust estates and the number of beneficiaries ranked the 5th and the 2nd, respectively, among the 43 banks under evaluation, achieving outstanding performances.
- 55) The mobile banking of the Bank provides accessible services with full function since August 2019.
- 56) Establishment of Taiwan Pay Merchant Service System: Allow customers to customize their online real-time account statement and reconciliation to encourage large-scale chain stores introducing Taiwan Pay QR Code for payment collection; the system was launched at the end of September 2019.
- 57) Added the Voice Access for Payment through Mobile Banking Service: To improve the convenience for payments, users may opt for using Taiwan Pay to pay on the page/APP or payment page/APP of merchants via mobile devices. The service was launched in October 2019.
- 58) The Bank inaugurated foreign currency trust business in response to the promulgation of the Management, Utilization, and Taxation of Repatriated Offshore Funds Act on November 28, 2019, to pursue the business opportunities of repatriated offshore funds, and fulfill requirements of foreign currency from customers such as asset allocation and wealth management.
- 59) The Bank launched the data loss prevention (DLP) system in November 2019 and enhanced the review regarding copying documents from personal PC to portable storage media (USB-A portable disks), the audit for trajectory, and the encryption mechanism.
- 60) The Bank launched the intranet terminal equipment management system in December 2019 to control the devices linking to the intranet of the Bank (such as restricting devices with outdated virus definition to connect to the intranet) and integrate the terminal management software of the Bank to generate customized statements.
- 61) Financing patent: To develop FinTech, the Bank had applied for 39 patents from the Intellectual Property Office, MOEA, by the end of December 2019. 26 of such applications were approved (including 16 utility model patents and 10 invention patents).



c. Future Research and Development (R&D) Plans and the R&D expenses expected to be invested

- 1) R&D budget for 2020 is NT\$41,178,000.
- 2) Comprehensive improvement of internet banking: Fully update the personal internet banking, mobile banking, and corporate internet banking that is primarily processing the cash flows of corporate customers. The new internet banking adopts the design structure of "micro-service," which provides advantages such as the flexibility of internet banking system for developments, the flexibility of process design, and efficiency of processing internet banking transactions, and the functions are estimated to be launched successively in the 1st quarter of 2020, the 2nd quarter of 2021, and at the end of 2021.
- 3) Revisions of the official website of the Bank: The comprehensive revision of the Bank's website is scheduled in the 2nd quarter of 2020, valuing the design regarding the user experiences for UI/UX to address customers' requirements.
- 4) API application for confirmation: Through linking the system to the API service of "Financial Blockchain Confirmation" provided by FISC, auto-capture the confirmation authorization and inquiries of customers; after the system automatically completed the collection of customers' confirmation data according to the dealings data of customers, the case would be automatically assigned to the department for review, to control cases more efficiently and save human resources. The function is estimated to be launched in the 2nd quarter of 2020.
- 5) Smart Customer Service: Utilize AI to analyze natural language, categorize the syntax of customers' questions, and seek answers for the questions. The service provides the 24/7 uninterrupted automated smart response to improve customers' experiences. The service is estimated to be fully launched in the 1st quarter of 2020.
- 6) Online personal credit loan: Provide 24/7 online credit loan application to introduce the service traditionally provided by branches into computers and mobile devices. Customers may obtain information of personalized credit loan limits and interest rate rapidly, and carry out online loan application and identity verification through internet banking and Citizen Digital Certificate authentication process, to satisfy customers' demand of convenient and fast application for capital loans; the service is estimated to be launched in the 2nd quarter of 2020.
- 7) Online micro-to-small enterprise loan: Owners with funding needs may fill out relevant corporate information on the Bank's website or the APP on mobile devices to rapidly obtain the loan limit and interest rate of trial calculation results related to the micro-to-small enterprise loan and make applications, providing fast and convenient corporate loan services; the service is estimated to be launched in the 2nd quarter of 2020.
- 8) Establish a diversified acquiring system: To enhance the risk management and control of merchants' cash flow for merchants using Taiwan Pay services, a real-time monitoring mechanism for the acquiring system for merchants is added to achieve the effect of preventing risk in advance and save the labor on post-collection. Continue to expand the payment scenarios and organize the credit card linking model to provide debit card payment and credit card payment services for merchants using Taiwan Pay services; the service is estimated to be launched in the 3rd quarter of 2020.
- 9) Add an internet banking push release system: To improve the security and convenience of online transactions, introduce the security control system of push authentication, which may be used in both internet banking and mobile banking, allowing customers to execute low-risk transactions (such as predesignated transfer and predesignated small-amount transfer); the system is estimated to be launched in the 3rd quarter of 2020.
- 10) Cooperate with JKOPAY for linking with deposit accounts of the Bank: Customers using the deposit services of the Bank may link with their JKOPAY accounts for value storing and payment deduction, offering a convenient payment method; the system is estimated to be launched in the 3rd quarter of 2020.
- 11) Robot advisor: Provide tailor-made investment recommendations according to information and investment targets of investors, recommend the most suitable products by using Big Data to analyze and compare with the database with reference to the investment habit of customers; the system is estimated to be launched in the 3rd quarter of 2021.
- 12) Introduce Taiwan Pay bonus points: Establish the bonus management system under the banking system; customers may enjoy bonus rewards at a fixed percentage when using Taiwan Pay for consumption and check their bonus points; the system is estimated to be launched in the 4th quarter of 2020.
- 13) Robotic Process Automation (RPA): Through process automation, automated operations or forms that are more complicated, repetitive, and regular during the operating procedures to improve the efficiency of teller operations and provide faster services for customers.
- 14) Join the official Taiwan Pay Line account and member platform: Utilize the community marketing strategy of LINE, provide new and diversified services for users, enhance the connections with users through social network, as well as integrate marketing resources and channels for push notification.
- 15) The official Line account of TBB: Focus on providing basic information and information query services, and establish customer identity links and personalized service functions.

(6) Short- and Long-Term Business Development Plans

- A. Short-term business development plan: Please refer to the "(3) Operating Plan for 2020" in this chapter.
- B. Long-term business development plan: Please refer to "3. Future Development Strategies" in "I. Letter to Shareholders."

2. Employees

(1) Employees Information

Year		From this year to Feb. 29, 2020	2019	2018
No. of employees		5,189	5,221	5,082
Average age		44.15	44.17	44.62
Average year of service		16.94	17.06	17.83
Percentage Distribution of Academic Qualifications - (%)	Ph. D.	0.21	0.21	0.18
	Master's degree	16.77	16.64	15.51
	University/College	75.87	75.87	75.93
	High school	6.76	6.88	7.93
	Below high school	0.39	0.40	0.45
Name and number of employees who hold professional licenses	Licenses for trusts	4,374	4,390	4,311
	Financial planner	1,676	1,686	1,686
	Senior Qualification Examination for Professional and Technical Personnel (Lawyers and Chartered Public Accountant)	11	12	13
	Qualification Examination for Senior Securities Specialist	1,693	1,696	1,699
	Qualification Examination for Securities Investment Analyst	87	87	87
	Qualification Examination for Futures Specialist	2,083	2,089	2,070
	Grade above S2 for FLPT®	1,131	1,125	976
	Internal auditor	12	12	12
	Basic Proficiency Test on Bank Internal Controls	3,641	3,647	3,580
	Financial Risk Manager (FRM)	14	14	13
	Certified Financial Planner (CFP)	17	17	14
	Qualification Examination for Property and Insurance Broker	14	13	13
	Qualification Examination for Property Insurance Agent	10	9	9
	Qualification Examination for Personal Insurance Broker	9	8	8
	Qualification Examination for Personal Insurance Agent	8	7	7
	Qualification Examination for Investment-orientated Insurance Product Representative	4,075	4,072	4,004
	Property Insurance Representative	3,672	3,684	3,610
	Personal Insurance Representative	4,529	4,536	4,433
	Test for the Sales of Non-investment-oriented Life Insurance with Payment in Foreign Currency by Personal Insurance Representative	3,024	3,029	2,999



(2) Studies and Training for Employees

- A. Completed all training according to Enforcement Guidelines for Training for Employees of Taiwan Business Bank, Ltd. and the 2019 Employees Training Plan with a total of 444 sessions (including 36 sessions of business foundation, 329 sessions of business seminars, 8 sessions of managers, 25 sessions of weekend classes, 46 sessions of lectures/orientations) held, with an additional 60 sessions to the original planned 384 sessions. The execution rate throughout the year was 116%, the total number of people trained was 47,056, the employee training rate was approximately 9.01 times per person, and the annual employee training expenses were NT\$38,589,000 in total.
- B. In response to the Bank 4.0 digital financing environment, the Bank provides a series of courses in relation to digital marketing for its employees to gain a profound insight into FinTech and innovation, corresponding to the future transformation opportunities for banks.
- C. To strengthen the competitiveness of the Bank and improve the professional knowledge, expertise, and function, the Bank organized business directing and management development training courses to boost the quality of our management and reduce the operating risks.
- D. The competent authority from our head office will assign relevant personnel to participate in training courses organized by external professional training institutions, encouraging employees to absorb new knowledge and improve their professional competencies, so as to meet the requirements on professional competencies for the business development of the Bank, comprehensively promote the business development.

(3) Employee Code of Conduct and Ethics

The Bank attaches great importance to the employee code of conduct and ethics. All of our employees are provided with the working rules for them to clearly understand their own rights and code of conduct to be observed, including loyalty and dedication, legal compliance and faithfulness, honesty and integrity, professional commitment, confidentiality, and courtesy. Our employees also adhere to a high standard of morals and ethics.

(4) Protective Measures for the Safety of the Work Environment and Personal Safety of the Employees

Items	Description
Access control	A. A rigorous access control monitor system is available during daytime and night time. B. The Bank has signed a contract with the security company regarding night time and weekends to protect the safety of the branches. C. Connect with the police and public security unit as a precaution.
Equipment inspection and maintenance	A. According to the requirements under Regulations for Inspecting and Reporting Buildings Public Security, the Bank shall engage professional companies to carry out the security inspection every two to four years. B. The Bank commissioned professional organizations to inspect the fire safety facilities every year as required by the Fire Services Act. C. According to the Code of Occupational Safety and Health of the Bank, the maintenance and inspection for motorcycles, air conditioners, vehicles, coin counters, kitchen, hole puncher, and bill counter are carried out per day; the maintenance and inspection for air conditioners, first-aid kit, fire service equipment, and elevators are carried out per month; the maintenance and inspection for vehicles are carried out per season; the maintenance and inspection for high/low voltage electrical equipment are carried out per six months; the maintenance and inspection for motorcycles, fire service equipment, and elevators are carried out per year; and the maintenance and inspection for motorcycles are carried out per three years.
Disaster prevention and response measures	A. The Bank has disaster prevention, rescue notes, and occupational accident reporting procedures in place, including "Disaster Emergency Response Countermeasures Manual," "Management Guidelines for Major Contingencies," "Procedure Guidelines for Security and Grouping of Branches," "Code of Occupational Safety and Health," "Regulations Governing Occupational Safety and Health," "Workplace Self-inspection Plan," and "Procedure Guidelines for Equipment Maintenance." Such procedures specify the responsibilities and mission for personnel at each level before and after material events of natural disasters and material emergencies of robberies. Anti-robbery drills are performed twice a year at our branches. B. Except for the organization of the Civil Defense Corps, our head office also engages the competent authority regarding fire services to organize the fire service lectures. C. To safeguard the security and health of our employees, the Occupational Safety Section subordinates to the Human Resources Department is in place for the promotion of safety and health affairs.
Physical Health	A. Health check and health management: Regular health check is provided for employees, and medical workers present at the branches will offer health guidelines and recommendations to employees who receive abnormal results of the health check. B. Hygiene of the working environment: Smoking is prohibited at all business premises. The Bank also carries out regular office cleaning and sterilization and sets the 17th of each month as the cleaning day. C. In order to help voluntary health management of our employees, the Bank organizes health seminars, CPR training, and provides health-related programs on the digital learning website of the Bank for our fellow colleagues to learn new knowledge from the internet and enrich their concepts of health.

Items	Description
Mental Health	A. Provide physical and mental relaxation for employees: To help care for the living quality of our employees and relieve their stress from workplace and family, the Bank provides programs of pressure release, family care, emotion control, and encouragement on its digital learning platform for our fellow colleagues to access, adjusting mental health in due course. B.. Prevention of sexual harassment at the workplace: Establish report regulations and punitive terms.
Advice on hazardous factors during operations of contractors	Setting up the "Advice on hazardous analysis during operations environment of contractors" and "Q&A" in the exclusive zone for the employees of the Bank according to the government regulations.
Insurance and Medical Care	A. The Bank provides labor insurance (including occupational injury and disease) and health insurance to its employees according to the law, and negotiate with insurance companies to provide casualty insurance, accident medical insurance, and cancer insurance to the Bank's employees and their families at a rate of concession. B. The Bank offers work-related casualty insurance for all our employees with coverage of NT\$3 million. For work-related disability or work-related deaths, the insurance claim will be used to support the employee or its successors. C. Provide disease subsidies to our clerks, their spouses, and descendants.

3. Corporate Responsibilities and Moral Conducts: Please refer to IX. Corporate Social Responsibility Report.

4. The Number of Non-Managerial Full-time Employees, and Their Average Salary and Median Salary

Unit: Person; NT\$; %

Items	2019	2018	Growth rate
Number of non-managerial full-time employees (person)	4,863	4,664	4.27%
Average salary of non-managerial full-time employees (NT\$ thousand)	1,158	1,322	-12.41%
Median salary of non-managerial full-time employees (NT\$ thousand)	1,029	Note 2	Note 2

Note: 1. The average salary of non-managerial full-time employees has decreased primarily due to the reduction in performance bonus, employee remuneration and subsidies for CAMS annual fees.

2. Complying with the requirements under the "Guidelines Regarding Matters to be Recorded in Annual Reports of Banks" amended through Order No. 10902707461 issued by the Financial Supervisory Commission on March 24, 2020, the salary information of non-managerial full-time employees was disclosed for the first time in the annual report. Since the information of the "Median salary of non-managerial full-time employees" for 2018 is not available, the difference from the year 2018 cannot be compared.

5. Information Equipment

(1) Primary hardware: Central billing mainframe, foreign exchange mainframe, fund mainframe, automatic tape library of the mainframe, virtual tape library of the mainframe, hard drive of the mainframe, laser printer of the mainframe, hard drive of the open system, tape library of the open system, virtual tape library of the open system, server of the open system, and network equipment.

(2) Primary information system: Deposits system, loans system, remittance system, foreign exchange system, credit card system, general ledger system, e-banking information system, teller terminal system, seal/signature verification system of the Bank, ATM system, ATM monitoring system, the central operating system for collection bill and outward remittance, statement management and inquiry system, CRM system, digital branches system, AML system, fund system, wealth management system, and overseas branches system.

(3) Information operating project

- The Bank completed the update for the central billing mainframe in April 2019, and the SYSPLEX system with local HA is expected to be completed in April 2020.
- Establish an online credit rating model that combines the internal and external data from the Data Center of the Bank and JCIC and input various risk factors to instantly calculate the available financing amount and interest rate.



- C. Real estate valuation ancillary analysis: Establish a common valuation standard, provide trial calculation online for the amount of loan, and customers may make inquiries regarding the recommended valuation amount online.
- D. Standardize customer addresses of the Bank, centralize and integrate all customer address correction procedures to minimize data errors, and enhance the marketing application of customer data for the future.
- E. Organize the foreign currency system and the New Taiwan Dollar system integration for single entry, and rebuild the terminal system at our branches with a user-friendly operating interface.
- F. Continue to improve the quality of information service and the knowledge and competence of professional staff and establish a knowledge bank and a function map for professional staff.

(4) Emergency backup and security protection measures for information operations

- A. Central mainframe backup
The operating center of the Bank locates in Linkou, and a remote backup center locates in Taipei; both centers adopt the warm backup model. During business hours, where disasters occurred in the central computer facilities, the backup computer facilities would restore the crucial system within 4 hours to maintain the fundamental services provided by the Bank. In addition, to enhance the familiarity of our employees toward the operating procedures and the completeness of the verification document, remote backup rehearsals are carried out twice a year.
- B. Branches backup
Our branches are equipped with backup networks. Also, when accidents occur and the connection system is down, customers may present at the nearby branch with relevant documents for handling.
- C. Computer virus and hacker invasion precaution for computer equipment of the Bank
 - a. Spam filtering and malicious email blocking system is in place; meanwhile, external email accounts are prohibited, and letters have been dispatched to all departments regarding internal control operations.
 - b. Building antivirus walls for Internet, dual-firewall system, and Intrusion Prevention System (IPS); monitor the access to DMZ zone (i.e., Internet banking, the entry portal, and online financing system, etc.) and server zone (i.e., application server, and database server, etc.), as well as all external website connection made by our employees, to reinforce the cybersecurity protection.
 - c. Construction of the Web Application Firewall (WAF) and enhance the security for web application vulnerabilities and block webpage attacks on the application level (i.e., DoS, and SQL injection, etc.).
 - d. Carrying out information security vulnerability scanning and penetration scan regularly and set up an internal vulnerability scanning system to scan PCs, newly launched business, and testing systems of the Bank to reinforce the security system.

6. Labor-Management Relations

(1) Welfare measure of the Company

- A. Employees may use their off-hours to participate in language studies and fitness programs and apply for subsidies according to the Bank's requirements.
- B. The cafeteria at the headquarter provides delicious lunch at a decent price for employees.
- C. Except for employees involving in the securities business, all the employees may enjoy blue-chip rates for deposits and loans.
- D. For employees reaching the age of retirement and at the age of 60 or above, the Bank will provide bonuses for the three important Chinese holidays to those who are willing to retire voluntarily.
- E. The Bank provides insurance for all employees with coverage of NT\$3 million regarding emergencies related to work; employees may apply for claims from insurance companies concerning work-related injury or illness or work-related death.
- F. The Bank has established an "Employee Benefits Committee" that withholds the 0.5% of the employees' salaries as the benefit payment per month and allocate 0.15% of the revenue for the Employee Benefits Committee to organize and use in matters in relation to employee benefits, including education scholarships for children of employees, employees fertility subsidies, disease subsidies to our clerks, their spouses, and descendants, provision of one-year term group insurance, and benefit payment for the three important Chinese holidays for employees on duties.
- G. Inaugurate the Employee Stock Ownership Trust to create a win-win situation for the Bank and its employees.

(2) Retirement system

The Bank shall set aside the pension (contribution rate of 6%) per month to deposit in the employees' individual pension accounts for employees eligible for the new labor pension plan. The Bank shall set aside employees' retirement allowance (contribution rate of 7.83% at the end of 2019) per month to deposit in financial institutions designated by the government for employees eligible for the old labor pension plan. As of the end of 2019, balances in the employees' retirement allowance account was over NT\$5.1 billion. The Bank has established the Labor Retirement Allowance Supervision Committee to supervise the utilization and contribution of retirement reserve funds.

Regarding the procedures and conditions for retirement application, the Bank complies with the "Direction for Employees' Retirement, Consolation Payment, and Discharge with Severance Payment of TBB" and the "Group Contract" signed between the Bank and the TBB Industry Union for employees' retirement.

(3) Labor-management Agreements and Protective Measures for Employee Rights and Interests

The Bank convenes labor-management conferences regularly according to "Regulations for Implementing Labor-Management Meeting" to negotiate employee rights and interests, and implements according to the resolutions at the conferences; the execution process remains well.

(4) Losses arising from labor disputes in the most recent year and up to the end of February 2020: None.

(5) Current or future potential losses arising from labor disputes: None.

7. Important Contracts:

Nature of contract	Parties	Contract start/end date	Main content	Restrictive terms
Outsourcing contract	Taiwan Mobile Payment Co., Ltd.	From December 25, 2014 to December 24, 2016 (Automatically renew for 2 years where no party disagrees; currently, the expiry is December 24, 2020)	Join the Payment Service Provider TSM (PSP TSM) and outsource data processing services to Taiwan Mobile Payment Co., Ltd., including card creation (i.e., credit card, and debit card, etc.) for mobile payment instruments and life cycle management for cards.	Confidentiality clause
Outsourcing contract	SYSTEX Corporation	From July 1, 2016 to June 3, 2018 (Automatic renewal for 1 year upon expiry and up to 2 times; currently, the expiry is June 3, 2020)	Credit card related operations - Operations of form printing, filling and sealing, and posting.	Confidentiality clause
Outsourcing contract	Financial Information Service Co., Ltd.	From December 1, 2013, to December 31, 2014 (Automatic renewal for 1 year upon expiry and same rules apply subsequently; currently, the expiry is December 31, 2020)	Credit card related operations - Operations of international card purchase and authorization, operations of card opening/card suspension/reporting of loss, cash advance, emergency services.	Confidentiality clause
Outsourcing contract	Taiwan FamilyMart Co., Ltd.	From October 1, 2012, to December 31, 2013 (Automatic renewal for 1 year upon expiry and same rules apply subsequently; currently, the expiry is December 31, 2020)	Credit card operations - Collecting the credit card bill payment from the cardholders.	Confidentiality clause
Outsourcing contract	Hong Li Assets Management Consultancy Co., Ltd.	From November 7, 2007 onward (No expiration date and the Bank may terminate the contract at any time)	Outsourcing debt collection for credit card and consumer finance	Confidentiality clause
Outsourcing contract	Hong Kong Gold Partners (Asia) Asset Management Co., Ltd. Taiwan Branch	From November 7, 2007 onward (No expiration date and the Bank may terminate the contract at any time)	Outsourcing debt collection for credit card and consumer finance	Confidentiality clause



Nature of contract	Parties	Contract start/end date	Main content	Restrictive terms
Outsourcing contract	Taiwan Security Co., Ltd. and LeeBao Security Co., Ltd.	Established on the date of signing by the signing department for a term of one year (the contract has an automatic extension term)	Cash transit operation - Temporary and pay-per-use (2 firms)	None
Outsourcing contract	Taiwan Security Co., Ltd. and LeeBao Security Co., Ltd.	Established on the date of signing by the signing department for a term of one year (the contract has an automatic extension term)	Cash transit operation - Charter by month (2 firms)	None
Outsourcing contract	Chung Hwa Express Corp.	Established on the date of signing by the signing department for a term of one year, the contract will automatically extend for 1 year, and same rules apply subsequently	Marketable securities, notes, and receipts transit operations	None
Outsourcing contract	An Feng Enterprise Co., Ltd. and Lian An Service Co., Ltd.	Established on the date of signing by the signing department for a term of 1 year, and the contract has an automatic extension term	ATM replenishing operations (2 firms)	None
Outsourcing contract	Shin Kong Security Co., Ltd., Taiwan Secom Co., Ltd., and China Steel Security Co., Ltd.	Established on the date of signing by the signing department for a term of 3 years, and the contract has an automatic extension term	ATM video monitoring operations (3 firms)	None
Outsourcing contract	Yuen Foong Paper Co., Ltd.	From July 24, 2019 to July 23, 2020 (the contract has an automatic extension term for the renewal of 1 year)	Matters of printing cash dividends check, data processing, and folding for postage.	None
Outsourcing contract	Yuen Foong Paper Co., Ltd.	From October 1, 2019 to September 30, 2020 (the contract has an automatic extension term)	Logistics for data processing - Notice operations for New Taiwan Dollar time deposits automatic renewal upon expiry.	None
Outsourcing contract	SYSTEX Corporation	From March 1, 2017 to February 28, 2019 (Automatic extension for half a year upon expiry, and up to 2 times)	Operations of form printing, cutting and folding, filling and sealing, and posting regarding domestic and overseas mutual fund investment report operations.	None
Outsourcing contract	SYSTEX Corporation	From July 1, 2017 to June 30, 2019 (Automatic extension for half a year upon expiry and up to 2 times; extended to June 30, 2020)	Matters of printing, filling and sealing, and posting of balances verification statement regarding transactions with customers.	None
Outsourcing contract	SYSTEX Corporation	From January 1, 2020 to December 31, 2023	Printing, filling and sealing, and posting of e-banking transfer transaction statement.	None
Outsourcing contract	SYSTEX Corporation	From November 1, 2019 to October 31, 2022 (Automatic extension for 1 year where no party sends a letter to notify the termination of contract, and the automatic extension is up to 2 times)	Printing, sealing, and posting of the balance statements for check deposits.	None
Outsourcing contract	Trade-Van	From August 1, 2019 to December 31, 2021 (Automatic renewal for 1 year upon expiry, and same rules apply subsequently)	Issuing the uniform invoice and receipt for participating merchants and providing online inquires and statement downloading services for participating merchants.	Confidentiality clause

8. Relevant Information on Securitization Products: None.



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9. Financial Difficulties Confronted by the Bank or Its Subsidiaries and the Related Impacts



1. Brief Consolidated Balance Sheets and Consolidated Statements of Comprehensive Income for the Past Five Years

(1) Brief Consolidated Balance Sheets and Brief Consolidated Statements of Comprehensive Income

Brief Consolidated Balance Sheet (Note 1)

Unit: NT\$ 1,000

	2019	2018	2017	2016	2015
Cash and cash equivalents, Due from the Central Bank and call loans to banks	156,827,077	133,016,947	152,634,715	140,184,210	159,946,581
Financial assets at fair value through profit or loss	26,972,786	7,134,604	1,061,789	1,443,693	2,082,611
Financial assets at fair value through other comprehensive income	102,597,144	73,164,201	0	0	0
Investment in debt instruments at amortized cos	263,056,842	261,470,496	0	0	0
Securities purchased under resell agreements	13,399,113	2,386,518	3,998,104	619,201	26,784,515
Receivables	27,736,905	45,652,981	23,951,301	24,000,980	24,697,758
Current tax assets	810	64,880	129,455	116,062	293,454
Discounts and loans, net	1,132,462,936	1,074,627,748	1,111,559,969	1,045,014,647	1,007,398,302
Available-for-sale financial assets-net	0	0	66,233,836	73,330,688	25,668,785
Held-to-maturity financial assets-net	0	0	202,967,083	192,523,259	206,277,479
Other financial assets	19,928	17,971	2,159,191	2,132,723	2,086,966
Property and equipment, net	14,498,237	14,309,738	14,226,866	14,120,706	14,105,378
Right-of-use assets, net	1,051,559	0	0	0	0
Intangible assets, net	352,376	286,054	274,349	183,061	131,292
Deferred tax assets	1,624,651	1,646,991	1,222,464	1,240,678	1,437,671
Other assets, net	5,552,450	5,261,326	3,674,849	3,819,074	4,980,803
Total assets	1,746,152,814	1,619,040,455	1,584,093,971	1,498,728,982	1,475,891,595
Deposits from the Central Bank and banks	104,793,612	91,314,543	93,529,770	75,817,857	77,857,537
Due to the Central Bank and banks	752,145	591,988	31,464	0	0
Financial liabilities at fair value through profit or loss	9,393,336	9,339,273	3,732,481	214,259	219,999
Notes and bonds issued under repurchase agreement	868,581	1,657,706	1,105,596	2,758,905	4,163,147
Payables	31,057,684	58,674,131	36,630,052	35,412,594	30,924,431
Current tax liabilities	258,956	1,017,575	62,495	310,077	0
Deposits and remittances	1,435,049,547	1,311,041,103	1,316,023,711	1,253,804,477	1,232,320,685
Bank notes payable	53,250,000	47,450,000	41,000,000	42,750,000	45,600,000
Other financial liabilities	6,835,084	7,507,715	10,120,545	10,819,145	12,197,117
Provisions	3,158,003	3,565,727	3,515,351	3,606,753	3,321,737
Lease liabilities	1,041,183	0	0	0	0
Deferred tax liabilities	888,436	880,738	881,318	884,569	920,890
Other liabilities	3,289,481	1,146,937	1,643,515	1,480,006	706,923
Total liability					
Pre-Distributed	1,650,636,048	1,534,187,436	1,508,276,298	1,427,858,642	1,408,232,466
Post-Distributed	Note3	1,534,187,436	1,508,276,298	1,427,858,642	1,408,232,466
Equity attributable to owners of parent	95,516,766	84,853,019	75,817,673	70,870,340	67,659,129
Common stock (Note 2)					
Pre-Distributed	71,319,842	63,938,802	61,479,617	59,688,949	56,846,618
Post-Distributed	Note3	67,135,742	63,938,802	61,479,617	59,688,949
Capital Surplus	815,900				
Retained earning (Note 2)					
Pre-Distributed	19,702,723	18,007,553	14,644,284	12,210,873	10,685,563
Post-Distributed	Note 3	12,892,449	10,537,445	9,811,377	7,274,766
Other equity interest	3,678,301	2,906,664	(306,228)	(1,029,482)	126,948
Total equity (Note 2)					
Pre-Distributed	95,516,766	84,853,019	75,817,673	70,870,340	67,659,129
Post-Distributed	Note3	82,934,855	74,170,019	70,261,512	67,090,663

Note 1: The above five-year combined financial information has been calculated according to the balances certified by the CPA.

Note 2: Regarding the above information on pre-distribution and post-distribution, the pre-distribution amount was based on the amount certified by the CPA, while the post-distribution amount was based on the appropriation and distribution of surplus passed on the resolution of the shareholders' meeting in the following year.

Note 3: Distribution of earnings for 2019 has not yet been approved by the shareholders' meeting.

Brief Individual Balance Sheet (Note 1)

Unit: NT\$ 1,000

		2019	2018	2017	2016	2015
Cash and cash equivalents, Due from the Central Bank and call loans to banks		156,550,697	132,686,605	152,408,883	139,847,761	159,308,692
Financial assets at fair value through profit or loss		26,626,885	6,934,604	1,061,789	1,443,693	2,082,611
Financial assets at fair value through other comprehensive income		102,597,144	73,164,201	0	0	0
Investment in debt instruments at amortized cost		263,056,842	261,470,496	0	0	0
Securities purchased under resell agreements		13,399,113	2,386,518	3,998,104	619,201	26,784,515
Receivables		25,715,593	43,698,543	22,353,991	22,842,758	23,742,638
Current tax assets		0	64,842	129,435	114,583	291,981
Discounts and loans, net		1,132,462,936	1,074,627,748	1,111,559,969	1,045,014,647	1,007,398,302
Available-for-sale financial assets-net		0	0	66,233,836	73,330,688	25,668,785
Held-to-maturity financial assets-net		0	0	202,967,083	192,523,259	206,277,479
Investments measured by equity method, net		2,562,868	2,684,501	2,345,937	1,852,246	1,880,519
Other financial assets		19,928	17,971	2,159,191	2,132,723	2,086,966
Property and equipment, net		14,490,374	14,298,525	14,216,773	14,112,644	14,098,277
Right-of-use assets, net		1,037,377	0	0	0	0
Intangible assets, net		351,454	284,944	273,608	181,992	130,222
Deferred tax assets		1,591,851	1,623,371	1,203,779	1,224,623	1,431,393
Other assets, net		5,506,011	5,222,172	3,639,872	3,796,738	4,959,477
Total assets		1,745,969,073	1,619,165,041	1,584,552,250	1,499,037,556	1,476,141,857
Deposits from the Central Bank and banks		104,793,612	91,314,543	93,529,770	75,817,857	77,857,537
Financial liabilities at fair value through profit or loss		9,393,336	9,339,273	3,732,481	214,259	219,999
Notes and bonds issued under repurchase agreement		868,581	1,657,706	1,105,596	2,758,905	4,163,147
Payables		31,000,340	58,620,227	36,591,457	35,360,208	30,860,359
Current tax liabilities		224,577	952,293	0	288,846	0
Deposits and remittances		1,435,795,670	1,311,937,545	1,316,671,351	1,254,224,230	1,232,662,457
Bank notes payable		53,250,000	47,450,000	41,000,000	42,750,000	45,600,000
Other financial liabilities		6,835,084	7,507,715	10,120,545	10,819,145	12,197,117
Provisions		3,158,003	3,565,727	3,515,351	3,606,753	3,321,737
Lease liabilities		1,026,667	0	0	0	0
Deferred tax liabilities		888,436	880,738	881,318	884,569	919,119
Other liabilities		3,218,001	1,086,255	1,586,708	1,442,444	681,256
Total liability	Pre-Distributed	1,650,452,307	1,534,312,022	1,508,734,577	1,428,167,216	1,408,482,728
	Post-Distributed	Note3	1,534,312,022	1,508,734,577	1,428,167,216	1,408,482,728
Common stock (Note 2)	Pre-Distributed	71,319,842	63,938,802	61,479,617	59,688,949	56,846,618
	Post-Distributed	Note3	67,135,742	63,938,802	61,479,617	59,688,949
Capital Surplus		815,900	0	0	0	0
Retained earning (Note 2)	Pre-Distributed	19,702,723	18,007,553	14,644,284	12,210,873	10,685,563
	Post-Distributed	Note 3	12,892,449	10,537,445	9,811,377	7,274,766
Other equity interest		3,678,301	2,906,664	(306,228)	(1,029,482)	126,948
Total equity (Note 2)	Pre-Distributed	95,516,766	84,853,019	75,817,673	70,870,340	67,659,129
	Post-Distributed	Note3	82,934,855	74,170,019	70,261,512	67,090,663

Note 1: The above individual financial information for the latest five years have been calculated according to the balances certified by the CPA.

Note 2: Regarding the above information on pre-distribution and post-distribution, the pre-distribution amount was based on the amount certified by the CPA, while the post-distribution amount was based on the appropriation and distribution of surplus passed on the resolution of the shareholders' meeting in the following year.

Note 3: Distribution of earnings for 2019 has not yet been approved by the shareholders' meeting.

Brief Consolidated Statement of Comprehensive Income (Note 1)

Unit: NT\$ 1,000

	2019	2018	2017	2016	2015
Interest income	29,444,970	28,287,358	24,782,215	24,191,265	25,853,374
Less: Interest expenses	(12,413,857)	(11,089,482)	(9,356,793)	(9,195,062)	(10,384,359)
Net interest revenue	17,031,113	17,197,876	15,425,422	14,996,203	15,469,015
Net revenue other than interest	6,178,829	5,829,071	5,437,273	5,660,831	4,692,869
Net revenue	23,209,942	23,026,947	20,862,695	20,657,034	20,161,884
Bad debts expense, commitment and guarantee liability provision	(2,417,677)	(794,134)	(3,028,711)	(2,504,194)	(2,409,189)
Operating expense	(12,726,585)	(13,034,396)	(11,962,883)	(11,793,424)	(11,556,531)
Income from continuing operation before tax	8,065,680	9,198,417	5,871,101	6,359,416	6,196,164
Less: Income tax expenses	(1,331,427)	(1,557,875)	(831,177)	(1,163,717)	(1,083,128)
Income from continuing operation	6,734,253	7,640,542	5,039,924	5,195,699	5,113,036
Net income	6,734,253	7,640,542	5,039,924	5,195,699	5,113,036
Other comprehensive income	847,658	583,288	516,236	(1,416,022)	(191,824)
Total comprehensive income	7,581,911	8,223,830	5,556,160	3,779,677	4,921,212
Net income attributable to owners of parent	6,734,253	7,640,542	5,039,924	5,195,699	5,113,036
Total comprehensive income attributable to owners of parent	7,581,911	8,223,830	5,556,160	3,779,677	4,921,212
Earning per share (Note 2)	0.98	1.14	0.79	0.85	0.86

Note 1: The above five-year combined financial information has been calculated according to the balances certified by the CPA.

Note 2: Earnings per share is calculated based on the weighted average number of shares of the current year. The basic earning per share for 2018, 2017, 2016, and 2015 have been adjusted based on the applicable retrospective effect.



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Brief Individual Statement of Comprehensive Income

Unit: NT\$ 1,000

	2019	2018	2017	2016	2015
Interest income	29,270,949	28,156,855	24,677,007	24,127,714	25,786,136
Less: Interest expenses	(12,384,563)	(11,082,469)	(9,357,801)	(9,195,987)	(10,385,512)
Net interest revenue	16,886,386	17,074,386	15,319,206	14,931,727	15,400,624
Net revenue other than interest	5,952,479	5,572,596	5,264,047	5,477,003	4,485,842
Net revenue	22,838,865	22,646,982	20,583,253	20,408,730	19,886,466
Bad debts expense, commitment and guarantee liability provision	(2,349,480)	(745,770)	(3,009,551)	(2,463,643)	(2,327,004)
Operating expense	(12,515,227)	(12,814,383)	(11,785,693)	(11,621,647)	(11,390,118)
Income from continuing operation before tax	7,974,158	9,086,829	5,788,009	6,323,440	6,169,344
Less: Income tax expenses	(1,239,905)	(1,446,287)	(748,085)	(1,127,741)	(1,056,308)
Income from continuing operation	6,734,253	7,640,542	5,039,924	5,195,699	5,113,036
Net income	6,734,253	7,640,542	5,039,924	5,195,699	5,113,036
Other comprehensive income	847,658	583,288	516,236	(1,416,022)	(191,824)
Total comprehensive income	7,581,911	8,223,830	5,556,160	3,779,677	4,921,212
Earning per share (Note 2)	0.98	1.14	0.79	0.85	0.86

Note 1: The above five-year individual financial information has been calculated according to the balances certified by the CPA.

Note 2: Earnings per share is calculated based on the weighted average number of shares of the current year. The basic earning per share for 2018, 2017, 2016, and 2015 have been adjusted based on the applicable retrospective effect.

(2) CPA-Auditor and Independent Auditors' Opinions of the Consolidated Financial Report:

Financial Year	Independent Auditors' Opinions	CPA-Auditor
2015	Unqualified Opinion	LEE, FENG HUI 、CHEN, FU WEI
2016	Unqualified Opinion	CHUNG, TAN TAN 、LEE, FENG HUI
2017	Unqualified Opinion	CHUNG, TAN TAN 、LEE, FENG HUI
2018	Unqualified Opinion	CHUNG, TAN TAN 、LEE, FENG HUI
2019	Unqualified Opinion	CHUNG, TAN TAN 、CHEN, CHUN KUANG



2. Financial Analysis for the Past Five Years

(1) Analysis of financial ratio

Consolidated financial analysis

Analysis item		Year	2019	2018	2017	2016	2015
Operation performance	Loan-to-deposit ratio (%) (Note 2)		76.03	79.41	81.67	81.63	79.91
	NPL ratio (%) (Note 2)		0.32	0.30	0.33	0.43	0.48
	Interest expense to annual average deposits balances ratio (%)		0.71	0.67	0.60	0.61	0.75
	Interest income to annual average credit loan balances ratio (%)		2.06	2.00	1.89	1.93	2.10
	Total assets turnover rate (%)		1.38	1.44	1.35	1.39	1.41
	Average gain for employee (NT\$1000)		4,309	4,385	4,092	4,160	4,038
	Average profit for employee (NT\$1000)		1,250	1,455	989	1,046	1,024
Profitability	Return on Tier 1 capital (%)		8.35	10.22	6.86	8.14	9.11
	Return on asset (%)		0.40	0.48	0.33	0.35	0.36
	Return on equity (%)		7.47	9.51	6.87	7.50	7.84
	Net profit margin (%)		29.01	33.18	24.16	25.15	25.36
	Earnings per share (NT\$)		0.98	1.14	0.79	0.85	0.86
Financial structure	Debts to total assets ratio (%)		94.53	94.76	95.21	95.27	95.42
	Real estate and equipment to equity ratio (%)		15.18	16.86	18.76	19.92	20.85
Growth rate	Asset growth ratio (%)		7.85	2.21	5.70	1.55	6.00
	Profit growth ratio (%)		(12.31)	56.67	(7.68)	2.63	12.95
Cash flow	Cash flow ratio (%)		3.86	31.91	4.48	40.07	Note3
	Cash flow adequacy ratio (%)		1,507.14	3,177.03	4,404.56	5,587.48	4,967.08
	Cash flow adequacy ratio (%)		Note 4	Note 4	Note 4	Note 4	18.70
Liquidity reserve ratio (%)			23.81	20.94	17.21	17.03	19.14
Related Party Secured Loan (NT\$1000)			9,542,062	9,598,016	9,042,678	8,401,148	9,039,394
Ratio of Related Party Secured Loan to Total Loan (%)			0.83%	0.88%	0.80%	0.78%	0.88%
Operating scale (Note 5)	Market share of assets (%)		3.06	2.96	3.02	2.99	3.02
	Market share of net value (%)		2.28	2.20	2.07	2.03	2.09
	Market share of deposits (%)		3.51	3.38	3.50	3.44	3.53
	Market share of loans (%)		3.61	3.57	3.89	3.80	3.76

Annual profit growth rate decreased in 2019: Primarily due to an increase of loan loss provision in 2019 caused a decrease in the profit before tax of 2018.

Note 1: The above financial information for the most recent 5 years has been calculated according to the balances in the consolidated financial report certified by the CPA.

Note 2: Represent the key performance indicators with the industry particularity of the Bank.

Note 3: No analysis is presented as net cash outflow was recorded from operating activities during 2015.

Note 4: No analysis is presented as negative net cash flow from investment activities was recorded.

Note 5: Due to the restriction of information access, the operating scale is disclosed on the basis of individual financial information.

Calculations for the financial items are as follow:

1. Operation performance

- (1) Loan-to-deposit ratio = Total loans / total deposits
- (2) NPL ratio = Total not performing loans / total loans
- (3) Interest expense to annual average deposits balances ratio = Total interest expenditures related to deposits / annual average deposits balances
- (4) Interest income to annual average credit loan balances ratio = Total interest income related to credit loan balances / annual average credit loan balances
- (5) Total assets turnover rate = Net revenue / total average assets
- (6) Average gain for employee = Net revenue / total number of employees
- (7) Average profit for employee = After-tax net profit / total number of employees

2. Profitability

- (1) Return on Tier 1 capital = Before-tax profit or loss / average net Tier 1 capital
- (2) Return on asset = After-tax profit or loss / average total assets
- (3) Return on Equity = After-tax profit or loss / average total equity
- (4) Net profit ratio = After-tax profit or loss / net revenue
- (5) Earnings per share = (Income attributable to owners of the parent company – dividends on preferred stock) / weighted average number of shares issued.

3. Financial structure

- (1) Debt-asset ratio = Total liabilities / total assets
- (2) Real estate and equipment to equity ratio = Net real estate and equipment / net equity

4. Growth rate

- (1) Asset growth ratio = (Total assets of the current year - total assets of the previous year) / total assets of the previous year
- (2) Profit growth ratio = (Before-tax profit or loss of the current year - before-tax profit or loss of the previous year) / before-tax profit or loss of the previous year

5. Cash flow

- (1) Cash flow ratio = Net cash flow from operating activities / (interbank loans and overdrafts + commercial paper payables + financial at fair value through profit or loss + notes issued under repurchase agreement and bond indebtedness + amount payable with maturity within one year)
- (2) Net cash flow adequacy ratio = Net cash flow from operating activities for the past five years / (capital expenditures + cash dividend) for the past five years.
- (3) Cash flow adequacy ratio = Net cash flow from operating activities / net cash flow from investment activities

6. Liquidity reserve ratio = Current assets prescribed by the central bank / liabilities required liquid reserves

7. Operating scale

- (1) Market share of assets = Total assets / total asset of all financial institutions available for deposits and loans business
- (2) Market share of net value = Net value / total net value of all financial institutions available for deposits and loans business
- (3) Market share of deposits = Total deposits / total deposits of all financial institutions available for deposits and loans business
- (4) Market share of loans = Total loans / total loans of all financial institutions available for deposits and loans business

Individual financial analysis

Analysis item		Year	2019	2018	2017	2016	2015
Operation performance	Loan-to-deposit ratio (%) (Note 2)		75.99	79.36	88.99	81.60	79.89
	NPL ratio (%) (Note 2)		0.32	0.30	0.33	0.43	0.48
	Interest expense to annual average deposits balances ratio (%)		0.71	0.67	0.60	0.61	0.75
	Interest income to annual average credit loan balances ratio (%)		2.06	2.00	1.89	1.93	2.10
	Total assets turnover rate (%)		1.36	1.41	1.34	1.37	1.39
	Average gain for employee (NT\$1000)		4,283	4,365	4,078	4,139	4,009
	Average profit for employee (NT\$1000)		1,263	1,473	998	1,054	1,031
Profitability	Return on Tier 1 capital (%)		8.25	10.10	6.76	8.09	9.07
	Return on asset (%)		0.40	0.48	0.33	0.35	0.36
	Return on equity (%)		7.47	9.51	6.87	7.50	7.84
	Net profit margin (%)		29.49	33.74	24.49	25.46	25.71
	Earnings per share (NT\$)		0.98	1.14	0.79	0.85	0.86
Financial structure	Debts to total assets ratio (%)		94.53	94.76	95.22	95.27	95.42
	Real estate and equipment to equity ratio (%)		15.17	16.85	18.75	19.91	20.84
Growth rate	Asset growth ratio (%)		7.83	2.18	5.70	1.55	6.00
	Profit growth ratio (%)		(12.24)	56.99	(8.47)	2.50	12.63
Cash flow	Cash flow ratio (%)		4.08	32.50	4.82	41.36	Note 3
	Cash flow adequacy ratio (%)		1,525.25	3,275.58	4,582.30	5,837.69	5,182.68
	Cash flow adequacy ratio (%)		Note 4	Note 4	Note 4	Note 4	27.02
Liquidity reserve ratio (%)			23.81	20.94	17.21	17.03	19.14
Related Party Secured Loan (NT\$1000)			9,542,062	9,598,016	9,042,678	8,401,148	9,039,394
Ratio of Related Party Secured Loan to Total Loan (%)			0.83%	0.88%	0.80%	0.78%	0.88%
Operating scale	Market share of assets (%)		3.06	2.96	3.02	2.99	3.02
	Market share of net value (%)		2.28	2.20	2.07	2.03	2.09
	Market share of deposits (%)		3.51	3.38	3.50	3.44	3.53
	Market share of loans (%)		3.61	3.57	3.89	3.80	3.76

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(2) Capital adequacy ratio

Unit: NT\$1,000

			Capital Adequacy Ratio for the most recent 5 years (Note 1)				
			2019	2018	2017	2016	2015
Regulatory Capital	Common Equity		88,212,592	78,947,036	73,448,764	68,922,354	65,662,491
	Additional Tier 1 Capital		12,708,443	13,386,998	14,140,802	14,664,225	7,057,157
	Tier 2 Capital		32,082,995	29,797,442	25,396,643	20,221,002	19,689,051
	Regulatory Capital		133,004,030	112,131,476	112,986,209	103,807,581	92,408,699
Total Risk-weighted Assets	Credit risk	Standardized Approach	992,799,980	912,764,211	871,996,666	818,988,412	770,946,612
		Internal ratings-based Approach					
		Asset Securitization					
	Operational risk	Basic indicator Approach					
		Standardized Approach/Alternative Standardized Approach	38,286,712	36,971,711	35,136,391	34,024,618	32,741,848
		Advanced Measurement Approach					
	Market risk	Standardized Approach	19,565,088	11,844,063	13,786,563	18,539,100	18,682,350
		Internal Models Approach					
	Total risk-weighted assets		1,050,651,780	961,579,985	920,919,620	871,552,130	822,370,810
	Capital Adequacy Ratio (Note 2)			12.66%	12.70%	12.27%	11.91%
Ratio of Tier 1 capital to risk-weighted assets			9.61%	9.60%	9.51%	9.59%	8.84%
Ratio of common equity to risk-weighted assets			8.40%	8.21%	7.98%	7.91%	7.98%
Leverage Ratio (Note 3)			5.53%	5.40%	5.26%	5.30%	4.69%
Please explain the reasons for the change in the capital adequacy ratio in the last two years(Note 4) °							

Note 1: The above five-year Capital Adequacy Ratio has been audited and certified by accountants.

Note 2: Represent the key performance indicators with industry particularity of the Bank.

Note 3: Leverage ratio was disclosed since 2015.

Note 4: Changes for the latest two periods (2019 and 2018) have not reached 20%; analysis of the reason is exempted.

Calculation formula of capital adequacy ratio is as follow:

1. Regulatory capital = Common equity + Additional Tier 1 capital + Tier 2 capital.
2. Total risk-weighted assets = Credit risk-weighted assets + Capital requirements of (operational risk + market risk) × 12.5
3. Capital adequacy ratio = Regulatory capital / Total risk-weighted assets.
4. Ratio of Tier 1 capital to risk-weighted assets = (Common equity + Additional Tier 1 capital) / Total risk-weighted assets.
5. Ratio of common equity to risk-weighted assets = Common equity / Total risk-weighted assets.
6. Leverage ratio = Net Tier 1 capital / Total exposures amount.

(3) Improvement measures for regulatory capital to risk-weighted assets ratio calculated according to Article 44 of the Bank Act is lower than the required ratio: No such cases.



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FINANCIAL STATUS

3. Audit Committee's Audit Report on the 2019 Financial Statements

Taiwan Business Bank, Ltd.

Audit committee's Review Report

The Board of Directors has compiled and prepared Taiwan Business Bank's Financial Statements, business report and profit distribution table for the fiscal year of 2019. The financial statements have been audited by Ms. Tan-Tan Chung and Mr. Chun-Kuang Chen, the certified public accountants of KPMG.

The Audit Committee has also examined the said statements and reports delivered by the Board of Directors and found that its contents were in conformity with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act. We hereby present the subject report for your review.

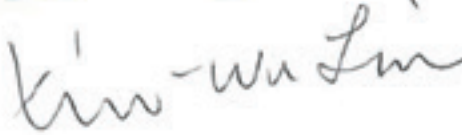
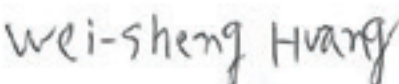
Submitted to:
2020 General Shareholders' Meeting of Taiwan Business Bank, Ltd.

Audit Committee of Taiwan Business Bank, Ltd.

Independent Director Jin-Long Liu

Independent Director Xin-Wu Lin

Independent Director Wei-Sheng Huang

Republic of China, March 11, 2020

4. Representation Letter for 2019 Consolidated Financial Statements

Representation Letter

The entities that are required to be included in the combined financial statements of TAIWAN BUSINESS BANK, LTD. as of and for the year ended December 31, 2019 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, "Consolidated and Separate Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, TAIWAN BUSINESS BANK, LTD. and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: TAIWAN BUSINESS BANK, LTD.

Chairman: Bor-Yi Huang

Date: March 11, 2020



5. Independent Auditors' Report for 2019 Consolidated Financial Statements

Independent Auditors' Report

To the Board of Directors of Taiwan Business Bank, Ltd.:

Opinion

We have audited the consolidated financial statements of Taiwan Business Bank, Ltd. "the Bank" and subsidiaries which comprise the consolidated balance sheets as of December 31, 2019 and 2018, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Bank and subsidiaries as of December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Public Held Banks, and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IAS"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("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 Certification of Financial Statements by Certified Public Accountants, Jin-Kuan-Yin-Zi No.10802731571 and the auditing standards generally accepted in the Republic of China. We conducted our audits of the prior period in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Bank and subsidiaries in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

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

1. The assessment of loans impairment

Please refer to Note (4) (F) "Financial Instruments" for related accounting policy, Note 5 (A) for accounting assumptions and estimates, and Note 6 (F) "Discounts and loans, net" and Note 6 (AO) "Financial Risk Information" for details of loans impairment, respectively.

The management of the Bank and subsidiaries assess the impairment of loans by determining if there is any observable evidence indicating impairment, and dividing them into collective assessment and individual assessment based on the materiality levels to measure by different impairment method. For the individual assessment with objective evidence of impairment, the measurement is based on expected future cash flow. For the collective assessment with objective evidence of impairment, the Bank and its subsidiaries need to calculate the recovery rate of each group to measure the impairment amount. For the collectively assessed loans without objective evidence of impairment, the impairment is calculated by establishing an impairment model using the pass loss experience on assets with similar credit risk characteristic to form basic estimation. Besides the methods mentioned above, the management of the Bank and its subsidiaries should inspect whether the amount of impairment is in compliance with the minimum level made by the authority. Both the evaluation of impairment evidences and its methods, as well as the uses of assumptions, such as the expected recovery rates and default rates, which are applied to determine the future cash flow, involved significant judgements and estimations. Therefore, the assessment on the impairment of loans has been identified as a key audit matter in our audit.



How the matter was addressed in our audit

Our principal audit procedures included: understanding the methodology and related control procedure about how the management assesses and measures the impairment amount of loans. For individual assessment, we used sampling test to evaluate the use of the original effective interest rate, the appropriateness of the estimation of future recoverable amounts and value of collateral. For collective assessment, we assessed the impairment model adopted by the management and reviewed the appropriateness of the calculation of the impairment parameters and verified the completeness of the loans portfolio via sampling. Meanwhile, we assessed whether allowance for the loans meets the requirements.

Other Matters

Taiwan Business Bank Ltd. has prepared its parent-company-only financial statements as of and for the years ended December 31, 2019 and 2018, on which we have issued an unmodified opinion.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Bank and subsidiaries' 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 Bank and subsidiaries 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 Bank and subsidiaries' financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank and subsidiaries' 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 Bank and subsidiaries' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank and subsidiaries to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period 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 audits resulting in this independent auditors' report are CHUNG, TAN TAN and CHEN, CHUN KUANG.

KPMG

Taipei, Taiwan (Republic of China)

March 11, 2020

Notes to Readers

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

The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

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FINANCIAL STATUS

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		December 31, 2019		December 31, 2018	
	Assets	Amount	%	Amount	%
11000	Cash and cash equivalents (Notes 6(A) and 7)	\$ 31,395,561	2	46,036,673	3
11500	Due from the Central Bank and call loans to banks (Notes 6(B) and 7)	125,431,516	7	86,980,274	5
12000	Financial assets at fair value through profit or loss (Note 6(C))	26,972,786	1	7,134,604	-
12100	Financial assets at fair value through other comprehensive income (Notes 6(G) and (P))	102,597,144	6	73,164,201	5
12200	Investment in debt instruments at amortized cost (Note 6(H))	263,056,842	15	261,470,496	16
12500	Securities purchased under resell agreements (Note 6(D))	13,399,113	1	2,386,518	-
13000	Receivables (Note 6(E))	27,736,905	2	45,652,981	3
13200	Current tax assets	810	-	64,880	-
13500	Discounts and loans, net (Notes 6(F) and 7)	1,132,462,936	65	1,074,627,748	67
15500	Other financial assets (Note 6(I))	19,928	-	17,971	-
18500	Property and equipment, net (Note 6(J))	14,498,237	1	14,309,738	1
18600	Right-of-use assets, net (Note 6(K))	1,051,559	-	-	-
19000	Intangible assets, net	352,376	-	286,054	-
19300	Deferred tax assets (Note 6(Y))	1,624,651	-	1,646,991	-
19500	Other assets, net (Note 6(L))	5,552,450	-	5,261,326	-
	Total assets	\$ 1,746,152,814	100	1,619,040,455	100

	Liabilities and equity	December 31, 2019		December 31, 2018	
		Amount	%	Amount	%
	Liabilities				
21000	Deposits from the Central Bank and banks (Notes 6(M) and 7)	\$ 104,793,612	6	91,314,543	6
21500	Due to the Central Bank and banks (Note 6(N))	752,145	-	591,988	-
22000	Financial liabilities at fair value through profit or loss (Notes 6(O) and (S))	9,393,336	1	9,339,273	1
22500	Notes and bonds issued under repurchase agreement (Note 6(P))	868,581	-	1,657,706	-
23000	Payables (Note 6(Q))	31,057,684	2	58,674,131	4
23200	Current tax liabilities	258,956	-	1,017,575	-
23500	Deposits and remittances (Notes 6(R) and 7)	1,435,049,547	82	1,311,041,103	81
24000	Bank notes payable (Note 6(S))	53,250,000	3	47,450,000	3
25500	Other financial liabilities (Note 6(T))	6,835,084	1	7,507,715	-
25600	Provisions (Note 6(U))	3,158,003	-	3,565,727	-
26000	Lease liabilities (Note 6(V))	1,041,183	-	-	-
29300	Deferred tax liabilities (Note 6(Y))	888,436	-	880,738	-
29500	Other liabilities (Note 6(W))	3,289,481	-	1,146,937	-
	Total liabilities	1,650,636,048	95	1,534,187,436	95
	Equity attributable to owners of parent				
31101	Common stock (Note 6(X))	71,319,842	4	63,938,802	4
31500	Capital Surplus (Note 6(X))	815,900	-	-	-
	Retained earnings:				
32001	Legal reserve (Note 6(X))	12,312,175	1	10,020,013	1
32003	Special reserve (Note 6(X))	223,331	-	516,555	-
32005	Unappropriated retained earnings (Note 6(X))	7,167,217	-	7,470,985	-
32500	Other equity interest (Note 6(X))	3,678,301	-	2,906,664	-
	Total equity	95,516,766	5	84,853,019	5
	Total liabilities and equity	\$ 1,746,152,814	100	1,619,040,455	100

(English Translation of Consolidated Financial Statements Originally Issued in Chinese.)

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Common Share)

		For the year ended December 31,				Percent Change %
		2019		2018		
		Amount	%	Amount	%	
41000	Interest income (Notes 6(AC) and 7)	\$ 29,444,970	127	28,287,358	123	4
51000	Less: Interest expenses (Notes 6(AC) and 7)	(12,413,857)	(54)	(11,089,482)	(48)	12
	Net interest revenue	17,031,113	73	17,197,876	75	(1)
	Net revenue other than interest					
49100	Net service fee revenue (Notes 6(AD) and 13)	3,536,846	15	3,659,850	16	(3)
49200	Gain on financial assets or liabilities measured at fair value through profit or loss (Note 6(AE))	1,351,414	6	1,029,180	4	31
49310	Realized gain on financial assets at fair value through other comprehensive income (Note 6(AF))	613,920	3	374,849	2	64
49450	Gains arising from derecognition of financial assets measured at amortized cost (Note 6(H))	980	-	130	-	654
49600	Foreign exchange gain	227,555	1	478,887	2	(52)
49700	(Impairment loss on assets) reversal of impairment loss on assets (Note 6(AG))	(16,330)	-	(28,297)	-	42
49800	Net other revenue other than interest income (Note 6(AH))	115,368	-	93,362	-	24
49831	Net securities brokering revenue	210,077	1	221,110	1	(5)
49899	Other miscellaneous revenue (expense) (Note 6(AI))	138,999	1	-	-	-
	Net revenue	23,209,942	100	23,026,947	100	1
58200	Bad debts expense, commitment and guarantee liability provision (Note 6(AJ))	(2,417,677)	(10)	(794,134)	(3)	204
	Operating expense					
58500	Employee benefits expenses (Notes 6(AK))	(8,104,119)	(35)	(8,325,594)	(36)	(3)
59000	Depreciation and amortization expense (Notes 6(AL))	(957,863)	(4)	(472,783)	(2)	103
59500	Other general and administrative expense (Note 6(AM))	(3,664,603)	(16)	(4,236,019)	(19)	(13)
	Total operating expense	(12,726,585)	(55)	(13,034,396)	(57)	(2)
61001	Income from continuing operation before tax	8,065,680	35	9,198,417	40	(12)
61003	Less: Income tax expenses (Note 6(Y))	1,331,427	6	1,557,875	7	(15)
	Net income	6,734,253	29	7,640,542	33	(12)
65000	Other comprehensive income:					
65200	Components of other comprehensive income that will not be reclassified to profit or loss					
65201	Remeasurements of defined benefit plans (Note 6(Z))	29,493	-	(174,907)	-	117
65204	Revaluation gains on investments in equity instruments measured at fair value through other comprehensive income	851,684	4	226,956	1	275
65220	Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (Note 6(Y))	5,899	-	(71,895)	-	(108)
	Components of other comprehensive income that will not be reclassified to profit or loss	875,278	4	123,944	1	606
65300	Components of other comprehensive income that will be reclassified to profit or loss					
65301	Exchange difference on translation	(402,180)	(2)	330,032	1	(222)
65308	Gains (losses) from investments in debt instruments measured at fair value through other comprehensive income	301,822	2	164,546	1	83
65320	Less: Income tax related to components of other comprehensive income that will be reclassified to profit or loss (Note 6(Y))	(72,738)	-	35,234	-	306
	Components of other comprehensive income that will be reclassified to profit or loss	(27,620)	-	459,344	2	(106)
65000	Other comprehensive income	847,658	4	583,288	3	45
	Total comprehensive income	\$ 7,581,911	33	8,223,830	36	(8)
	Earnings per share (in NT dollar) (Note 6 (AA))					
	Basic earnings per share (in NT dollar)	\$ 0.98		1.14		
	Diluted earnings per share (in NT dollar)	\$ 0.98		1.13		



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TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	Attributable to owners of parent									
							Other equity interest			
							Exchange differences on translation of foreign financial statements	Unrealized gains on financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) on available for sale financial assets	Total
	Share Capital		Retained earnings							
	Common stock	Capital Surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total				
Balance at January 1, 2018	\$ 61,479,617	-	8,569,864	1,240,588	4,833,832	14,644,284	(835,340)	-	529,112	75,817,673
Effects of retrospective application of new standards	-	-	-	-	(98,187)	(98,187)	-	3,086,469	(529,112)	2,459,170
Balance at January 1, 2018 after adjustments	61,479,617	-	8,569,864	1,240,588	4,735,645	14,546,097	(835,340)	3,086,469	-	78,276,843
Net income for the year ended December 31, 2018	-	-	-	-	7,640,542	7,640,542	-	-	-	7,640,542
Other comprehensive income (losses) for the year ended December 31, 2018	-	-	-	-	(103,012)	(103,012)	294,218	392,082	-	583,288
Total comprehensive income for the year ended December 31, 2018	-	-	-	-	7,537,530	7,537,530	294,218	392,082	-	8,223,830
Appropriation and distribution of retained earnings :										
Legal reserve appropriated	-	-	1,450,149	-	(1,450,149)	-	-	-	-	-
Reversal of special reserve	-	-	-	(724,033)	724,033	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(1,647,654)	(1,647,654)	-	-	-	(1,647,654)
Stock dividends of ordinary share	2,459,185	-	-	-	(2,459,185)	(2,459,185)	-	-	-	-
Disposal of investment in equity instruments designated at fair value through other comprehensive income	-	-	-	-	30,765	30,765	-	(30,765)	-	-
Balance at December 31, 2018	63,938,802	-	10,020,013	516,555	7,470,985	18,007,553	(541,122)	3,447,786	-	84,853,019
Net income for the year ended December 31, 2019	-	-	-	-	6,734,253	6,734,253	-	-	-	6,734,253
Other comprehensive income (losses) for the year ended December 31, 2019	-	-	-	-	23,594	23,594	(321,744)	1,145,808	-	847,658
Total comprehensive income for the year ended December 31, 2019	-	-	-	-	6,757,847	6,757,847	(321,744)	1,145,808	-	7,581,911
Appropriation and distribution of retained earnings :										
Legal reserve appropriated	-	-	2,292,162	-	(2,292,162)	-	-	-	-	-
Reversal of special reserve	-	-	-	(293,224)	293,224	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(1,918,164)	(1,918,164)	-	-	-	(1,918,164)
Stock dividends of ordinary share	3,196,940	-	-	-	(3,196,940)	(3,196,940)	-	-	-	-
Issue of shares	4,184,100	815,900	-	-	-	-	-	-	-	5,000,000
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	52,427	52,427	-	(52,427)	-	-
Balance at December 31, 2019	\$ 71,319,842	815,900	12,312,175	223,331	7,167,217	19,702,723	(862,866)	4,541,167	-	95,516,766

(English Translation of Consolidated Financial Statements Originally Issued in Chinese.)

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	For the years ended December 31,	
	2019	2018
Cash flows from operating activities:		
Net income before tax	\$ 8,065,680	9,198,417
Adjustments:		
Income and expenses items:		
Depreciation expenses	833,161	373,990
Amortization expenses	124,702	98,793
Provision for bad debt expenses	2,474,188	708,787
Net loss on financial assets or liabilities at fair value through profit or loss	93,076	179,390
Interest expenses	12,413,857	11,089,482
Net gain arising from derecognition of financial assets measured at amortized cost	(980)	(130)
Interest income	(29,449,170)	(28,287,358)
Net change in provisions for guarantee liabilities	(14,340)	58,710
Net change in other provisions	(42,171)	26,637
Loss on disposal of property and equipment	693	1,155
Impairment loss on financial assets	16,330	28,297
Total adjustments to reconcile profit	(13,550,654)	(15,722,247)
Changes in Operating Assets and Liabilities:		
Changes in Operating Assets:		
(Increase) decrease in due from the Central Bank and call loans to banks	(38,466,421)	14,352,507
Increase in financial assets at fair value through profit or loss	(18,606,344)	(6,012,905)
(Increase) decrease in securities purchased under resell agreements	(11,012,595)	1,611,586
Decrease (increase) in receivables	17,988,332	(21,399,195)
(Increase) decrease in discounts and loans	(60,243,206)	36,317,199
(Increase) decrease in other financial assets	(743)	102,084
Increase in other assets	(348,531)	(719,250)
Total changes in operating assets	(110,689,508)	24,252,026
Changes in Operating Liabilities:		
Increase (decrease) in deposits from the Central Bank and banks	13,479,069	(2,215,227)
(Decrease) increase in financial liabilities at fair value through profit or loss	(1,270,852)	5,367,493



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	For the years ended December 31,	
	2019	2018
(Decrease) increase in notes and bonds issued under repurchase agreement	\$ (789,125)	\$ 552,110
(Decrease) increase in payable	(28,070,608)	21,184,352
Increase (decrease) in deposits and remittances	124,008,444	(4,982,608)
Decrease in other financial liabilities	(651,610)	(2,603,441)
Decrease in provisions for employee benefits	(321,541)	(257,144)
Total Changes in Operating Liabilities	106,383,777	17,045,535
Total Changes in Operating Assets and Liabilities	(4,305,731)	41,297,561
Total adjustments	(17,856,385)	25,575,314
Cash (outflow) inflow generated from operations	(9,790,705)	34,773,731
Interest received	29,342,963	27,943,576
Interest paid	(11,973,585)	(10,608,976)
Income tax paid	(1,915,437)	(547,357)
Net Cash Flow Provided by Operating Activities	5,663,236	51,560,974
Cash Flows from Investing Activities:		
Acquisition of financial assets at fair value through other comprehensive income	(28,297,971)	(4,153,866)
Acquisition of investments in debt instruments at amortized cost	(1,582,649)	(56,422,485)
Acquisition of property and equipment	(658,309)	(451,166)
Disposal of property and equipment	378	195
Increase in refundable deposits	(363,698)	(537,185)
Acquisition of intangible assets	(155,613)	(110,361)
Net Cash Flows Used in Investing Activities	(31,057,862)	(61,674,868)
Cash Flows from Financing Activities:		
Increase in due to the Central Bank and banks	160,157	560,524
Proceeds from issuing bank notes payable	5,800,000	6,450,000
Increase in guarantee deposits received	480,730	52,870
Decrease in lease payable	-	(9,389)
Payments of lease liabilities	(414,333)	-
Increase (decrease) in other liabilities	1,661,814	(549,448)
Cash dividends paid	(1,918,164)	(1,647,654)
Proceeds from issuing shares	5,000,000	-
Net Cash Flows from Financing Activities	10,770,204	4,856,903
Effect of exchange rate changes on cash and cash equivalents	(16,690)	1,305
Net decrease in cash and cash equivalents	(14,641,112)	(5,255,686)
Cash and cash equivalent at beginning of period	46,036,673	51,292,359
Cash and cash equivalent at end of period	\$ 31,395,561	46,036,673

(English Translation of Consolidated Financial Statements Originally Issued in Chinese.)

TAIWAN BUSINESS BANK, LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars Unless Otherwise Specified)

1. COMPANY HISTORY

TAIWAN BUSINESS BANK, LTD. (the "Bank") was formerly a general savings union known as "Taiwan Mutual Financing Bank" or "Tai-Shio Mutual Financing Bank" when it was established in 1915. After several mergers and acquisitions, it was renamed as Taiwan Business Bank, Ltd. in order to finance and provide banking assistance to small and medium-size businesses on July 1, 1976. The Bank's major lines of business are the following:

- (A) As prescribed by the Banking Law, provides professional services tailored to the needs of small and medium-size businesses;
- (B) Trust and securities brokerage businesses as approved by the relevant authority;
- (C) International banking business; and
- (D) Other relevant businesses as authorized by the relevant authority in-charge.

As of December 31, 2019, the Bank not only sets up the business dept., international dept., securities dept. and trust dept. under head office but also has 124 domestic branches, 1 offshore banking unit, 8 overseas branches, 1 oversea representative office and 16 securities brokerage locations.

The Bank became listed on the Taiwan Stock Exchange on January 3, 1998.

Under the "Statute for Privatization of State Enterprises" and upon the approval of Taiwan Province Government, the shares of the Bank owned by the provincial government were sold to the public. In line with privatization of the three other major Taiwan province government owned run commercial banks, the Bank had completed its own privatization on January 22, 1998.

As of December 31, 2019 and 2018, the Bank and subsidiaries has 5,387 and 5,251 employees, respectively.

2. APPROVAL DATE AND PROCEDURES OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were authorized for issuance by the board of directors on March 11, 2020.

3. NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS ADOPTED

(a) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") which have already been adopted.

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2019.

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRS 16 "Leases"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Amendments to IFRS 9 "Prepayment features with negative compensation"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019
Amendments to IAS 28 "Long term interests in associates and joint ventures"	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019



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Except for the following items, the Bank and subsidiaries believes that the adoption of the above IFRSs would not have any material impact on its consolidated financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 16 "Leases"

IFRS 16 replaces the existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The Bank and subsidiaries applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in the accounts of balance sheet on January 1, 2019. The details of the changes in accounting policies are disclosed below,

1) Definition of a lease

Previously, the Bank and subsidiaries determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Bank and subsidiaries assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 4 (I)

On transition to IFRS 16, the Bank and subsidiaries elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Bank and subsidiaries applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

2) As a lessee

As a lessee, the Bank and subsidiaries previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly most risks and rewards incidental to ownership of the underlying asset to the Bank and subsidiaries. Under IFRS 16, the Bank and subsidiaries recognizes right-of-use assets and lease liabilities for most leases on balance sheet.

- Leases classified as operating leases under IAS 17

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Bank and subsidiaries' incremental borrowing rate as at January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

In addition, the Bank and subsidiaries used the following practical expedients when applying IFRS 16 to leases.

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

- Leases previously classified as finance leases

For leases that were classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and the lease liability at January 1, 2019 are determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

3) As a lessor

The Bank and subsidiaries is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor. The Bank and subsidiaries accounted for its leases in accordance with IFRS 16 from the date of initial application.

4) Impacts on financial statements

On transition to IFRS 16, the Bank and subsidiaries recognized additional \$911,838 of right-of-use assets and \$891,321 of lease liabilities, the difference between right-of-use assets and lease liabilities is the decrease in prepaid rents for \$20,517. When measuring lease liabilities, the Bank and subsidiaries discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied is 1.688%.

The explanation of differences between operating lease commitments disclosed at the end of the annual reporting period immediately preceding the date of initial application, and lease liabilities recognized in the statement of financial position at the date of initial application disclosed as follows:

	January 1, 2019
Operating lease commitment at December 31, 2018 as disclosed in the Bank and subsidiaries consolidated financial statements	\$ 870,386
Add: the operating lease commitment except the office commitment at December 31, 2018 that didn't disclose in the Bank and subsidiaries consolidated financial statements	79,272
Deduct: recognition exemption for short term leases	(3,705)
Total	945,953
Discounted using the incremental borrowing rate at January 1, 2019	891,321
Finance lease liabilities recognized as at December 31, 2018	21,021
Lease liabilities recognized at January 1, 2019	\$ 912,342

(b) The impact of IFRS issued by the FSC but not yet effective

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2020 in accordance with Ruling No. 1080323028 issued by the FSC on July 29, 2019:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
Amendments to IFRS 9, IAS39 and IFRS7 "Interest Rate Benchmark Reform"	January 1, 2020
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020

The Bank and subsidiaries assesses that the adoption of the above-mentioned standards would not have any material impact on its consolidated financial statements.

(c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

As of the date, the following IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date 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

The Bank and subsidiaries is evaluating the impact of its initial adoption of the above-mentioned standards or interpretations on its consolidated financial position and consolidated financial performance. The results thereof will be disclosed when the Bank and subsidiaries completes its evaluation.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies presented in the consolidated financial statements are summarized as follows. The following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements.

(A) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Public Held Banks (hereinafter referred to as the Regulation) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission, R.O.C. (hereinafter referred to IFRS endorsed by the FSC).

(B) Basis of preparation

(a) Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis except for the following material items in the statement of financial position:

- (1) Financial instruments measured at fair value through profit or loss are measured at fair value (including derivative instruments);
- (2) Financial instrument measured at fair value through other comprehensive income; and
- (3) The net defined benefit liability (asset) is recognized as fair value of plan assets, less present value of defined benefit obligation and the effect of the asset ceiling in Note 4(M).

(b) Consolidation of financial statement

The consolidation financial statements include the headquarter and all the domestic branches, foreign branches and subsidiaries. The internal transactions within the headquarter, the domestic branches and the foreign branches are offset when preparing the consolidated financial statement.

(c) Functional and presentation currency

The functional currency of each entities is determined based on the primary economic environment in which the entities operate. The consolidated financial statements are presented in New Taiwan Dollar, which is the Bank's functional currency. All financial information presented in New Taiwan Dollar has been rounded to the nearest thousand.

(C) Basis of consolidation

(a) Subsidiary

A subsidiary is an enterprise controlled by the Bank. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Gains or losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(b) Elimination of intra-group transaction

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. The unrealized profits arising from the transactions with the investments under the equity method are eliminated to the extent of the percentage of shares possessed by the group over the investee. The unrealized losses are eliminated in the same way as the unrealized profit, but only under the circumstances that there are no evidences of impairment.

List of subsidiaries in the consolidated financial statements

	Established location	Main business scope	Shareholding (Holding %)	
			December 31, 2019	December 31, 2018
Taiwan Business Bank Insurance Agency Co., Ltd.	Taiwan	Agent of personal insurance	100	100
Taiwan Business Bank Property Insurance Agency Co., Ltd.	Taiwan	Agent of property insurance	100	100
TBB International Leasing Co., Ltd.	Taiwan	Leasing business	100	100
Taiwan Business Bank International Leasing Co., Ltd.	China	Leasing business	100	100
TBB (Cambodia) Microfinance Institution Plc	Cambodia	Financial company	100	100
TBB Venture Capital Co., Ltd.	Taiwan	Investing business	100	100

(D) Foreign currency

(a) Foreign currency transaction

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies on the reporting date are retranslated to the functional currency at the exchange rate of Bank of Taiwan at 10 AM. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year adjusted for the effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of translation. Foreign currency differences arising on retranslation are recognized in profit or loss, except for the equity instruments measured at fair value through other comprehensive income which are recognized in other comprehensive income arising on the retranslation.

(b) Foreign operations

The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to the Bank and subsidiaries' functional currency (not the currency under highly inflation economy) by the following procedures:

- (1) Assets and liabilities are translated at the date of the statement of financial position;
- (2) Profit and loss are translated at the average rate (unless the exchange rate of the period fluctuates intensively, then it applies the exchange rate on the trade date);
- (3) Foreign currency differences are recognized in other comprehensive income.

All the translation differences arising from above procedures are presented in the foreign currency translation reserve in equity. The exchange difference from translating net investments in foreign operations is recognized in other comprehensive income. When a foreign operation is wholly or partially disposed, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

(E) Cash and cash equivalent

Cash and cash equivalent comprise cash on hand, petty cash, foreign currency on hand and cash in banks, but excludes those items which are designated for specific purposes or restricted by contracts and law.

(F) Financial Instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Bank and subsidiaries becomes a

party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(a) Financial assets

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

On initial recognition, a financial asset is classified as measured at: amortized cost; fair value through other comprehensive income (FVOCI) – debt investment, FVOCI – equity investment, or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Bank and subsidiaries changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the next reporting period following the change in the business model.

(1) Investment in debt instruments measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

(2) Financial assets at fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL.

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Bank and subsidiaries may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis.

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Bank and subsidiaries' right to receive payment is established.



(3) Financial assets at fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Bank and subsidiaries may irrevocably designate a financial asset, which otherwise meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

(4) Loans and advances

Loans and advances are recorded as initial fair value including direct transaction cost, and the subsequent measurement recognizes interest income via effective interest rate method if there is not much difference then it can adopt straight line method and is booked as per amortized cost deducted by impairment loss. Interest accrual on loans and advances is suspended if either of the following occurs:

- Payment of principal or interest is very likely not to be redeemed as per contracts.
- Non-performing loans are categorized as overdue loans in six months after the settlement period ends.

(5) Impairment of financial assets

The Bank and subsidiaries recognize loss allowances for expected credit losses on financial assets measured at amortized cost, debt investments measured at FVOCI and loan commitments and financial guarantee contracts. Equity instrument investment does not need to recognize expected credit losses.

The Bank and subsidiaries measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities, receivables, loan commitments and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instruments is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Bank and subsidiaries is exposed to credit risk.

When determining whether the credit risk of financial asset has increased significantly since initial recognition and when estimating ECL, the Bank and subsidiaries considers reasonable and supportable information that is relevant and available (without undue cost or effort). This includes both quantitative and qualitative information and analysis, based on the Bank and subsidiaries' historical experience, informed credit assessment and including forward-looking information.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls. The difference between the cash flows due to the Bank and subsidiaries expect to receive. ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Bank and subsidiaries assesses whether financial assets carried at amortized cost, debt securities at FVOCI, loan commitments and contracts of financial guarantee are credit-impaired. A financial asset is "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being past due;
- the restructuring of a loan or advance by the borrowers on terms that the borrowers would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganization;
- the disappearance of an active market for a security because of financial difficulties; or
- to purchase or initiate financial assets at a substantial discount that reflects the credit losses that have occurred.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognized in other comprehensive income instead of reducing the carrying amount of the asset.

In addition to estimate the allowance for bad debts and guarantee liability provisions as above, according to "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing and Non-Accrual Loans ", and considering the situation of their finance and the default of principal and interest payment, the credit assets are classified as below:

- 1% of the first class credit assets deducted by the amount of credit assets from the government.
- 2% of the second class credit assets.
- 10% of the third class credit assets.
- 50% of the fourth class credit assets.
- 100% of the fifth class credit assets.

The allowance for bad debts and guarantee liability provisions were assessed by the previously stated method shall not be less than the amount regulated by " Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing and Non-Accrual Loans.

Unrecoverable overdue loans and bad debts of the Bank and subsidiaries, which are not able to be recovered after the overdue collection process, are written-off after deducting the recoverable portion.

Upon approval by the board of directors and notification to supervisors, the excess amount of written off loans over such allowance or reserve is reflected as a current loss.

(b) Financial liabilities

Financial liability measured at fair value through profit or loss, if one of the following conditions is met

(1) Financial liabilities held for trading

A financial liability is held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term; on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. A derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument, is classified as instrument held for trading as well.

(2) Financial liabilities designated at fair value through profit or loss

Financial liabilities falling under this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent changes are measured at fair value and recognized in profit or loss. While for financial liabilities designated at fair value through profit or loss, the changes in fair value generated from credit risk should be recognized under other comprehensive income, except for avoiding accounting mismatch that should be recognized in profit or loss.

(c) Reclassification of financial instruments

The Bank and subsidiaries only reclassified all affected financial assets in accordance with the regulations when changing the business model of managing financial assets. These changes are expected to be extremely infrequent. In addition, the Bank and subsidiaries must not reclassify any financial assets and liabilities of equity instruments.

If the Bank and subsidiaries reclassify financial assets in accordance with the aforesaid circumstances, the reclassification shall be postponed from the reclassification date, and any previously recognized gains, losses (including impairment losses or reversal of impairment loss) or interest shall not be restated.



(d) Derecognition of financial assets and liabilities

The Bank and subsidiaries shall derecognize a financial asset when the contractual rights to the cash flows from the financial asset expire or when the Bank and subsidiaries transfer substantially all the risks and rewards of ownership of the financial assets. A financial liability should be removed from the balance sheet when, and only when, it is extinguished, that is, when the obligation specified in the contract is either discharged or cancelled or expires. If the bonds or stocks are taken as collateral, shall not be derecognized because the Bank and subsidiaries have retained substantially all the risks and rewards of ownership. This is also applicable when the Bank and subsidiaries conduct securitization transactions and still retain some of the risks.

(e) Financial instruments offsetting

A financial asset and a financial liability should be offset and the net amount reported when, and only when, an entity has a legally enforceable right to set off the amounts; and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

(G) Impairment loss on non-financial assets

The recoverable amount for an individual asset or a cash-generating unit is the higher of its fair value less costs to sell or its value in use. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount. That reduction is an impairment loss. An impairment loss shall be recognized immediately in profit or loss.

An impairment loss recognized in prior periods for an asset other than goodwill shall be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset shall be increased to its recoverable amount, as a reversal of a previously recognized impairment loss.

(H) Property and Equipment

Items of property and equipment are measured at cost plus revaluation surplus and less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset.

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Bank and subsidiaries. The carrying amount of those parts that are replaced is derecognized. Ongoing repairs and maintenance are expensed as incurred.

Land has an unlimited useful life and therefore is not depreciated. The estimated useful lives for the current and comparative years of significant items of property and equipment are as follows:

(a) Buildings 35-50 years

(b) Equipment 3-8 years

The Bank and subsidiaries reviews and adjusts the residual value and the useful lives of assets at the end of each fiscal year. Whenever there is evidence indicating that the carrying amount is unable to be recovered due to environmental activities or changes, the Bank and subsidiaries evaluate the impairment loss of assets.

If the carrying amount is higher than the recoverable amount, the carrying amount is adjusted to the recoverable amount. The recoverable amount is the fair value or the use value deducted by the disposition expense.

The gain or loss on disposal is the difference between the carrying amount and net disposal proceeds, and gain or loss on disposal shall be recognized as net other revenue other than interest income of consolidated comprehensive income.

When purchasing machinery equipment and computer software, the education fee implied in the contract is not recognized as the cost of machinery equipment and is recognized as expense.

For the lease contracts which regulate the Bank and subsidiaries to restore the property to the original status, the Bank and subsidiaries reviews the terms of each contract and calculated the present value of the restoration expenses when signing the contracts. The decommissioning liability reserve is provided based on the calculation and the discount rate is determined based on the Bank's policy.

(I) Lease

Applicable from January 1, 2019

(a) Identifying a lease

At inception of a contract, the Bank and subsidiaries assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Bank and subsidiaries assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and
- the Bank and subsidiaries has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Bank and subsidiaries has the right to direct the use of the asset. the Bank and subsidiaries has the right to direct the use of the asset when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Bank and subsidiaries has the right to direct the use of an asset if either:
 - the Bank and subsidiaries has the right to operate the asset; or
 - the Bank and subsidiaries designed the asset in a way that predetermines how and for what purpose it will be used.

(b) As a lessee

The Bank and subsidiaries recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Bank and subsidiaries incremental borrowing rate. Generally, the Bank and subsidiaries uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Bank and subsidiaries estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- there is a change of its assessment on whether it will exercise an extension or termination option; or
- there are any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Bank and subsidiaries accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Bank and subsidiaries has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Bank and subsidiaries recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(c) As a lessor

When the Bank and subsidiaries acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Bank and subsidiaries makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Bank and subsidiaries considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

Applicable before January 1, 2019

Leases contract can be divided into operating lease contracts and financing (capital) lease contracts. If a lease contract transfers almost all the risk and reward comes with the leasehold, the leasehold is considered financing (capital) lease. If a lease contract does not transfer almost all the risk and reward comes with the leasehold, the leasehold is considered operating lease.

Depreciation is calculated per the regulation of IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets". If there is no reason to be sure that the lessee will obtain the ownership of the assets at the end of the lease period for financing leasehold, the assets shall be depreciated within the lease period or the durable service time, whichever is shorter. The lease contracts of the Bank and subsidiaries include operating lease and financing lease.

(J) Deferred assets

The costs of installation for utilities, including electricity and water, as well as security facilities, are capitalized and amortized equally over 5 years.

(K) Collaterals

The difference between the amount of claims and the Bank received when creditors cannot meet obligations and the collaterals are auctioned off is recognized as bad debts expense. The amount that net realized value lower than book value is recognized as impairment loss. The selling price deducts the original book value of collateral assumed is recognized as gain on sale of collateral assumed.

(L) Provisions

A provision is recognized if, as a result of a past event, the Bank and subsidiaries has a present legal or constructive obligation that can be estimated reliably, and it is probably that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. Amortization of the discount is recognized as interest expense. Future operating loss cannot be recognized as liability reserve.

Contingent liability refers to the possible obligation results from past events. The existence of contingent liability can only be proved by whether one or more uncertain events which can not be controlled by the Bank and subsidiaries occurs or not. Contingent liability also refers to the current obligation results from a past event, but not likely to cause outflow of economic resource to redeem the obligation or the amount of the obligation cannot be measured reliably. The Bank and subsidiaries do not recognize contingent liability and disclose it per related regulations.

(M) Employee benefit

(a) Short term employee benefit

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

(b) Retirement benefit

The pension provision of the Bank and subsidiaries includes defined contribution plan and defined benefit plan. For the personnel of foreign offices, the Bank provides pension fund per the regulations of the local authorities.

Defined contribution plan refers to the plan that the Bank and subsidiaries annually provide certain amount of money to funds to fulfill the obligation. The Bank and subsidiaries provide pension based on compulsory obligation, contracts or voluntary will to public or private managed pension funds. If certain pension fund fails to pay the employees the benefit which they deserve for the service they provided, the Bank and subsidiary do not hold legal or constructive obligation to pay additional provision. The Bank and subsidiaries recognize the pension fund provided as current pension cost on accrual basis.

The Bank's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognized past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Bank's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Bank, the recognized asset is limited to the total of the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Bank and subsidiaries. An economic benefit is available to the Bank and subsidiaries if it is realizable during the life of the plan, or on settlement of the plan liabilities.

If the benefits of a plan are improved, the pension cost incurred from the portion of the increase benefit relating to past service by employees, is recognized immediately in profit or loss.

The remeasurements of defined benefit liability (asset) include:

- (1) Actuarial gains and losses;
- (2) Return on plan assets, excluding net interest on the net defined benefit liability (asset); and
- (3) The effect of the asset ceiling, excluding net interest on the net defined benefit liability (asset).

The remeasurements of defined benefit liability (asset) are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur.

Gains or losses on the curtailment or settlement of a defined benefit plan are recognized when the curtailment or settlement occurs. The gain or loss on curtailment arises from any changes in the fair value of plan assets, any changes in the present value of the defined benefit obligation, and any related actuarial gains or losses and past service cost which had not previously been recognized.

The pension cost in the consolidated interim financial statements was calculated and disclosed on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior fiscal year, for the reporting period, the rate will be adjusted by material market volatility, material curtailment, reimbursement and settlement or other material one-time events.

(c) Deposits with favorable rate

The Bank provides deposits with favorable rate to employees, which include current employee fix amount deposits with favorable rate and retired employee fix amount deposits with favorable rate. The rate difference between the favorable rate and the market rate belongs to the category of employee benefit.

According to article 28 of "Regulations Governing the Preparation of Financial Report by Public Banks", the additional interests result from the difference between deposit with favorable rate and the deposits with market interest rate shall be calculated by actuary per the regulations related to defined benefit plan in IAS 19 . The parameters of actuarial assumptions shall follow the regulations of the competent authority.

In accordance with the regulation of "Discussion of the employee benefit actuarial assumption related matter for adopting IAS 19 with respect to the additional interest of employee deposits with favorable rate" issued by the Banking Bureau, the difference between the actual payment and the estimated retirement benefit obligation is deemed as changes in accounting estimate and is recognized in profit or loss.

(d) Termination benefits

Termination benefits are recognized as an obligation when the Bank and subsidiaries is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. The Bank and subsidiaries recognize liabilities when a formal irrevocable termination project is undertaken or when benefit is provided for encouraging voluntary resignation. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

(N) Income tax

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reserve, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

Deferred tax assets and liabilities are offset against each other only if the following criteria are met by the Bank and subsidiaries:

- (a) the Taiwan Business Bank, Ltd. has a legally enforceable right to set off current tax assets against current tax liabilities; and

(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

- (1) the same taxable entity; or
- (2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

(O) Revenue recognition

Interest is recognized according to interest method. Interest accrual is suspended from the date when the loan is reclassified to non-performing loan and only when the Bank and subsidiaries receive cash, the revenue is recognized.

The revenue of handling fee is recognized when cash collected or when the process of the profit are mostly completed. In addition, for the individual loan which does not belong to labor service and the handling fee is over 1% of the principal, the interest rate shall be adjusted from the original agreed interest rate to the effective interest rate. For the individual loan which does not belong to the service and the handling fee is less than 1% of the principal, the recognition of the revenue should be deferred and be recognized as revenue during the loan period.

(P) Earnings per share (EPS)

EPS is based on the weighted-average number of shares outstanding. In the event of capital increase through capitalization of retained earnings, capital surplus, or employee bonuses, EPS is retroactively adjusted based on the percentage of capital increase, regardless of the period when the incremental shares are outstanding.

The employee bonuses of the Bank and subsidiaries issued by stocks were dilutive potential common shares. If the potential common shares have a non-dilutive effect, the Bank and subsidiaries should only disclose the basic earnings per share. On the contrary, if the potential common shares have a dilutive effect, the Bank and subsidiaries should disclose both the basic and diluted earnings per share. In calculating the diluted earnings per share, it is based on the assumption that all dilutive potential common shares are outstanding, and therefore the net income and the shares outstanding shall be adjusted in accordance with the calculation.

(Q) Operating segments

Operating segment is the component of the Bank and subsidiaries that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Bank and subsidiaries). The segment's operating results are reviewed regularly by the Bank's chief operating decision maker to make decisions pertaining to the allocation of resources to the segment and to assess the performance for which discrete financial information is available.

5. SIGNIFICANT ACCOUNTING ASSUMPTIONS AND JUDGMENTS, AND MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the consolidated financial statements in conformity with the Regulations and the IFRSs endorsed by the FSC requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.



The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements is as follows:

(A) Impairment losses on loans

The impairment of loans of the Bank and subsidiaries was evaluated by identifying the credit risk of those financial assets have significantly increased or not at the reporting date if the credit risk has not significant incurred, the 12-month expected credit loss should be adopted to evaluate, or the lifetime credit loss evaluation should be adopted.

To evaluate the expected credit losses for 12-month and lifetime, the Bank and subsidiaries considers the unfavorable changes of payment status or the economic conditions of the countries or areas related to the default loans. When analyzing expected cash flows, the estimates by the management are based on the pass losses experience from assets with similar credit risk characteristics. In order to reduce losses from the difference between estimated and actual amount, the Bank and subsidiaries has considered historical experience, current economic conditions and forward-looking information at the reporting date to determine the assumptions to be used in calculating the impairments and the select inputs.

(B) Retirement benefit

The present value of the retirement benefit obligation is the actuarial result based on several assumptions. Any change of the assumptions may influence the carrying amount of the retirement benefit obligation.

The assumptions applied to determine net pension cost (revenue) include the discount rate. The Bank and subsidiaries determine the appropriate discount rate at the end of each year and apply it to calculate the present value of the future cash outflows which are to be paid to the retirement benefit obligation. To determine the appropriate discount rate, the Bank and subsidiaries should consider the interest rate of high-quality corporate bonds and government bonds. The currency of the retirement benefit shall be the same as that of the high-quality corporate bond or government bonds and the duration till maturity date shall comply with the duration of the related pension obligation. Other significant assumptions of retirement benefit obligation are based on the current market situation.

6. EXPLANATION OF SIGNIFICANT ACCOUNTS

(A) Cash and cash equivalents

	December 31, 2019	December 31, 2018
Petty cash and revolving funds	\$ 10,059,297	9,463,764
Foreign currencies on hand	899,964	1,001,582
Checks for clearing	2,663,951	12,965,443
Due from other banks	17,772,349	22,605,884
Total	<u>\$ 31,395,561</u>	<u>46,036,673</u>

(B) Due from the Central Bank and call loans to banks

	December 31, 2019	December 31, 2018
Due from the Central Bank	\$ 65,301,416	50,348,172
Deposits transferred to Central Bank	105,769	74,869
Call loans to banks	60,024,331	36,557,233
Trust fund indemnity reserve deposited	80,000	80,000
Securities serving as trust fund indemnity reserve deposited	(80,000)	(80,000)
Total	<u>\$ 125,431,516</u>	<u>86,980,274</u>

As of December 31, 2019 and 2018, in accordance with the Banking Law and the Central Bank Law, the required reserve deposited by the Bank with the Central Bank amounted to \$64,836,250 and \$50,137,774 of which \$38,174,500 and \$34,763,628 respectively, were restricted and such restriction may only be lifted when the required reserve is adjusted to a lower amount.

As of December 31, 2019, the Bank's subsidiaries and overseas branches, in compliance with the central bank's reserve requirement set by local authorities, deposited \$181,350 in reserve, of which \$69,921 were restricted.

Effective December 2000, in accordance with the amended "Regulations Governing the Audit and Adjustment of Deposit and Other Liability Reserves of Financial Institutions", the Bank provides the required additional reserve on foreign currency deposits. As of December 31, 2019 and 2018, the required reserve with the Central Bank amounted to \$283,816 and \$210,398 respectively, and its use was unrestricted.

As of December 31, 2019 and 2018, deposits collected on behalf of the armed forces, prisons, and other national deposits were restricted.

Effective January 20, 2001, in accordance with the requirement of the Central Bank of China, the Bank complies with Clause 34 of the Trust Law to treat the discretionary trust of investments in overseas marketable securities as a default loss reserve. As of December 31, 2019 and 2018, the Bank all deposited marketable securities of \$80,000 as trust fund reserves.

(C) Financial assets at fair value through profit or loss

	December 31, 2019	December 31, 2018
Financial assets designated at fair value through profit or loss:		
Linked deposits	\$ -	1,506,135
Overseas bonds	120,240	403,572
Financial assets at fair value through profit or loss, mandatorily measured at fair value :		
Derivative instruments not used for hedging:		
Foreign exchange forward contracts	23,843	5,687
Currency swap contracts	839,800	287,665
Foreign currency options-call	7,758	3,886
Stock index futures	65,784	30,452
Interest Rate Swap	13,611	-
Non-derivative financial assets		
Commercial paper	21,037,165	4,581,217
Listed stocks	178,867	48,910
Unlisted stocks	145,901	-
Beneficiary certificates	108,890	67,080
Financial debentures	200,000	200,000
Overseas bonds	4,230,927	-
Total	\$ 26,972,786	7,134,604

Derivative financial instruments are used for hedging foreign exchange risk and interest rate risk arising from operating, financing and investing activities. The Bank and subsidiaries held derivative financial instruments which did not apply to hedge accounting are as follows (reported as financial assets mandatorily measured at fair value through profit or loss):



	December 31, 2019		
	Amount of contracts (in thousands)	Currency	Matured duration
Foreign exchange forward contracts	\$ 2,800	EUR	2020/3/3~2020/3/17
Foreign exchange forward contracts	114,806	JPY	2020/1/6~2020/4/17
Foreign exchange forward contracts	1,210,190	TWD	2020/1/3~2020/6/24
Foreign exchange forward contracts	43,247	USD	2020/1/3~2020/3/30
Foreign exchange forward contracts	9,538	SEK	2020/1/3
Foreign exchange forward contracts	9,661	AUD	2020/3/9~2020/3/31
Foreign exchange forward contracts	70,878	ZAR	2020/1/3~2020/2/20
Currency swap contracts	28,940	AUD	2020/1/3~2020/3/12
Currency swap contracts	15,000	CAD	2020/2/21
Currency swap contracts	10,819,871	CNY	2020/1/2~2021/5/17
Currency swap contracts	142,340	EUR	2020/1/22~2020/11/16
Currency swap contracts	7,000	GBP	2020/1/9~2020/3/18
Currency swap contracts	3,513,405	JPY	2020/1/6~2020/7/16
Currency swap contracts	27,000	NZD	2020/1/21~2020/2/21
Currency swap contracts	38,599,637	TWD	2020/1/2~2020/12/21
Currency swap contracts	3,979,626	USD	2020/1/2~2021/5/17
Currency swap contracts	2,059,560	ZAR	2020/1/6~2020/3/11
Option contracts-call	5,000	AUD	2020/2/14~2020/3/12
Option contracts-call	6,300	EUR	2020/1/13~2020/3/9
Option contracts-call	31,200	USD	2020/1/7~2020/10/13
Option contracts-put	5,000	AUD	2020/2/14~2020/3/12
Option contracts-put	6,300	EUR	2020/1/13~2020/3/9
Option contracts-put	31,200	USD	2020/1/7~2020/10/13

	December 31, 2018		
	Amount of contracts (in thousands)	Currency	Matured duration
Foreign exchange forward contracts	\$ 1,000	EUR	2019/1/24
Foreign exchange forward contracts	672,346	JPY	2019/1/4~2019/4/22
Foreign exchange forward contracts	875,469	TWD	2019/1/4~2019/9/12
Foreign exchange forward contracts	27,352	USD	2019/1/31~2019/3/29
Foreign exchange forward contracts	5,252	CNY	2019/1/21~2019/3/15
Currency swap contracts	800	AUD	2019/1/2
Currency swap contracts	22,012	CAD	2019/1/25~2019/3/22
Currency swap contracts	2,565,277	CNY	2019/1/9~2019/11/1
Currency swap contracts	90,000	EUR	2018/12/31~2019/10/11
Currency swap contracts	18,200	GBP	2019/1/3~2019/2/25
Currency swap contracts	40,000	HKD	2019/1/23
Currency swap contracts	4,251,853	JPY	2019/1/7~2019/6/14
Currency swap contracts	30,000	NZD	2019/1/18~2019/2/19
Currency swap contracts	1,000	CHF	2019/2/15
Currency swap contracts	12,537,712	TWD	2019/1/2~2019/10/9
Currency swap contracts	3,258,522	USD	2019/1/2~2019/12/31
Currency swap contracts	2,137,013	ZAR	2018/12/31~2019/3/5
Option contracts-call	8,000	AUD	2019/1/29~2019/3/25
Option contracts-call	6,800	EUR	2019/1/4~2019/3/20
Option contracts-call	21,300	USD	2019/1/11~2019/9/27
Option contracts-put	8,000	AUD	2019/1/29~2019/3/25
Option contracts-put	6,800	EUR	2019/1/4~2019/3/20
Option contracts-put	21,300	USD	2019/1/11~2019/9/27

(D) Securities purchased under resell agreements

	December 31, 2019	December 31, 2018
Securities under resell agreements	\$ 13,399,113	2,386,518
Face amount	13,413,000	2,388,800
Resell period	2020.1.2~2020.1.20	2019.1.2~2019.1.3
Range of resell interest rate	0.52%~0.57%	0.62%~0.63%
Resell price	\$ 13,403,489	2,386,828

(E) Receivables

	December 31, 2019	December 31, 2018
Interest receivable	\$ 3,432,360	3,300,752
Acceptances receivable	919,550	1,411,879
Accrued incomes	60,308	73,545
Accounts receivable	1,072,490	950,935
Accounts receivable-factoring without recourse	19,089	566,451
Spot exchange receivable-foreign currencies	19,401,208	36,539,337
Refinancing guaranty deposits	6,058	13,025
Guaranteed proceeds receivable from refinancing	5,776	10,968
Credit cards accounts receivable	1,297,722	1,300,607
Receivable price of securities purchased for customers	148,588	43,252
Settlement price	178,136	337,174
Installment receivables and leases	1,041,801	1,051,763
Other receivables	305,409	189,023
Sub-total	27,888,495	45,788,711
Less: Allowance for bad debts	(151,590)	(135,730)
Net	\$ 27,736,905	45,652,981

The outstanding contract amount of financial assets that have been written off and still have recourse as of December 31, 2019 and 2018 were \$78,926,674 and \$77,039,223 respectively.

The change in allowance for bad debts was as follows:

	For the years ended December 31,	
	2019	2018
Beginning balance (according to IAS 39)	\$ 135,730	107,760
Adjustment of initial application of IFRS 9	-	3,456
Beginning balance (according to IFRS 9)	135,730	111,216
Provision	61,655	40,120
Write-off	(43,492)	(16,607)
Write-off recovered	-	31
Foreign exchange	(2,303)	970
Ending balance	\$ 151,590	135,730



(F) Discounts and loans, net

	December 31, 2019	December 31, 2018
Import/export bills negotiated	\$ 159,033	502,839
Bills and notes discounted	1,055,795	1,709,185
Overdrafts	30,564	36,758
Secured overdrafts	2,750,654	2,877,536
Short-term loans	150,304,834	172,635,763
Short-term secured loans	207,869,262	196,148,277
Margin loans receivable	2,230,213	1,845,664
Medium-term loans	155,727,045	135,528,776
Medium-term secured loans	175,918,159	151,382,900
Long-term loans	21,723,867	15,495,441
Long-term secured loans	425,203,483	407,310,715
Overdue loans	3,117,841	2,449,090
Sub-total	1,146,090,750	1,087,922,944
Less: Adjustment of discount and premium	(286,446)	(261,045)
Less: Allowance for bad debts	(13,341,368)	(13,034,151)
Net	\$ 1,132,462,936	1,074,627,748

The change in allowance for bad debts is as follows:

	For the years ended December 31,	
	2019	2018
Beginning balance (according to IAS 39)	\$ 13,034,151	12,158,013
Adjustment of initial application of IFRS 9	-	(54,941)
Beginning balance (according to IFRS 9)	13,034,151	12,103,072
Provision	2,422,135	704,605
Transfer out	(24,238)	(44,688)
Write-off	(3,307,350)	(2,626,396)
Write-off recovered	1,231,950	2,890,761
Foreign exchange	(15,280)	6,797
Ending balance	\$ 13,341,368	13,034,151

(G) Financial asset at fair value through other comprehensive income

	December 31, 2019	December 31, 2018
Investment in debt instruments measured at fair value through other comprehensive income:		
Government bonds	\$ 35,730,629	31,926,679
Corporate bonds	30,848,228	21,716,510
Overseas bonds	24,664,354	11,764,869
Subtotal	91,243,211	65,408,058
Investment in equity instruments measured at fair value through other comprehensive income:		
Listed stocks	7,149,992	3,500,614
Unlisted stocks	4,154,137	4,212,027
Real Estate Investment Trust	49,804	43,502
Subtotal	11,353,933	7,756,143
Total	\$ 102,597,144	73,164,201

1. Investment in debt instruments measured at fair value through other comprehensive income

The Bank and subsidiaries assessed that the above bond investments were held within a business model whose objective was achieved by both collecting contractual cash flows and selling financial assets. The bond investments have been classified as the financial asset measured at fair value through other comprehensive income. Some of the investment in debt instruments measured at fair value through other comprehensive income are used as resell condition. Please refer to Note 6 (P) for more details.

2. Investment in equity instruments measured at fair value through other comprehensive income

The Bank and subsidiaries designated the investments shown above as equity securities as at fair value through other comprehensive income because these equity securities represent those investments intending to hold for long-term for strategic purpose.

The Bank and subsidiaries designated the investments shown above as equity instrument as at fair value through other comprehensive income, therefore, the Bank and subsidiaries recognized \$408,485 and \$276,340 as dividend revenue for the years ended December 31, 2019 and 2018. In which, the disposal equity instruments recognized \$58,330 and \$16,587 as dividend revenue for the years ended December 31, 2019 and 2018.

The Bank and subsidiaries sell the investments which were measured as at fair value through other comprehensive income due to assets allocation. The fair value of disposed are \$1,287,678 and \$368,739 and gains on disposal are \$52,427 and \$30,765 for the years ended December 31, 2019 and 2018. Thus, accumulated gains on disposal were transferred from other equity to retained earnings.

3. Please refer to Note 6(AO) for the credit risk (including the impairment in debt instruments) and market risk information.

4. The Bank and subsidiaries assessed the impairment of financial assets measured at fair value through other comprehensive income as of December 31, 2019 and 2018. The changes in allowance for credit losses attribute to the financial assets were as follows:

	For the years ended December 31,	
	2019	2018
Beginning balance	\$ 33,765	-
Adjustments of initial application of IFRS 9	-	25,404
Beginning balance (according to IFRS 9)	33,765	25,404
Provision	18,676	8,363
Foreign exchange	(142)	(2)
Ending balance	\$ 52,299	33,765

(H) Investment in debt instruments at amortized cost

	December 31, 2019	December 31, 2018
Certificates of deposit with the Central Bank	\$ 174,880,000	165,150,000
Government bonds	32,061,168	34,922,034
Corporate bonds	16,089,576	19,229,940
Overseas bonds	39,753,641	41,889,974
Negotiable certificates of deposit	362,868	371,676
Subtotal	263,147,253	261,563,624
Less: Accumulated impairment	(90,411)	(93,128)
Total	\$ 263,056,842	261,470,496

The Bank and subsidiaries assessed that these financial assets were held to collect the contractual cash flows, which consisted solely of payments of principal and interest on principal amount outstanding. Therefore, these investments were classified as financial assets measured at amortized cost.

1. Please refer to Note 6(AO) for credit risk.



2. The pledged assets provided by the above investment in debt instruments at amortized cost were shown follows:

	December 31, 2019	December 31, 2018
Reserve for provisional seizure by the court, international card payment reserve, trust claim reserve and operating guaranty funds	\$ 1,183,000	869,100
Overseas branches required reserve of overdraft guarantee	62,979	64,544
Daylight overdraft guarantee (Certificates of deposit with the Central Bank)	2,000,000	2,000,000
Guarantee for borrowing US dollars	23,000,000	23,000,000
Guarantee for borrowing JPY dollars	200,000	200,000
Total	\$ 26,445,979	26,133,644

3. The Bank and subsidiaries assessed the impairment of investment in debt instruments at amortized cost as of December 31, 2019 and 2018. The changes in allowance for credit losses attribute to these financial assets were as follows:

	For the years ended December 31,	
	2019	2018
Beginning balance	\$ 93,128	-
Adjustments of initial application of IFRS 9	-	72,648
Beginning balance (according to IFRS 9)	93,128	72,648
(Reversal) Provision	(2,346)	19,934
Foreign exchange	(371)	546
Ending balance	\$ 90,411	93,128

4. Disposal gain(loss) on disposal investment in assets at amortized cost:

	The carrying amount at the date of derecognition		Gain (Loss) on disposal	
	For the years ended December 31,		For the years ended December 31,	
	2019	2018	2019	2018
Overseas bonds	\$ 1,283,635	86,063	980	130

The Bank and subsidiaries derecognized investment in financial assets measured at amortized cost due to the prepayment of the issuer of the financial asset measured at amortized cost and the increase of credit risk.

(I) Other financial assets

	December 31, 2019	December 31, 2018
Overdue receivable	\$ 105,829	105,200
Less: Allowance for bad debts, overdue receivable	(85,901)	(87,249)
Overdue receivable, net	19,928	17,951
Exchange bills negotiated	-	20
Total	\$ 19,928	17,971

The change in allowance for bad debts was as follows:

	For the years ended December 31,	
	2019	2018
Beginning balance (according to IAS39)	\$ 87,249	84,411
Adjustments of initial application of IFRS 9	-	4,714
Beginning balance (according to IFRS 9)	87,249	89,125
Reversal	(25,452)	(45,387)
Transfer in	24,238	44,688
Write-off	(22,009)	(26,368)
Write-off recovered	21,875	25,191
Ending balance	\$ 85,901	87,249

(J) Property and equipment, net

December 31, 2019	Cost	Revaluation increment	Accumulated depreciation	Accumulated impairment	Total
Land	\$ 6,737,960	2,986,161	-	14,031	9,710,090
Buildings	7,862,521	31,184	4,213,708	14,754	3,665,243
Machinery and equipment	2,336,544	-	1,840,547	-	495,997
Transportation equipment	279,967	-	240,449	-	39,518
Miscellaneous equipment	582,107	-	493,441	-	88,666
Leasehold improvements	151,713	-	75,183	-	76,530
Construction in progress	16,346	-	-	-	16,346
Prepayment for real estate	120	-	-	-	120
Prepayment for equipment	405,727	-	-	-	405,727
Total	<u>\$ 18,373,005</u>	<u>3,017,345</u>	<u>6,863,328</u>	<u>28,785</u>	<u>14,498,237</u>

December 31, 2018	Cost	Revaluation increment	Accumulated depreciation	Accumulated impairment	Total
Land	\$ 6,737,960	2,986,161	-	14,031	9,710,090
Buildings	7,824,415	31,184	4,027,738	14,754	3,813,107
Machinery and equipment	2,094,860	-	1,739,374	-	355,486
Transportation equipment	277,877	-	242,753	-	35,124
Miscellaneous equipment	579,568	-	492,179	-	87,389
Leasehold improvements	138,783	-	55,180	-	83,603
Construction in progress	31,065	-	-	-	31,065
Prepayment for equipment	171,807	-	-	-	171,807
Leased assets	75,518	-	53,451	-	22,067
Total	<u>\$ 17,931,853</u>	<u>3,017,345</u>	<u>6,610,675</u>	<u>28,785</u>	<u>14,309,738</u>

Change of cost

	January 1, 2019	Increase	Decrease	Foreign Exchange	December 31, 2019
Land	\$ 9,724,121	-	-	-	9,724,121
Buildings	7,855,599	38,106	-	-	7,893,705
Machinery and equipment	2,094,860	297,985	57,806	1,505	2,336,544
Transportation equipment	277,877	16,054	15,477	1,513	279,967
Miscellaneous equipment	579,568	25,756	22,682	(535)	582,107
Leasehold improvements	138,783	21,191	7,200	(1,061)	151,713
Construction in progress	31,065	1,179	15,898	-	16,346
Prepayment for real estate	-	120	-	-	120
Prepayment for equipment	171,807	292,324	57,797	(607)	405,727
Total	<u>\$ 20,873,680</u>	<u>692,715</u>	<u>176,860</u>	<u>815</u>	<u>21,390,350</u>

	January 1, 2018	Increase	Decrease	Foreign Exchange	December 31, 2018
Land	\$ 9,665,113	59,008	-	-	9,724,121
Buildings	7,730,578	125,021	-	-	7,855,599
Machinery and equipment	2,072,355	167,919	149,244	3,830	2,094,860
Transportation equipment	280,450	10,254	14,815	1,988	277,877
Miscellaneous equipment	590,195	23,703	35,589	1,259	579,568
Leasehold improvements	104,639	33,845	5,720	6,019	138,783
Construction in progress	17,726	70,300	56,961	-	31,065
Prepayment for real estate	98,799	-	98,799	-	-
Prepayment for equipment	56,593	132,835	17,776	155	171,807
Leased assets	74,596	1,540	624	6	75,518
Total	<u>\$ 20,691,044</u>	<u>624,425</u>	<u>379,528</u>	<u>13,257</u>	<u>20,949,198</u>



Change of depreciation

	January 1, 2019	Increase	Decrease	Foreign Exchange	December 31, 2019
Buildings	\$ 4,027,738	185,970	-	-	4,213,708
Machinery and equipment	1,739,374	159,803	57,364	(1,266)	1,840,547
Transportation equipment	242,753	12,498	15,345	543	240,449
Miscellaneous equipment	492,179	24,226	22,186	(778)	493,441
Leasehold improvements	55,180	28,097	7,200	(894)	75,183
Total	\$ 6,557,224	410,594	102,095	(2,395)	6,863,328

	January 1, 2018	Increase	Decrease	Foreign Exchange	December 31, 2018
Buildings	\$ 3,849,763	177,975	-	-	4,027,738
Machinery and equipment	1,760,891	126,024	148,553	1,012	1,739,374
Transportation equipment	243,860	13,461	14,563	(5)	242,753
Miscellaneous equipment	504,628	22,639	35,282	194	492,179
Leasehold improvements	33,406	23,289	5,620	4,105	55,180
Leased assets	42,845	11,226	624	4	53,451
Total	\$ 6,435,393	374,614	204,642	5,310	6,610,675

Accumulated impairment

	January 1, 2019	Increase	Decrease	Foreign Exchange	December 31, 2019
Land	\$ 14,031	-	-	-	14,031
Buildings	14,754	-	-	-	14,754
Total	\$ 28,785	-	-	-	28,785

	January 1, 2018	Increase	Decrease	Foreign Exchange	December 31, 2018
Land	\$ 14,031	-	-	-	14,031
Buildings	14,754	-	-	-	14,754
Total	\$ 28,785	-	-	-	28,785

When the Bank and subsidiaries first adopted IFRSs, it elected to apply the revaluation amount calculated per the regulation of GAAP of R.O.C as the original cost on the transition date.

As of December 31, 2019 and 2018, the appreciation from revaluation of properties all amounted to \$3,017,345. Reserve for land incremental tax all amounted to \$879,056 (Recognized under deferred tax liabilities).

As of December 31, 2019 and 2018, land which was illegally occupied all amounted to \$5,496. Except for a portion of the land that was still under negotiation with the occupant; in addition, the Bank intends to participate in land auction, urban renewal or by other appropriate means in due course.

(K) Right-of-use assets, net

The Bank and subsidiaries leases many assets including buildings, machinery and transportation equipment. Information about leases on costs, depreciation and impairment for which the Bank and subsidiaries as a lessee is presented below:

December 31, 2019	Cost	Accumulated depreciation	Accumulated impairment	Total
Buildings	\$ 1,299,279	301,019	-	998,260
Machinery and equipment	74,915	64,743	-	10,172
Transportation equipment	60,417	21,514	-	38,903
Miscellaneous equipment	5,729	1,505	-	4,224
Total	\$ 1,440,340	388,781	-	1,051,559

Change of cost

	January 1, 2019	Increase	Decrease	Foreign Exchange	December 31, 2019
Buildings	\$ 854,180	533,901	86,364	(2,438)	1,299,279
Machinery and equipment	75,518	88	691	-	74,915
Transportation equipment	54,202	6,998	660	(123)	60,417
Miscellaneous equipment	3,456	2,521	248	-	5,729
Total	<u>\$ 987,356</u>	<u>543,508</u>	<u>87,963</u>	<u>(2,561)</u>	<u>1,440,340</u>

Change of depreciation

	January 1, 2019	Increase	Decrease	Foreign Exchange	December 31, 2019
Buildings	\$ -	386,632	84,770	(843)	301,019
Machinery and equipment	53,451	11,983	691	-	64,743
Transportation equipment	-	22,199	660	(25)	21,514
Miscellaneous equipment	-	1,753	248	-	1,505
Total	<u>\$ 53,451</u>	<u>422,567</u>	<u>86,369</u>	<u>(868)</u>	<u>388,781</u>

The Bank and subsidiaries leases machinery classified as property and equipment under the finance lease for the year ended December 31, 2018, please refer to note (J).

(L) Other assets, net

	December 31, 2019	December 31, 2018
Office supplies	\$ 28,531	28,261
Prepayments	4,269,431	4,261,033
Operating guarantee deposits and settlement fund	30,066	31,011
Guarantee deposits paid	1,222,379	858,681
Deferred assets	9	16
Temporary payments and suspense accounts	-	80,253
Proceeds of settlement and margin trading	2,034	2,071
Total	<u>\$ 5,552,450</u>	<u>5,261,326</u>

(M) Deposits from the Central Bank and banks

	December 31, 2019	December 31, 2018
Deposits from the Central Bank	\$ 175,101	251,673
Due from the Central Bank	10,796,400	15,367,500
Deposits from banks	93,229	64,602
Call loans from banks	24,197,994	18,991,607
Overdrafts on banks	1,118,477	812,952
Deposits transferred from Chunghwa Post Co., Ltd.	68,412,411	55,826,209
Total	<u>\$ 104,793,612</u>	<u>91,314,543</u>

(N) Due to the Central Bank and banks

	December 31, 2019				
	Currency	Interest Rate	Maturity Date	Original Amount	NTD Amount
Agricultural Bank of Taiwan	TWD	0.8600%	2020.1.30	90,000	\$ 90,000
Hua Nan Commercial Bank, Ltd.	TWD	1.0000%	2020.1.20	500	500
Chang Hwa Commercial Bank, Ltd. (Kunshan)	CNY	4.9875%	2020.6.22~2021.2.13	7,417	31,855
Taichung Commercial Bank Co., Ltd. (OBU)	USD	3.8935%~3.9093%	2021.5.28	15,000	449,850
Sunny Commercial Bank (OBU)	USD	3.3048%	2020.8.27	6,000	179,940
Total					<u>\$ 752,145</u>
Unused credit lines					<u>\$ 1,170,105</u>



	December 31, 2018				
	Currency	Interest Rate	Maturity Date	Original Amount	NTD Amount
Chang Hwa Commercial Bank, Ltd. (Kunshan)	CNY	5.2250%	2020.6.22~2021.2.13	14,750	\$ 65,918
First Commercial Bank (Xiamen)	CNY	5.4625%	2020.5.18	800	3,575
Taichung Commercial Bank Co., Ltd. (OBU)	USD	4.5815%~4.6290%	2021.5.28	15,000	461,025
First Commercial Bank (OBU)	USD	4.6953%	2019.12.4	1,000	30,735
Sunny Commercial Bank (OBU)	USD	4.0056%	2019.1.25	1,000	30,735
Total					\$ 591,988
Unused credit lines					\$ 765,832

(O) Financial liabilities at fair value through profit or loss

	December 31, 2019	December 31, 2018
Financial liabilities designated at fair value through profit or loss:		
Financial debentures	\$ 8,949,182	9,162,841
Financial liabilities held for trading:		
Derivative instruments not used for hedging		
Foreign exchange forward contracts	13,364	11,546
Currency swap contracts	395,909	161,000
Foreign currency option-put	7,763	3,886
Interest rate contract	27,118	-
Total	\$ 9,393,336	9,339,273

Please refer to 6(S) for the information of financial liabilities designated at fair value through profit and loss.

Please refer to 6(C) for the nominal amount of unsettled financial derivatives instrument contracts of December 31, 2019 and 2018.

(P) Notes and bonds issued under repurchase agreement

Assets	December 31, 2019			
	Par value	Selling Price (Recognized in securities sold under repurchase agreements)	Designated repurchase amount	Designated repurchase date
Financial assets at fair value through other comprehensive income	\$ 784,600	868,581	869,623	Prior to May 8, 2020

Assets	December 31, 2018			
	Par value	Selling Price (Recognized in securities sold under repurchase agreements)	Designated repurchase amount	Designated repurchase date
Financial assets at fair value through other comprehensive income	\$ 1,628,596	1,657,706	1,660,551	Prior to June 14, 2019

(Q) Payables

	December 31, 2019	December 31, 2018
Accrued interest	\$ 2,623,479	2,183,207
Accounts payable	3,107,765	12,976,337
Acceptances	946,338	1,476,163
Accrued expenses	2,808,411	3,223,896
Collection payable	774,995	612,741
Deposits received from securities borrowers	101,709	103,529
Guaranteed price deposits received from securities borrowers	110,417	111,936
Accounts payable factoring	19,089	177,759
Spot exchange payable, foreign currencies	19,400,371	36,521,898
Other payables	825,924	896,129
Prices payable of securities sold for customers	319,966	377,826
Others	19,220	12,710
Total	\$ 31,057,684	58,674,131

(R) Deposits and remittances

	December 31, 2019	December 31, 2018
Savings deposits	\$ 642,739,224	617,461,408
Time deposits	405,886,922	341,309,350
Demand deposits	361,341,496	323,439,370
Checking account deposits	24,775,707	28,257,596
Remittances	306,198	573,379
Total	<u>\$ 1,435,049,547</u>	<u>1,311,041,103</u>

(S) Bank notes payable

Bonds	Terms of Transactions			Bond Issued		
	Issue date	Maturity date	Interest Rate & repayment	Type	Amount	
					December 31, 2019	December 31, 2018
2010-1P A	09/23/2010	None	The debentures bear annual interest rate which is the Chunghwa post's board average interest rate for 1-year time deposit plus 1.34% for the ten years after the issue date. The interest rate will be the Chunghwa post's board interest rate for 1-year time deposit plus 2.34% from the eleventh year. The debentures are redeemable per face value plus accrued interest at the interest payment date after ten years from the issue date under the consent of the competent authority.	Perpetual non-accumulated subordinated financial debentures	\$ 3,200,000	3,200,000
2010-1P B	09/23/2010	None	The debentures bear an interest rate of 3.05% for the first ten years after the issue date. The interest rate will be 4.05% from the eleventh year. The debentures are redeemable per face value plus accrued interest at the interest payment date after ten years from the issue date under the consent of the competent authority.	"	800,000	800,000
2013-1	03/25/2013	03/25/2020	The debentures bear an annual interest rate of 1.68%. Simple interest is accrued and paid annually. The principal will be repaid in full at maturity.	Unsecured subordinated long-term financial debentures	5,000,000	5,000,000
2013-2A	11/25/2013	11/25/2020	(A) The debentures bear annual interest rate, which is the index rate plus 0.52%. The index rate is the average offer of 90-days CP which is indicated in Reuter's page 6165 at 11 A.M Taipei time, 2 operation days prior to the interest commencement date. (B) Since January 1, 2015 according to various indicators of interest rate changes during the value date two business days before the pricing (FIXING) Bank of the Republic of China Business Association National Union RCAs website "Taipei fixing the financial sector call loan rate (TAIBOR)" three-month interest rate fixing. Simple interest rate is accrued four times a year and paid annually. The principal will be repaid in full at maturity.	"	3,100,000	3,100,000
2013-2B	11/25/2013	11/25/2020	The debentures bear an annual interest rate of 1.92%. Simple interest is accrued and paid annually. The principal will be repaid in full at maturity.	"	2,900,000	2,900,000
2015-1P	06/18/2015	None	The debenture bears an annual interest rate of 3.9%. Simple interest is accrued and paid annually. The debentures are redeemable per face value plus accrued interest at interest payment date after five years from the issued date under the consent of the competent authority.	Perpetual non-accumulated subordinated financial debentures	5,000,000	5,000,000
2015-2A	08/31/2015	08/31/2023	The debentures bear an annual interest rate of 2.05%. Simple interest is accrued and paid annually. The principal will be repaid in full at maturity.	Unsecured subordinated long-term financial debentures	4,700,000	4,700,000
2015-2B	08/31/2015	08/31/2025	The debentures bear an annual interest rate of 2.10%. Simple interest is accrued and paid annually. The principal will be repaid in full at maturity.	"	300,000	300,000



Bonds	Terms of Transactions			Bond Issued		
	Issue date	Maturity date	Interest Rate & repayment	Type	Amount	
					December 31, 2019	December 31, 2018
2016-1P	09/20/2016	None	The debentures bear an annual interest rate of 3.2%. Simple interest is accrued and paid annually. The debentures are redeemable per face value plus accrued interest at interest payment date after five years and three months from the issued date under the consent of the competent authority.	Perpetual non-accumulated subordinated financial debentures	\$ 8,000,000	8,000,000
2016-2	12/20/2016	12/20/2023	The debentures bear an annual interest rate of 1.40%. Simple interest is accrued and paid annually. The principal will be repaid in full at maturity.	Unsecured subordinated long-term financial debentures	2,700,000	2,700,000
2017-1A	03/28/2017	03/28/2024	The debentures bear an annual interest rate of 1.50%. Simple interest is accrued and paid annually. The principal will be repaid in full at maturity.	"	390,000	390,000
2017-1B	03/28/2017	03/28/2025	The debentures bear an annual interest rate of 1.60%. Simple interest is accrued and paid annually. The principal will be repaid in full at maturity.	"	250,000	250,000
2017-1C	03/28/2017	03/28/2027	The debentures bear an annual interest rate of 1.85%. Simple interest is accrued and paid annually. The principal will be repaid in full at maturity.	"	3,360,000	3,360,000
2017-2	05/23/2017	05/23/2027	The debentures bear an annual interest rate of 1.85%. Simple interest is accrued and paid annually. The principal will be repaid in full at maturity.	"	1,300,000	1,300,000
2018-1	01/05/2018	01/05/2021	The debentures bear an annual interest rate of 0.7%. Simple interest is accrued and paid annually. The principal will be repaid in full at maturity.	"	1,000,000	1,000,000
2018-2	08/20/2018	08/20/2028	The debentures bear an annual interest rate of 1.45%. Simple interest is accrued and paid annually. The principal will be repaid in full at maturity.	"	5,450,000	5,450,000
2019-1A	03/21/2019	03/21/2026	The debentures bear an annual interest rate of 1.20%. Simple interest is accrued and paid annually. The principal will be repaid in full at maturity.	"	1,000,000	-
2019-1B	03/21/2019	03/21/2029	The debentures bear an annual interest rate of 1.30%. Simple interest is accrued and paid annually. The principal will be repaid in full at maturity.	"	4,800,000	-
					\$ 53,250,000	47,450,000

The Bank issued \$120,000 thousands and \$180,000 thousands dollar-denominated debentures with call option that can be executed on strike price after five years from the issued date. Without executing call options during the periods of debentures, the principal will be repaid in full at maturity. In order to avoid interest risk, the Bank buys interest rate swap contracts that are classified as financial assets at fair value through profit or loss. To eliminate the measurement or recognition inconsistency between IRSs and debentures, the Bank classified the debentures into financial liabilities at fair value through profit or loss. The debentures are as follows:

Bonds	Terms of Transactions			Bond Issued		
	Issue date	Maturity date	Interest Rate & repayment	Type	Amount	
					December 31, 2019	December 31, 2018
2017-3	10/27/2017	10/27/2047	The zero-coupon debentures with call options can be executed on strike price after five years from the issued date. Without executing call options during the periods of debentures, the principal will be repaid in full at maturity.	Unsecured dollar-denominated senior financial debentures	\$ 3,598,800	3,688,200
2018-3	09/27/2018	09/27/2048	The zero-coupon debentures with call options can be executed on strike price after five years from the issued date. Without executing call options during the periods of debentures, the principal will be repaid in full at maturity.	"	5,398,200	5,532,300
				Valuation adjustment	(47,818)	(57,659)
					\$ 8,949,182	9,162,841

(T) Other financial liabilities

	December 31, 2019	December 31, 2018
Lease payable	\$ -	21,021
Cumulative earnings on appropriated loans fund	6,835,084	7,486,694
Total	<u>\$ 6,835,084</u>	<u>7,507,715</u>

Cumulative earnings on appropriated loan fund is the project contract signed by National Development Fund, Executive Yuan, Small and Medium Enterprise Administration, Ministry of Economic Affairs, and the Bank. The Bank appropriates the fund to the companies which meet the conditions for loans. The fund is classified as principal account, interest yielding account, loaned account and un-loaned account. These accounts are used for transferring accounts and paying the deposit interests for each project contract.

(U) Provisions

	December 31, 2019	December 31, 2018
Provision for guarantee liabilities	\$ 200,948	215,383
Provision for loan commitments	31,498	73,753
Provision for employee benefits	2,925,557	3,276,591
Total	<u>\$ 3,158,003</u>	<u>3,565,727</u>

Change of provision

	January 1, 2019	Increase	Decrease	Use	Foreign exchange	December 31, 2019
Provision for guarantee liabilities	\$ 215,383	-	14,340	-	(95)	200,948
Provision for loan commitments	73,753	-	42,171	-	(84)	31,498
Provision for employee benefits	3,276,591	217,584	490,438	78,180	-	2,925,557
Total	<u>\$ 3,565,727</u>	<u>217,584</u>	<u>546,949</u>	<u>78,180</u>	<u>(179)</u>	<u>3,158,003</u>

	January 1, 2018	IFRS 9 Adjustment	Increase	Decrease	Use	Foreign exchange	December 31, 2018
Provision for guarantee liabilities	\$ 156,523	-	58,710	-	-	150	215,383
Provision for loan commitments	-	47,265	26,637	-	-	(149)	73,753
Provision for employee benefits	3,358,828	-	444,090	453,021	73,306	-	3,276,591
Total	<u>\$ 3,515,351</u>	<u>47,265</u>	<u>529,437</u>	<u>453,021</u>	<u>73,306</u>	<u>1</u>	<u>3,565,727</u>

Please refer to Note 6(Z) for the information with regard to provision for employee benefits shown above.

(V) Lease liabilities

The carrying amounts of lease liabilities were as follows:

	December 31, 2019
Less than one year	\$ 362,818
More than one year	<u>\$ 678,365</u>

For the maturity analysis, please refer to Note 6(AO) Financial Risk Information.

The amounts recognized in profit or loss were as follows:

	For the year ended December 31, 2019
Interest on lease liabilities	\$ 15,129
Expenses relating to short term leases	<u>\$ 10,878</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	<u>\$ 13,594</u>

The amounts recognized in the statement of cash flows was as follows:

	For the year ended December 31, 2019
Total cash outflow for leases	\$ 453,934

(a) Real estate leases

As of December 31, 2019, the Bank and subsidiaries leases buildings for its office space. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

Some leases provide for additional rent payments that are based on changes in local price indices. Some also require the Bank and subsidiaries to make payments that relate to the property taxes levied on the lessor and insurance payments made by the lessor; these amounts are generally determined monthly.

(b) Other leases

The Bank and subsidiaries leases machinery and transportation equipment with lease terms of one to four years. In some cases, the Bank and subsidiaries has options to purchase the assets at the end of the contract term; in other cases, it guarantees the residual value of the leased assets at the end of the contract term.

The Bank and subsidiaries has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short term.

(c) The lease liabilities were classified as finance lease liabilities on December 31, 2018.

(W) Other liabilities

	December 31, 2019	December 31, 2018
Advance interest receipts	\$ 5,231	10,717
Unearned revenue	178,283	154,589
Other advance receipts	84,080	152,649
Guarantee deposits received	1,302,117	821,386
Temporary receipts and suspense accounts	1,711,940	-
Others	7,830	7,596
Total	\$ 3,289,481	1,146,937

(X) Equity

(a) Common stock

As of December 31, 2019 and 2018, the Bank's authorized capital were \$80,000,000 and the paid-in capital for common shares of the Bank were \$71,319,842 and \$63,938,802, the face value of each share is NTD \$10. The outstanding shares were 7,131,985 and 6,393,881 thousand shares, respectively.

A resolution was passed during the regular shareholders' meetings held on June 14, 2019 for the issuance of ordinary shares for cash within a year under private placement, with the number of shares issued to not exceed 1,000,000 thousand. Subsequently, a resolution was passed during the board meeting held on August 19, 2019 for the issuance of 418,410 thousand ordinary shares under private placement at \$11.95 per share, amounting to \$5,000,000, August 30, 2019 as the record date of cash capital increase. The relevant statutory registration procedures have been completed.

The aforementioned private placement of ordinary shares and the transfer of any subsequently issuance bonus shares would be subject to section 43-8 requirements under the Securities and Exchange Act. The Bank can only list these shares to be traded on the Taiwan Stock Exchange after a three-year period has elapsed from the delivery date of the private placement securities (November 1, 2019), and after applying for a public offering with the Financial Supervisory Commission.



Pursuant to the resolution approved by the regular stockholders' meeting of the Bank on June 14, 2019, the Bank increased its capital from the retained earnings by \$3,196,940 and issued 319,694 thousand shares. The capital increase has been approved by Financial Supervisory Commission and came into effect on July 25, 2019. The record date of the capital increase is set on August 20, 2019. The Bank has completed the alteration of the registered capital amount on September 9, 2019.

Pursuant to the resolution approved by the regular stockholders' meeting of the Bank on June 29, 2018, the Bank increased its capital from the retained earnings by \$2,459,185 and issued 245,919 thousand shares. The capital increase has been approved by Financial Supervisory Commission and came into effect on August 10, 2018. The base date of the capital increase is set on September 12, 2018. The Bank has completed the alteration of the registered capital amount on September 21, 2018.

(b) Capital surplus

Sources and statement of the Bank's capital surplus were as follows:

	December 31, 2019	December 31, 2018
Additional paid-in capital	\$ 815,900	-

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends based on the shareholders' initial number of shares. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

(c) Earnings distribution and dividend policy

Under the Bank's Articles of Incorporation, earnings are used initially to pay for income taxes and restore cumulative losses, and 30% of the remaining earnings is set aside as legal reserve. Special reserve is appropriated from or reversed to earnings per other regulations. Add accumulated retained earnings from previous years as distributable dividends and the amount of dividends is resolved by the annual stockholders' meeting according to the proposal submitted by the Board of Directors.

In order to continuously expand scale and increase profitability, the Bank based on the future capital budget plan, adopts residual dividend policy and primarily distributes stock dividend to ensure the capital is sufficient. When there is surplus of capital, the remaining capital can be distributed by cash dividend. Cash dividend shall not be lower than 10% of the total dividend distributed. If the cash dividend distributed per share is lower than NTD\$ 0.1, except for otherwise resolved by the shareholders' meeting, it is not distributed. If there is any situation conforms to that is regulated in article 44 item 1 of the Banking Act of The Republic of China, the Bank is not allowed to distribute earnings by cash or purchase shares outstanding. The maximum cash earning distribution is not allowed to be over 15% of the total paid in capital unless the legal reserve reaches the total paid-in capital.

In compliance with the Company Act, if the Company incurs no loss, under the consent of the shareholders' meeting, the Company is allowed to distribute new shares or cash dividends from legal reserve to the extent that the legal reserve issued is the surplus exceeding 25% of the paid in capital.

Under the Ruling No. 1010012865 issued on April 6, 2012 by the FSC, special reserve is appropriated from retained earnings based on the equivalent amounts of the contra accounts in equity. This special reserve may not be distributed as dividends to stockholders until the balances of these contra accounts in equity are reversed.

The Bank resolved the earning distribution for the earnings of 2018 and 2017 in the shareholders' meeting on June 14, 2019 and June 29, 2018, respectively. The dividends distributed were as follows:

	2018		2017	
	Distribution rate (NT dollar)	Amount	Distribution rate (NT dollar)	Amount
Dividends to common shareholders				
Stock dividends	\$ 0.50	3,196,940	0.40	2,459,185
Cash dividends	0.30	1,918,164	0.268	1,647,654
Total		<u>\$ 5,115,104</u>		<u>4,106,839</u>

(d) Other equity interest

	Unrealized gains from financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign financial statements	Total
January 1, 2019	\$ 3,447,786	(541,122)	2,906,664
Investment in debt instruments measured at fair value through other comprehensive income			
- Unrealized amount	1,351,243	-	1,351,243
- Realized amount	(205,435)	-	(205,435)
Foreign currency translation difference – Exchange difference	-	(321,744)	(321,744)
Disposal of investments in equity instruments measured at fair value through other comprehensive income	(52,427)	-	(52,427)
December 31, 2019	<u>\$ 4,541,167</u>	<u>(862,866)</u>	<u>3,678,301</u>

	Unrealized gains from financial assets measured at fair value through other comprehensive income	Unrealized gains and losses on available-for-sale financial assets	Exchange differences on translation of foreign financial statements	Total
January 1, 2018	\$ -	529,112	(835,340)	(306,228)
Effects of retrospective application of new standards	3,086,469	(529,112)	-	2,557,357
Balance at January 1, 2018 after adjustments	3,086,469	-	(835,340)	2,251,129
Investment in debt instruments measured at fair value through other comprehensive income				
- Unrealized amount	490,591	-	-	490,591
- Realized amount	(98,509)	-	-	(98,509)
Foreign currency translation difference – Exchange difference	-	-	294,218	294,218
Disposal of investments in equity instruments measured at fair value through other comprehensive income	(30,765)	-	-	(30,765)
December 31, 2018	<u>\$ 3,447,786</u>	<u>-</u>	<u>(541,122)</u>	<u>2,906,664</u>



(Y) Income taxes

(a) The income tax expenses were as follows:

	For the years ended December 31,	
	2019	2018
Current tax expense		
Current period	\$ 1,155,149	1,910,481
Adjustment for prior period	61,825	35,751
Additional surtax on undistributed retained earnings	17,803	-
	<u>1,234,777</u>	<u>1,946,232</u>
Deferred tax expense (income)		
Origination and reversal of temporary differences	96,650	(388,357)
Income tax expenses	<u>\$ 1,331,427</u>	<u>1,557,875</u>

(b) The income tax expenses (income) recognized under other comprehensive income were as follows:

	For the years ended December 31,	
	2019	2018
Items that will not be reclassified subsequently to profit or loss:		
Remeasurements of defined benefit plans	\$ 5,899	(71,895)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign financial statements	\$ (80,436)	35,814
Unrealized gains (losses) on valuation of financial assets measured at fair value through other comprehensive income	7,698	(580)
	<u>\$ (72,738)</u>	<u>35,234</u>

The reconciliation between the income tax expense and income from continuing operation before tax of the Bank and subsidiaries for 2019 and 2018 is as follows:

	For the years ended December 31,	
	2019	2018
Income tax computed on income from continuing operation before tax	\$ 1,615,820	1,848,646
Cessation tax of gains derived from the securities transactions	(14,615)	(5,131)
Net income from offshore banking unit	(244,523)	(212,852)
Recognized loss from financial assets and liabilities measured at fair value through profit or loss	(68,437)	(14,420)
Cash Dividend	(82,357)	(56,743)
Non-deductible expense	1,031	524
Adjustment in tax rate	-	(148,021)
Overseas branch income tax expenses	35,258	106,570
Surtax on undistributed retained earnings	17,803	-
Underestimate prior income tax expense	61,825	35,751
Current-year losses for which no deferred tax asset was recognized	9,446	3,551
Change in unrecognized temporary differences	58	-
Others	118	-
Income tax expense	<u>\$ 1,331,427</u>	<u>1,557,875</u>

(c) Changes in deferred tax assets and liabilities of the Bank and subsidiaries are as follows:

	For the year ended December 31, 2019				
	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Others	Ending balance
Temporary difference					
Deferred tax assets resulted from allowance for bad debts exceeding the limit regulated in Tax Law	\$ 730,229	(44,221)	-	(217)	685,791
Loss on assets impairment	53,562	3,266	-	-	56,828
Reserve for employee benefit liabilities	443,319	(57,310)	-	-	386,009
Land value increment tax	(879,056)	-	-	-	(879,056)
Exchange differences from the translation of financial statements of foreign operations	135,279	-	80,436	-	215,715
Unrealized loss on valuation of financial assets measured at fair value through other comprehensive income	(1,682)	-	(7,698)	-	(9,380)
Actuarial gains and losses	281,076	-	(5,899)	-	275,177
Others	251	3,420	-	(10)	3,661
Subtotal	762,978	(94,845)	66,839	(227)	734,745
Losses carried forward	3,275	(1,805)	-	-	1,470
Net deferred tax assets (liabilities)	<u>\$ 766,253</u>	<u>(96,650)</u>	<u>66,839</u>	<u>(227)</u>	<u>736,215</u>
The information stated on the balance sheet is as follows:					
Deferred tax assets	<u>\$ 1,646,991</u>				<u>1,624,651</u>
Deferred tax liabilities	<u>\$ 880,738</u>				<u>888,436</u>

	For the year ended December 31, 2018				
	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Others	Ending balance
Temporary difference					
Deferred tax assets resulted from allowance for bad debts exceeding the limit regulated in Tax Law	\$ 383,793	346,506	-	(70)	730,229
Loss on assets impairment	40,593	12,823	-	146	53,562
Reserve for employee benefit liabilities	414,235	29,084	-	-	443,319
Land value increment tax	(879,056)	-	-	-	(879,056)
Exchange differences from the translation of financial statements of foreign operations	171,093	-	(35,814)	-	135,279
Unrealized loss on valuation of financial assets measured at fair value through other comprehensive income	(2,262)	-	580	-	(1,682)
Actuarial gains and losses	209,181	-	71,895	-	281,076
Others	245	(7)	-	13	251
Subtotal	337,822	388,406	36,661	89	762,978
Losses carried forward	3,324	(49)	-	-	3,275
Net deferred tax assets (liabilities)	<u>\$ 341,146</u>	<u>388,357</u>	<u>36,661</u>	<u>89</u>	<u>766,253</u>
The information stated on the balance sheet is as follows:					
Deferred tax assets	<u>\$ 1,222,464</u>				<u>1,646,991</u>
Deferred tax liabilities	<u>\$ 881,318</u>				<u>880,738</u>



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(d) Uncertainty over income tax treatments

For tax returns that have not yet been assessed, the Bank and subsidiaries have assessed relevant factors, including relevant IFRIC interpretations and historical experience, and believe that sufficient income tax liabilities have been estimated.

(e) The Bank's income tax returns through 2017 have been assessed by the Tax Authority.

(f) The income tax returns of the subsidiaries TBB Venture Capital Co., Ltd., Taiwan Business Bank Insurance Agency Co., Ltd., and Taiwan Business Bank Property Insurance Agency Co., Ltd. have been assessed until 2018 by the Tax Authority. The income tax return of the subsidiary TBB International Leasing Co., Ltd. through 2017 has been assessed.

(Z) Provision for employee benefit

As of December 31, 2019 and 2018, the balance of provision for employee benefit of the Bank and subsidiaries were as follows:

	December 31, 2019	December 31, 2018
Defined benefit plan	\$ 2,022,067	2,406,353
Employee deposits with favorable rate	903,490	870,238
	<u>\$ 2,925,557</u>	<u>3,276,591</u>

(a) Defined benefit plan

The reconciliation between the present value of defined benefit obligation and the fair value of defined benefit plan assets of the Bank and subsidiaries as follows:

	December 31, 2019	December 31, 2018
Present value of defined benefit obligation	\$ 7,177,326	7,385,323
Less: Fair value of defined benefit plan assets	(5,155,259)	(4,978,970)
	<u>\$ 2,022,067</u>	<u>2,406,353</u>

The Bank and subsidiaries makes defined benefit plan contributions to the pension fund account at Bank of Taiwan that provides pensions for employees upon retirement. The plans (covered by the Labour Standards Act) entitle a retired employee to receive an annual payment based on years of service and average salary for the six months prior to retirement.

(1) Composition of plan assets

The Bank and subsidiaries allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Labour Pension Fund Supervisory Committee. With regard to the utilization of the funds, minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with interest rates offered by local banks.

The Bank of Taiwan labor pension reserve account balance for the Bank and subsidiaries amounted to \$5,155,259 and \$4,978,970 on December 31, 2019 and 2018. For information on the utilization of the labor pension fund assets including the asset allocation and yield rate of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

(2) Changes in the present value of defined benefit obligations

The changes in the present value of defined benefit obligations of the Bank and subsidiaries were as follows:

	For the years ended December 31,	
	2019	2018
Defined benefit obligation on January 1	\$ 7,385,323	7,260,197
Current service cost and interest	258,070	268,958
Remeasurements of the net defined benefit liability		
— Actuarial loss on experience adjustment	35,900	261,683
— Actuarial loss on financial assumptions changed	117,062	61,966
Benefits paid by the plan	(619,029)	(467,481)
Defined benefit obligation on December 31	<u>\$ 7,177,326</u>	<u>7,385,323</u>



(3) Changes in the fair value of defined benefit plan assets

The changes in the fair value of defined benefit plan assets of the Bank and subsidiaries were as follows:

	For the years ended December 31,	
	2019	2018
Fair value of plan assets on January 1	\$ 4,978,970	4,724,477
Interest income	44,245	46,905
Remeasurements of the net defined benefit liability		
– Return on plan assets (excluded of current interest)	182,455	148,742
Contributions made	568,618	526,327
Benefits paid by the plan	(619,029)	(467,481)
Fair value of plan assets on December 31	<u>\$ 5,155,259</u>	<u>4,978,970</u>

(4) Expenses recognized in profit or loss

The expenses recognized in profit or loss of the Bank and subsidiaries were as follows:

	For the years ended December 31,	
	2019	2018
Current service costs	\$ 193,360	198,096
Net interest on the net defined benefit liability	20,465	23,957
	<u>\$ 213,825</u>	<u>222,053</u>

(5) Remeasurements of the net defined benefit liability recognized in other comprehensive income

Remeasurements of the net defined benefit liability recognized in other comprehensive income for the years ended December 31, 2019 and 2018 were as follows:

	For the years ended December 31,	
	2019	2018
Amount on January 1	\$ 1,405,382	1,230,475
Recognized during the period	(29,493)	174,907
Amount on December 31	<u>\$ 1,375,889</u>	<u>1,405,382</u>

(6) Actuarial assumptions

The material actuarial assumptions used to determine present value of a defined benefit obligation on the reporting date as follow:

	December 31, 2019	December 31, 2018
Discount rate	0.70%	0.90%
Future salary increase rate	1.50%	1.50%

The expected allocation payment made by the Bank and subsidiaries to the defined benefit plans in the one year period after the reporting date is \$270,000.

The weighted average duration of defined benefit plans is 8 years.

(7) Sensitivity analysis

The effects of changes in major actuarial assumptions adopted in defined benefit obligation on December 31, 2019 and 2018 were as follows:

	Influence of defined benefit plan obligation	
	Increase 0.25%	Decrease 0.25%
December 31, 2019		
Discount rate(Change 0.25%)	(2.03)%	2.10 %
Future salary increase rate(Change 0.25%)	2.01 %	(1.96)%
	Influence of defined benefit plan obligation	
	Increase 0.25%	Decrease 0.25%
December 31, 2018		
Discount rate(Change 0.25%)	(2.08)%	2.15 %
Future salary increase rate(Change 0.25%)	2.06 %	(2.01)%

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2019 and 2018.

(b) Defined contribution plan

The Bank and subsidiaries allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Bank and subsidiaries allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation. Employees based abroad are contributed in accordance with the local government's regulations.

The pension costs incurred from the contributions to the Bureau of the Labor Insurance, oversea branches, and local authorities responsible for the Bank's subsidiaries amounted to \$135,839 and \$115,178 for the years ended December 31, 2019 and 2018, respectively.

(c) Employee deposit with favorable rate

	December 31, 2019	December 31, 2018
Present value of defined benefit obligation	\$ 903,490	870,238
Less: Fair value of defined benefit plan assets	-	-
Net defined benefit liability	<u>\$ 903,490</u>	<u>870,238</u>

The Bank and subsidiaries conducted the obligation of time deposit with favorable rate for retired and current employees based on the internal regulation "Saving Deposits for Employees".

(1) Changes in the present value of defined benefit obligations

Changes in the present value of defined benefit obligations of the Bank and subsidiaries for the years ended December 31, 2019 and 2018, were as follows:

	For the years ended December 31,	
	2019	2018
Defined benefit obligation on January 1	\$ 870,238	823,108
Interest cost	32,938	31,128
Remeasurements of the net defined benefit liability		
-current actuarial gains and losses	190,460	199,223
Benefits paid by the plan	(190,146)	(183,221)
Defined benefit obligation on December 31	<u>\$ 903,490</u>	<u>870,238</u>

(2) Changes in fair value of defined benefit plan assets

The changes in the present value of the defined plan assets of the Bank and subsidiaries were as follows:

	For the years ended December 31,	
	2019	2018
Fair value of plan assets on January 1	\$ -	-
Contributions made	190,146	183,221
Benefits paid by the plan	(190,146)	(183,221)
Fair value of plan assets on December 31	<u>\$ -</u>	<u>-</u>

(3) Expenses recognized in profit or loss

The expenses recognized in profit or loss of the Bank were as follows:

	For the years ended December 31,	
	2019	2018
Net interest on the net defined benefit liability	<u>\$ 223,398</u>	<u>230,351</u>

(4) Actuarial assumption

The material actuarial assumptions used to determine present value of a defined benefit obligation on the reporting date were as follow:

	December 31, 2019	December 31, 2018
Discount rate of employee deposit with favorable rate	4.00%	4.00%
Rate of return for capital deposited	2.00%	2.00%
Annual diminishing rate of account balance	1.00%	1.00%
Possibility that employee deposit with favorable rate be modified	50.00%	50.00%

(AA) Earnings per share

	For the years ended December 31,	
	2019	2018
Net income	\$ 6,734,253	7,640,542
Weighted average number of common stock shares outstanding (in thousands) (Note 1)	6,855,719	6,713,575
Basic earnings per shares (in dollars)	\$ 0.98	1.14
Dilutive potential common shares (in thousands) (Note 1,2)	30,527	59,220
Weighted average number of shares outstanding for diluted EPS (in thousands) (Note 1)	6,886,246	6,772,795
Diluted earnings per shares (in dollars)	\$ 0.98	1.13

Note 1: The earnings per share for the year ended December 31, 2018 has applied retrospective adjustments.

Note 2: The shares were calculated based on the stock price on the balance sheet date.

(AB) Employees and directors' remuneration

In accordance with the articles of incorporation the Bank should contribute 1% to 6% of the profit as employee compensation and less than 0.6% as directors' remuneration when there is profit for the year. However, if the Bank has accumulated deficits, the profit should be reserved to offset the deficit.

For the years ended December 31, 2019 and 2018, the estimated employees remuneration were \$384,639 and \$583,736, and the estimated directors' remuneration were \$50,456 and \$58,374, the estimates are based on pre-tax net profit for the period, before deducting employees and directors' remuneration, multiplied by the elaboration of the Bank's Articles of Association of employees and the directors' remuneration ratio, and recognized as operating cost. If the board's meeting decides to release stock dividends as employee's bonuses, the total number of employee bonus stocks to be issued shall be determined by the common stock closing price of the day before the meeting date.

The amounts, as stated in the consolidated financial statements, are identical to those of the actual distributions for 2018. Related information would be available at the Market Observation Post System website.

(AC) Net interest revenue

	For the years ended December 31,	
	2019	2018
Interest income:		
Loans	\$ 7,614,716	7,129,577
Secured loans	15,546,779	14,787,842
Bills negotiated	5,837	8,407
Bank overdrafts	20,559	19,681
Discounts	40,582	53,987
Time deposit from Central Bank	1,027,935	840,039
Due from the Central Bank	142,115	146,512
Call loans to banks	1,045,536	1,189,729

	For the years ended December 31,	
	2019	2018
Bonds	\$ 2,914,954	2,389,890
International credit card	54,275	56,566
Overdue loans	141,027	462,029
Bills	81,563	92,561
Due from Banks	447,300	807,423
Others	361,792	303,115
Subtotal	29,444,970	28,287,358
Interest expense:		
Deposits	10,203,271	9,310,001
Deposits from banks	200	32
Call loans from banks	1,030,771	752,941
Financial debentures	1,108,192	1,000,882
Notes and bond issued under repurchase agreement	14,042	8,373
Others	57,381	17,253
Subtotal	12,413,857	11,089,482
Total	\$ 17,031,113	17,197,876

(AD) Net service fee revenue

	For the years ended December 31,	
	2019	2018
Service fee income:		
Remittance service fee	\$ 84,379	92,242
Import bills negotiated service fee	50,220	62,266
Export bills negotiated service fee	15,477	20,612
Letter of credit service fee	8,715	11,608
Certification service fee	2,481	3,043
Acceptance service fee	2,022	3,008
Trust service fee	555,679	466,666
Guarantee service fee	211,914	159,768
Agency service fee	94,169	94,217
Interbank service fee	77,895	64,964
Card service fee	145,666	138,025
Commission revenue of insurance premium	1,536,455	1,875,002
Custodian service fee	168,961	165,568
Foreign currency service fee	103,059	102,854
Commission of futures	4,582	7,423
Loan service fee	685,756	579,224
Miscellaneous fees	146,247	149,123
Subtotal	3,893,677	3,995,613
Service fee expense:		
Foreign currency service fee	38,901	34,447
Interbank service fee	146,266	132,635
Trust service fee	1,794	2,012
Agency service fee	2,136	2,446
IC card service fee	71,736	69,856
Check clearing service fee	9,847	10,212
Remittance service fee	4,817	4,661
Custodian service fee	52,219	47,478
Call loans service fee	11,413	3,302
Futures option fee	288	-
Miscellaneous fees	17,414	28,714
Subtotal	356,831	335,763
Total	\$ 3,536,846	3,659,850


(AE) Gain (loss) on financial assets or liabilities measured at fair value through profit or loss

	For the years ended December 31,	
	2019	2018
Valuation gains (losses):		
Government bonds	\$ 5,174	-
Corporate bonds	(3,666)	3,789
Financial debentures	(440,883)	(156,566)
Listed stocks	9,564	(1,353)
Unlisted stocks	9,959	-
Beneficiary certificates	4,579	(3,970)
Private fund	(1,850)	-
Commercial paper	(3,026)	335
Derivative financial instruments	327,073	(21,625)
Subtotal	(93,076)	(179,390)
Disposal gains (losses):		
Government bond	13,699	240
Corporate bonds	1,589	-
Financial debentures	17,250	-
Listed stocks	13,455	(36,698)
Beneficiary certificates	700	(40,638)
Commercial paper	15	-
Derivative financial instruments	1,219,809	1,253,559
Subtotal	1,266,517	1,176,463
Dividend revenue	3,302	7,377
Interest income	174,671	24,730
Total	\$ 1,351,414	1,029,180

(AF) Realized gain on financial assets at fair value through other comprehensive income

	For the years ended December 31,	
	2019	2018
Gain on disposal of government bonds	\$ 203,348	96,020
Gain on disposal of corporate bonds	2,381	2,224
(Loss) Gain on disposal of financial debentures	(294)	265
Dividend revenue	408,485	276,340
Total	\$ 613,920	374,849

(AG) (Impairment loss on assets) reversal of impairment loss on assets

	For the years ended December 31,	
	2019	2018
Investment in debt instrument measured at fair value through other comprehensive income	\$ (18,676)	(8,363)
Investment in debt instrument measured at amortized cost	2,346	(19,934)
Total	\$ (16,330)	(28,297)

(AH) Net other revenue other than interest income

	For the years ended December 31,	
	2019	2018
Rental revenue of operating assets	\$ 9,658	9,424
Rental expense of operating assets	(1,869)	(1,836)
Loss on disposal and retirement of property and equipment	(693)	(1,155)
Loss of account error	(78)	(137)
Gold deposit book	2,056	3,392
Other operating expense	(55,694)	(40,288)
Other miscellaneous income	161,988	123,962
Total	\$ 115,368	93,362

(AI) Other miscellaneous revenue

	For the years ended December 31,	
	2019	2018
Overpaid business tax returned	\$ 138,999	-

(AJ) Bad debts expenses, commitment and guarantee liability provision

	For the years ended December 31,	
	2019	2018
Discounted and loans	\$ 2,422,135	704,605
Call loans to banks	15,850	9,449
Receivables and other financial assets	36,203	(5,267)
Subtotal	2,474,188	708,787
Provisions for guarantee liabilities	(14,340)	58,710
Provisions for loan commitments	(42,171)	26,637
Total	\$ 2,417,677	794,134

(AK) Employee benefits expenses

	For the years ended December 31,	
	2019	2018
Salary expense	\$ 6,606,956	6,859,540
Labor and health insurance	486,003	446,028
Pension expense	348,910	337,231
Director's remuneration	65,132	68,049
Other employee benefits	597,118	614,746
Total	\$ 8,104,119	8,325,594

(AL) Depreciation and amortization expense

	For the years ended December 31,	
	2019	2018
Depreciation		
Property and equipment	\$ 410,594	373,990
Right-of-use assets	422,567	-
Amortization		
Computer software	124,700	98,773
Other deferred charges	2	20
Total	\$ 957,863	472,783

(AM) Other general and administrative expense

	For the years ended December 31,	
	2019	2018
Compensation loss	\$ 193	704
Utilities fee	95,247	93,096
Postage and telecommunication	174,853	175,140
Transportation fee	44,593	45,301
Printing and advertisement fee	165,651	239,439
Repair and maintenance fee	39,739	47,399



	For the years ended December 31,	
	2019	2018
Insurance fee	\$ 331,501	372,588
Professional service fee	256,984	329,717
Materials and supplies	148,031	75,670
Rental expenses and repair costs	309,789	724,328
Duties and levies	1,350,183	1,374,585
Membership, donation and partaking	537,718	525,814
Storage, packing and processing	44,069	60,357
Cash transit	93,887	94,094
Others	72,165	77,787
Total	\$ 3,664,603	4,236,019

(AN) Financial Instruments

(a) Fair value information

(1) General description

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The financial instruments are record as fair value when original recognizing, usually refer to the transaction price in many circumstances. Except some amortized cost financial instruments, the financial instruments are measured in fair value. A quoted market price in an active market provides the most reliable evidence of fair value. If financial instruments are without active market, the Bank and subsidiaries adopted the value technique, refer to Bloomberg, Reuters or the price at which the asset could be bought or sold in a current transaction between willing parties.

(2) The definition of fair value hierarchy

A. Level 1

The input of this level is quoted prices in active markets for identical financial instruments. The active market is a market in which transactions for the homogenous assets or liabilities take place with sufficient frequency and volume to provide pricing information. The stock of listed company and the beneficiary certificates, government bonds and the derivative financial instruments with public quote inactive market processed by the Bank and subsidiaries belong to the Level 1.

B. Level 2

The input of this level is other than quoted market prices included within the Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). The investments with lower trade volume such as government bonds, corporate bonds, financial debentures, convertible corporate bonds and derivative instruments, including financial debentures the Bank and subsidiaries issued are belong to the Level 2.

C. Level 3

The input is unobservable for the asset or liability in market or counterparty prices. Unobservable inputs like: Option pricing model using the historical volatility. Because the historical volatility cannot represent the future volatility expected value of whole market participants. The input parameter used to measure the fair value of this level is not based on data that can be obtained in the market but using a combination of complex market prices to estimate their values. The assets have been categorized as a Level 3, due to their fair market value cannot be directly calculated. The equity instruments with no active market which the Bank and subsidiaries invested are Level 3.

(3) Based on fair value measurement

A. The fair value hierarchy of information

The financial instruments which are record as fair value measure on an ongoing basis, the fair value hierarchy of information were as follows:

Assets and Liabilities	December 31, 2019			
	Total	Level 1	Level 2	Level 3
Instruments measured at fair value on a recurring basis				
Non-derivative financial assets and liabilities:				
Financial assets at fair value through profit or loss				
Financial assets at fair value through profit or loss, mandatorily measured at fair value				
Security Investments	\$ 324,768	178,867	-	145,901
Bond Investments	4,430,927	4,230,927	200,000	-
Others	21,146,055	60,740	21,037,165	48,150
Financial assets designated at fair value through profit or loss	120,240	-	120,240	-
Financial assets at fair value through other comprehensive income				
Security Investments	11,304,129	7,149,992	-	4,154,137
Bond Investments	91,243,211	66,578,857	24,664,354	-
Others	49,804	49,804	-	-
Financial liabilities at fair value through profit or loss				
Financial liabilities designated at fair value through profit or loss	8,949,182	-	8,949,182	-
Derivative financial assets and liabilities				
Assets:				
Financial assets at fair value through profit or loss	\$ 950,796	65,784	885,012	-
Liabilities:				
Financial liabilities at fair value through profit or loss	444,154	-	444,154	-

Assets and Liabilities	December 31, 2018			
	Total	Level 1	Level 2	Level 3
Instruments measured at fair value on a recurring basis				
Non-derivative financial assets and liabilities:				
Financial assets at fair value through profit or loss				
Financial assets at fair value through profit or loss, mandatorily measure at fair value				
Security Investments	\$ 48,910	48,910	-	-
Financial debentures	200,000	-	-	200,000
Others	4,648,297	17,080	4,581,217	50,000
Financial assets designated at fair value through profit or loss	1,909,707	-	1,909,707	-
Financial assets at fair value through other comprehensive income				
Security Investments	7,712,641	3,500,614	-	4,212,027
Bond Investments	65,408,058	53,643,189	11,764,869	-
Other	43,502	43,502	-	-
Financial liabilities at fair value through profit or loss				
Financial liabilities designated at fair value through profit or loss	9,162,841	-	9,162,841	-
Derivative financial assets and liabilities				
Assets:				
Financial assets at fair value through profit or loss	\$ 327,690	-	327,690	-
Liabilities:				
Financial liabilities at fair value through profit or loss	176,432	-	176,432	-



B. Valuation techniques used in estimating the fair values of financial instruments

If the financial instruments have quoted price in an active market, the quoted price is regarded as its fair value.

If the financial instruments of quoted price, which are from the Stock Exchange, Brokers, Pricing service agencies or Government institutions, are timely and frequently, and reflects the actual price, then the financial instruments have a quoted price in an active market. If the above conditions are not fulfilled, the market is inactive.

Except for the above financial instruments of quoted price in an active market, there is no quoted price in an active market for the financial asset, its fair value is estimated on the basis of the result of a valuation technique that refers to quoted prices considered the identical financial instrument with same characteristics and essential terms of transaction, Discounted-Cash-Flow model and other valuation techniques including the model using market information to be made of the calculation at the balance sheet date (e.g. Taipei Exchange reference yield curve, Reuters quoted the average commercial paper rate, the Taipei Financial industry call loan rate fixing TAIBOR).

The financial asset's fair value is estimated on the basis of the result of a valuation technique, the Bank and subsidiaries adopted that refers to quoted prices provided by financial institutions. Ask (bid) is used to evaluate the selling (buying) position by the Bank and subsidiaries if the quoted price include ask and bid price. If there is not a quoted price for the financial asset, transaction price close to the balance sheet date is the fair value.

Fair value of financial derivatives is the amount of cash to be paid or to be received by the Bank and subsidiaries, assuming that the contract will be terminated on the balance sheet date. The Bank and subsidiaries adopts mark-to-model prices which are usually adopted among the banking industry, such as Discounted-Cash-Flow model and Black-Scholes model. The Bank and subsidiaries adopts the price data from Reuters and Bloomberg to calculate the fair value of the holding position. The aforesaid price data is based upon the middle price and used consistently by the Bank. Furthermore, the fair value of the embedded financial derivatives is calculated based upon the quote from the counterparty, and separately calculated in accordance with the contracts.

C. Adjustment for fair value

a. The restraint of evaluation model and uncertain inputs

The estimates of output-based value using the evaluation model, which may not reflect the Bank's all related factors. Therefore, the estimated value of the evaluation model will be appropriately adjusted according to the extra parameters such as model risk or liquidity risk. Information and price parameters used in the evaluation process after careful assessment, and appropriately adjusted according to the current market situation.

b. Credit risk value adjustment

The Bank and subsidiaries' credit risk value adjustment of OTC transaction derivative instruments can be divided to Credit value adjustments (CVA) and debit value adjustments (DVA). To reflect the fair value of the counterparty or the default, and the Bank and subsidiaries may not be received or paid full market value of trading possibilities.

The Bank and subsidiaries would calculate credit valuation adjustment (CVA) by assessing probability of default (PD) and loss given default (LGD) of the counterparty before multiplying exposure at default (EAD) of the counterparty. On the contrary, debit valuation adjustment (DVA).

The Bank and subsidiaries assess the probability of default on the assumption of 60%, but at the risk of the nature and circumstances of available data, we may use other loss given default assumptions.

D. Transfers between Level 1 and Level 2

There were no transfers between Level 1 and Level 2 for the years ended December 31, 2019 and 2018.

E. Changes in financial assets which were classified to Level 3 based on fair value measurement

Changes of financial assets categorized in Level 3:

Name	For the year ended December 31, 2019							Ending balance
	Beginning balance	Valuation profit and loss		Increase		Decrease		
		Recognized in profit or loss	Recognized in other comprehensive income	Purchase or issue	Transfer in of Level 3	Sale Disposition or Settlement	Transfer out of Level 3	
Financial assets at fair value through profit or loss	\$ 250,000	8,109	-	135,942	-	-	200,000	194,051
Investments in equity instruments measured at fair value through other comprehensive income	4,212,027	-	(57,890)	-	-	-	-	4,154,137

Name	For the year ended December 31, 2018							
	Beginning balance	Valuation profit and loss		Increase		Decrease		Ending balance
		Recognized in profit	Recognized in other comprehensive income	Purchase or issue	Transfer in of Level 3	Sale/Disposition or Settlement	Transfer out of Level 3	
Financial assets at fair value through profit or loss	\$ -	-	-	250,000	-	-	-	250,000
Investments in equity instruments measured at fair value through other comprehensive income (Note)	4,416,710	-	(65,522)	38,139	-	177,300	-	4,212,027

Note: The equity instruments amounted to \$4,416,710 previously classified as other financial assets earned at cost were switched from IAS39 to IFRS 9.

F. Profit and loss information of Level 3

Current gain (loss) and other comprehensive income of holding assets are as follow:

	For the years ended December 31	
	2019	2018
Recognized on profit and loss (reported as unrealized gain (loss) from investments instruments measured at fair value through profit and loss)	\$ 8,109	-
Recognized on other comprehensive income (reported as unrealized gain (loss) from investments instruments measured at fair value through other comprehensive income)	(57,890)	(65,522)

G. Quantified information of the fair value measurement of significant unobservable inputs (Level 3)

The Bank and subsidiaries' financial instruments that use the Level 3 inputs to measure fair value include "financial assets at fair value through profit or loss" and "financial assets at fair value through other comprehensive income". Without active market quotation, the Bank and subsidiaries take professional financial information vendors and widely used by market participants for evaluation or counterparty quotation as reference. The unobservable inputs are as follows:

	December 31, 2019				
	fair value	valuation methods	significant unobservable inputs	range	inter-relationship between inputs and fair value measurement
Financial asset at fair value through profit or loss					
Private fund	\$ 48,150	assets approach	net asset	inapplicable	The higher net asset, the higher fair value.
Unlisted stocks	145,901	market approach	liquidity discount	21.75%~22.82%	The higher market liquidity discount, the lower fair value.
Financial asset at fair value through other comprehensive income					
Unlisted stocks	\$ 4,154,137	market approach	liquidity discount	4.05%~39.97%	The higher market liquidity discount, the lower fair value.
		assets approach	sustainable growth rate	-0.3%~1.34%	The higher sustainable growth rate, the higher fair value.
		income approach	cost of equity	5.61%~14.88%	The higher rate of cost of equity, the lower fair value.

	December 31, 2018				
	fair value	valuation methods	significant unobservable inputs	range	inter-relationship between inputs and fair value measurement
Financial asset at fair value through other comprehensive income					
Unlisted stocks	\$ 4,212,027	market approach assets approach income approach	liquidity discount sustainable growth rate cost of equity	4.00%~40.05% -0.30%~1.37% 4.16%~10.16%	The higher market liquidity discount, the lower fair value. The higher sustainable growth rate, the higher fair value. The higher rate of cost of equity, the lower fair value.

H. Sensitivity analysis of reasonably possible alternative assumptions for fair value measurement in Level 3.

Valuation techniques used by the Bank and subsidiaries for fair value measurements of financial instruments are appropriate. However, the use of different valuation models or inputs could lead to different outcomes of fair value measurements. The following are the impact on the other comprehensive profit and loss if using different assumptions:

a. Asset approach/ Market approach

The evaluation methods of Level 3 financial instruments of the Bank and subsidiaries are mainly based on the market approach or the asset approach. If the liquidity discount changes by 5% upwards or downwards, the impact on the other comprehensive profit and loss is as follows:

	the effects to other comprehensive income	
	Favorable changes (-5%)	Unfavorable changes (5%)
December 31, 2019		
Financial assets at fair value through profit or loss		
Unlisted stocks	\$ 3,621	(3,621)
Financial assets at fair value through other comprehensive income		
Unlisted stocks	242,309	(242,309)
December 31, 2018		
Financial assets at fair value through other comprehensive income		
Unlisted stocks	\$ 240,675	(240,675)

b. Income approach

Adopting the income approach to evaluate the Level 3 financial instruments of the Bank and subsidiaries. The evaluation parameters are divided into sustainable growth rate and cost of equity capital. The effects of the two evaluation parameters on the other comprehensive profit and loss are as follows:

1) sustainable growth rate

	the effects to other comprehensive income	
	Favorable changes (0.3%)	Unfavorable changes (-0.3%)
December 31, 2019		
Financial assets at fair value through other comprehensive income		
Unlisted stocks	\$ 5,154	(4,709)
December 31, 2018		
Financial assets at fair value through other comprehensive income		
Unlisted stocks	\$ 8,464	(7,720)



2) cost of equity

	the effects to other comprehensive income	
	Favorable changes (-3%)	Unfavorable changes (3%)
December 31, 2019		
Financial assets at fair value through other comprehensive income		
Unlisted stocks	\$ 104,670	(43,331)
	the effects to other comprehensive income	
	Favorable changes (-3%)	Unfavorable changes (3%)
December 31, 2018		
Financial assets at fair value through other comprehensive income		
Unlisted stocks	\$ 196,452	(64,402)

The favorable and unfavorable effects represent the changes in fair value, and fair value is based on a variety of unobservable inputs calculated using a valuation technique. The analysis above only reflects the effects of changes in a single input, and it does not include the interrelationships with another input.

(4) Not based on fair value measurement

A. Fair value information

The following chart presents the financial instruments not based on fair value measurement of the Bank and subsidiaries. Except those items, others' fair value is reasonably approximate value, the Bank and subsidiaries does not disclosure their fair value.

	December 31, 2019	
	Book value	Fair value
Debt instruments measured at amortized cost	\$ 263,056,842	264,518,564
	December 31, 2018	
	Book value	Fair value
Debt instruments measured at amortized cost	\$ 261,470,496	261,756,260

B. The fair value hierarchy of information

Assets and Liabilities	December 31, 2019			
	Total	Level 1	Level 2	Level 3
Debt instruments measured at amortized cost	\$ 264,518,564	49,044,285	215,474,279	-
Assets and Liabilities	December 31, 2018			
	Total	Level 1	Level 2	Level 3
Debt instruments measured at amortized cost	\$ 261,756,260	54,658,948	207,097,312	-

C. Valuation techniques

Methods and assumptions used by the Bank and subsidiaries for fair value evaluation of financial instruments were as follows:

- a. Cash and cash equivalents, due from Central Bank and call loans to banks, securities purchased under resell agreements, receivables, non-accrual loans transferred from non-loan financial assets, exchange bills negotiated guarantee deposits paid, temporary payments and suspense accounts, proceeds of settlement and credit transaction, deposits from Central Bank and other banks, securities sold under repurchase agreements, payables, other financial liabilities, guarantee deposits received and temporary receipts and suspense accounts: since these instruments have short maturities, the book value is adopted as a reasonable basis in estimating the fair value.

- b. Discounts and loans (including non-performing loans): the interest rate of bank loans, dependent on the benchmark interest rate which plus or minus the input value (i.e. motorized interest rate), said market rates, therefore, the book value of financial assets is equivalent to their fair value. Among the case of fixed interest rate, the estimated fair value of long-term loans using the discounted value of its expected cash flows, but this is minority, so the book value of financial assets is equivalent to their fair value.
- c. Investment in debt instruments at amortized cost: the quoted price is regarded as its fair value. If there is no quoted price in an active market for the financial asset, its fair value is estimated on the basis of the result of a valuation technique.
 - 1) Central Government Securities (NTD): using the comment of "Bonds a fair price for each of times" from Taipei Exchange.
 - 2) Corporate bonds and financial bonds (NTD): the present value or fair price of Taipei Exchange determined using the future cash flow of yield curve discounting evaluation.
- d. Deposits and remittance: to determine the fair value, considered Banking industry characteristics, the market interest rates (i.e. market price) is the fair value. And deposits are mostly due within one year, the carrying amounts is the fair value of reasonable basis. The fixed interest rate of long-term deposits should be estimated by the discounted value of its expected cash flows at fair value, and its maturity date no longer than three years, so its estimated fair value of the carrying amount is considered reasonable.
- e. Bank debentures payable: The bank debentures payable, issued by the Bank and subsidiaries, whose stated rate was equal the effective rate, using discounted cash flow projections to estimate the fair value, equivalent to its book value.

(AO) Financial Risk Information

(a) General description

The goal of the financial risk management of the Bank is to effectively diversify, transfer and avoid risks by taking customer service, financial business operating target, overall risk tolerance and external limitation of laws into consideration and provide benefit to customers, shareholders and employees.

The Bank's Financial Risk Management policy is to establish a risk management mechanism in terms of risk identification, risk measurement, risk monitoring, and risk control and to construct the overall risk management system. It is to facilitate the business model with appropriate risk management and to control the rationality between risks and rewards under the premise of legal capital ratio in order to achieve operating targets and increase the value of the Bank for the shareholders. The scope covers the management of credit risk, market risk, operation risk, banking book interest rate risk, capital liquidity risk, and capital adequacy.

(b) Risk management organization structure

(1) Risk Management Committee

The chairperson of the Risk Management Committee is appointed by the president. The chairpersons include general manager, deputy general manager of the non-regulatory compliance in head office and department directors of head office (excluding the director of audit department in the Board). This Committee is set up for the purpose of establishing a sound risk management system, strengthening risk management and the implementation of the Bank's risk management and monitoring. The meeting will be held once a month in principle. The meeting can be held by the chairman of the Committee when it necessary. The duties are as follows:

- A. Conduct Analysis and response project when significant domestic and foreign economic, financial and industrial risk management occur.
- B. Risk management report of various risk exposure and agenda processing.
- C. The processing of examination of the risk management relevant policy of the Bank and limitations, management indices and the response project when the risk exceeds the limitations.

- D. Supervise the Bank and subsidiaries' capital adequacy management.
- E. Conduct or supervise the issues that have to report to Risk Management Committee according to the regulations drawn by the competent authority at home and abroad.
- F. Conduct or supervise other risk management related issues.

Risk Management Department is the assistant unit of the Risk Management Committee. The responsibility of the Risk Management Department is to execute preparing sittings agenda, convening sittings, agenda processing, taking meeting minutes and tracking resolution and regularly report the important resolution and various risk exposure to the board of (executive) directors.

(2) Assets and Liabilities Management Committee

The chairperson of the Assets and Liabilities Management Committee is the general manager, and the members are formed by the vice assistant general manager and the department heads of deposit, loan, financial transaction, capital deployment and risk management units. The responsibility of the Assets and Liabilities Management Committee is to monitor and manage the banking book interest rate risk and capital liquidity risk and convenes meetings regularly, to approve the analyzing and measurement methods of the capital liquidity risk and banking book interest rate risk exposure, to examine the capital liquidity risk and banking book interest rate risk management policy as well as the relevant limitations and management indices, to receive interest rate risk and capital liquidity risk exposure reports and adjust the assets and liabilities interest rate duration structure and capital maturity structure.

(3) Credit Examination Committee

The convener of the Credit Examination Committee is the assistant general manager supervising Risk Management Center. The Committee in principle convenes weekly to examine the modification and establishment of the regulations (including main points, measures and procedures) for significant loans, foreign exchange and guarantee cases.

(4) Overdue Loans Clearing Committee

The convener of the Overdue Loans Clearing Committee is the supervising vice president. The convener holds meetings as needed to discuss measures on reducing non-performing loans and approaches to handle overdue loans.

(5) Cyber Security Management Committee

The Cyber Security Management Committee is convened by the supervising vice president who oversees the implementation and coordination of the Bank's cyber security policies. The committee holds meetings as needed to examine matters related to cyber security.

(c) Credit risk

(1) Source and definition of credit risk

Credit risk refers to the default risk resulted from the inability to fulfill the contract obligations due to deteriorating financial status of trade counterparties, pessimistic external economic situation or other factors. The primary source of the credit risk of the Bank is the loan business, such as loans of various terms, guarantees and letters of credit, loan commitments, etc., in addition, other sources of credit risk include call loans from banks, securities investments, derivative financial instrument transactions, etc.

(2) Credit risk management policy

In order to control the credit risk to a tolerable scope, the Bank continuously conduct below operations:

- A. Fully understand the credit status and ratings of loan customers and trade counterparties as well as the purposes and payments of loans.
- B. Prudently evaluates the credit risk status of loan customers and trade counterparties and consider the adequacy of collaterals and guarantees to assess risk and profit.
- C. Establish credit rating mechanism for loan customers or apply the ratings from outside credit rating institutions as the reference for undertaking credit cases or interest rate determination.
- D. Modify relevant regulations to control the credit risk to a tolerable extent for the Bank.



The credit risk management procedure and measurement methods of the Bank's major business are as follows:

A. Credit Business (Including loan commitments and guarantees)

The categorization and credit quality rating of credit assets are as follows:

a. Categorization of credit assets

The credit assets are classified into 5 categories. Except for normal credit assets which are classified as the first category, others are classified, based on the assurance status and the time overdue, as second category (need attention), third category (possible to recover), fourth category (difficult to retrieve) and the fifth category (unable to retrieve). In order to manage creditor's rights, the Bank established "Regulations Governing the Procedures to Evaluate Assets and Deal with Non-performing/Non-accrual Loans", "Regulations Governing the Reconciliation of Non-performing/Non-accrual Loans" and its operating procedure "Operating procedure Governing the Collection of Non-performing/Non-accrual Loans" and "Code of Conduct to Deal With Non-Performing Loans" to serve as the guidelines for dealing with non-performing credit and overdue loans collection.

b. Categorization of credit quality

Based on historical default data, the Bank established internal credit rating model and completed internal rating system to serve as a reference to credit risk control.

In order to develop an appropriate credit rating model for the Bank to evaluate the credit risk for corporate banking customers and private banking customers, it applied statistical methods, professional expert judgments and relevant customer information to fulfill the requirements. The Bank examined whether the internal credit rating model is in conformity with the actual scenario based on practical default data quarterly and adjusted all parameters to optimize the estimated results.

B. Due from other banks and call loans to banks

The Bank evaluates the credit status of counterparties before transaction and takes the rating information from domestic and foreign credit rating institutions into consideration to determine various credit risk facilities for the counterparties.

C. Debt instrument investments and derivative financial instruments

The Bank manages credit risk of debt instruments through credit rating data of external institutions, credit quality of bonds, geographic situations and counterparties' risk so as to identify credit risk.

The financial institutions which the Bank conducts derivative instruments are mostly investment quality and are controlled based on the trade amount (including loans at call). Counterparties which do not have credit rating or which are of low quality shall be examined individually. For counterparties which are general customers, the Bank controls the credit risk exposure based on the derivative instrument risk facilities and conditions approved by general credit procedures.

(3) Determining the credit risk has increased significantly since initial recognition

At each reporting date, the Bank and subsidiaries shall assess the change in the risk of a default occurring over the expected life of the various credit assets and financial assets to determine whether the credit risk has increased significantly since initial recognition. To make that assessment, the Bank and subsidiaries consider reasonable and supportable information (including forward-looking information) that is indicative of significant increases in credit risk since initial recognition. The main considerations include:

A. credit assets

- a. The borrowers failed to pay the principal and interest overdue for more than 30 days, less than 90 days;
- b. When the Bank and subsidiaries conducts review or follow-up review of the relevant management procedures after loan, it knows that the financial report of the borrowers have been issued by the accountant and it has issued opinions of the significant doubt on the ability to continue as a going concern;

- c. The deposits and assets of borrowers are compulsorily executed, besides, the deposits are compulsorily executed because of tax arrears. However, the borrowers that have enough deposit to bear the cost that assessed by the bank and subsidiaries are except;
- d. The bank knows (if it has received the notice from court) that the collaterals are compulsory executed by other banks;
- e. Borrowers were notified the refund by the Bank and did not conduct refund notice;
- f. The letter of credit insurance fund notice due to the related company's overdue debt in other bank, the creditor to stop the delivery;
- g. Because the borrowers have been involved in litigation and unfavorable judgments, their ability of credit performance is affected;
- h. The customer is classified as an early warning account by the Bank or has bad credit that aware by others.

B. Debt instrument investments

- a. The latest credit rating on the report date was non-investment grade and fell more than two levels than the original rating, or;
- b. Investment target evaluation loss is up to 30% of investment cost.

(4) The credit risk has not increased significantly or judged as low credit risk on the report date

On each report date, the Bank and subsidiaries assessed that there was no significant increase in the risk of default for any credit asset during the expected duration of existence or a low credit risk. The amount of expected credit losses was not taken as the change of credit risk, if the credit risk of the credit asset was low on the report date, it also assumes that the credit risk of the credit asset has not increased significantly since the initial recognition. The credit assets with low credit risk refer to the low default risk and the borrower's ability to perform its contractual cash flow obligations in the near term. No significant increase in risk relates to the borrower. The absence of economic, operational, and adverse changes in financial conditions and other bad debt conditions did not affect their ability to fulfill their contractual cash flow obligations. Financial assets on investment-grade or not on investment-grade but the ratings are not significantly reduced are also considered to be low-risk areas.

(5) Definitions of default and credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired not only the borrower defaults the loan more than 90 days, it also includes observable data as follows:

A. Credit assets

- a. Significant financial difficulty of the issuer or the borrower;
- b. A breach of contract, such as a default or past due event ;
- c. The lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- d. It is becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- e. The disappearance of an active market for that financial asset because of financial difficulties;
- f. The purchase or origination of a financial asset at a considerable amount of discount that reflects the incurred credit losses;

B. Debt instrument investments

- a. Significant financial difficulty of the issuer;
- b. The disappearance of an active market for that financial asset because of financial difficulties;
- c. The purchase or origination of a financial asset at a considerable amount of discount that reflects the incurred credit losses.
- d. Counterparty defaulting on agreement of other financial instruments (e.g. transactions settlement failure, a bank decide to execute early termination of transactions, or loans originated from derivatives settlement failure).



(6) Write-off policy

The integral part or the portion of the credit assets that needs to be written-off should first be approved during the board of directors' meeting; particularly, the portion that is deemed uncollectible.

The following are indicators that the financial assets are uncollectible:

- A. The borrowers fail to recover all or part of the debt due to dissolution, escape, settlement, bankruptcy or other reasons.
- B. After the collateral and the assets of the principal and subordinate debtors have been priced low or deducted from the first-order mortgage, they cannot be repaid, the execution costs are close or may exceed the Bank's reimbursable amount, and the implementation is not beneficial.
- C. The collateral and the property of the principal and subordinate debtors were auctioned off at no cost and were not bought by anyone, and there was no one have substantial benefits.
- D. Overdue loan and non-accrual loan have exceeded the liquidation period for two years.

The bank and subsidiaries, whose written-off claims may still have ongoing recourse, continues to follow laws and regulations to pursue the proceedings.

(7) Modification of contractual cash flow of financial assets

The Bank and subsidiaries may revise the contractual cash flow of the credit asset due to the borrower's financial difficulties in negotiating, increasing the recovery rate of the borrowers that have problems, or maintaining the customer relationship. The modification of the contractual terms of the credit asset may include extending the contract period, modifying the payment time of interest, and modifying agreement rate and so on. If the contractual cash flow modification of the credit asset is due to the financial difficulty of the borrower, it is deemed as an impairment of the financial asset. If the contractual cash flow modification is not due to the financial difficulties of the borrower, the existing or projected unfavorable changes in the operating, financial or economic conditions under the borrower's performance or the borrower's ability to make the borrower's ability to perform its debt obligations vary significantly. The cause of anomalies or other bad debts is supplemented by an assessment of whether the credit risk of financial assets has increased significantly.

(8) Measuring the expected credit losses

A. Adoption of methods and assumptions

After considering the attributes of financial assets and credit assets and the adequacy of default experience, internal historical data or the information from external credit rating agency is used to estimate the Probability of default (PD), Loss given default (LGD), Exposure at default (EAD) and other credit risk components.

In order to assess the expected credit losses of credit assets, the Bank and subsidiaries are divided into the following combinations depending on the credit risk characteristics such as the identity of borrowers, products, and type of collateral:

Corporate banking	Government and public institution	
	Financial institution (including banks, ticket companies, securities finance companies)	
	Large Enterprise	The guarantee of the credit guarantee mechanism
		Secured
		Non-secured
	Medium and small enterprises	The guarantee of the credit guarantee mechanism
		Secured
		Non-secured
Private banking	Mortgage	
	Microcredit	
	Other-Secured	
	Other-Non-secured	
Entrepreneurship	The guarantee of the credit guarantee mechanism	
	Secured	
	Non-secured	

If the credit risk on a credit asset has not increased significantly since initial recognition or the credit asset has low credit risk at the reporting date, the Bank and subsidiaries shall measure the allowance for impairment using the 12-month expected credit losses; if the credit risk on a financial instrument has increased significantly or credit-impaired since initial recognition, the Bank and subsidiaries shall measure the allowance for impairment using the lifetime expected credit losses.

In order to measure expected credit losses, the Bank and subsidiaries considers the default probability (Probability of default, "PD") of borrowers, and loss given default rate ("LGD") multiplying the exposure at default ("EAD"), taking into account the time value of money as well evaluate 12-month and lifetime loss.

Default probability is the default probability of the borrower (default and credit impairment of financial assets), and the loss given default rate is the rate of loss caused by default by the borrower. The default probability and default loss rate used in the impairment assessment of the credit business are based on internal historical information of each group, and adjusted based on current observable information and forward-looking general economic information.

The Bank and subsidiaries measures the EAD based on the book value of loans at reporting date. When estimating the 12-month and lifetime expected credit losses of the loan commitments and financial guarantee contracts, the definition of the credit risk increasing significantly and the credit-impaired assets are based on the rules mentioned above. Additionally, in order to determine the EAD used to calculate expected credit loss of off-balance sheet items, the Bank and subsidiaries adopts the credit conversion factor (CCF) of standardized approach in credit risk which is legislated in the regulation of Proprietary Capital and Risk Capital of Banks.

B. Consideration of forward-looking information

The Bank and subsidiaries obtains forward-looking information which it takes into consideration when determining whether the credit risk of financial instruments has increased significantly since initial recognition and assessing the expected credit losses. The Bank and subsidiaries identified the relevant macroeconomic factors for credit risk of each portfolio by analyzing the historically data. These macroeconomic factors include Taiwan GDP (not seasonally adjusted), Taiwan's actual industrial production index, Taiwan's annual growth rate of retail sales, Taiwan's real sales price index, unemployment rate (seasonally adjusted), Cathay National Real Estate Index (national), Taiwan's real consumer price index (Not seasonally adjusted) and Taiwan's annual growth in retail sales or other factors. The various economic factors and their impacts on Probability of Default ("PD") are different depending on the type of financial instruments.

In order to determine the credit risk of investment in debt instruments at amortized cost and at fair value through other comprehensive income has increased significantly, the Bank and subsidiaries uses the changes of external ratings published by international credit rating agencies as the quantitative indicators, while the assessment of expected credit losses are calculated by using the external ratings, as well as PD and Loss Given Default ("LGD"), published by Moody's. Since the international credit rating agencies have already considered the forward-looking information while evaluating the credit ratings, which the Bank and subsidiaries considered to be appropriate after its assessment, the credit ratings will be included in the Bank and subsidiaries' assessment of related expected credit losses.

(9) Credit risk hedging or diminishing.

A. Collaterals

The Bank adopts a series of policies and procedures to mitigate credit risk and enhance credit risk tolerance. The method applied most is to request customers to provide collaterals. The Bank established collateral accreditation code of conduct in term of collateral management and total loan amount to regulate the scope of collaterals and the accreditation method and regularly inspects the collaterals. When the collaterals devaluate or the concern of devaluation occurs, the Bank shall increase collaterals or retrieve part of the loans to ensure the creditor's right is intact.

B. Limit of credit risk and the control of credit risk concentration

a. In order to avoid the situation that the credit risk of single customer being too high, the credit limit of an individual, a related party or a related enterprise shall be in conformity with "Authorization method for subsection 3 of Article 33 of the Banking Act of the Republic of China" and the credit limit authorization steps are regulated in the Key Points of Credit Engagement Authorization and the Key Points of Credit Engagement Authorization for Overseas Branches of the Bank.

b. To enhance the risk concentration management, the Bank established regulations in terms of countries, financial institutions, industries and group enterprises. The relevant limits are reviewed and approved annually and the usage of the credit is monitored on a daily basis. In addition, the results are reported regularly.

C. General agreement of net amount settlement

The transactions of the Bank are mostly settled with gross amount. Part of the transactions agreed on net amount settlement. When a default occurs, the Bank terminates all the transactions with the counterparty and settles by net amount to further lower credit risk.

D. Enhancement of other credit

The assessment of credit business applies to credit 5P principles, credit risk is offset by dividing self-liquidating loan commitments as the main, and set the accounts to master the repayment of cash flow. Also, in terms of the credit agreement stipulates the offset. (i.e. all kinds of deposits, except prohibition of low or the party's agreement, the Bank can set off all the debts), thus to reduce the loan amount, shorter loan repayment period or are considered part or all of expiration of acceleration clauses. To strengthen the protection of creditor and reduce credit risk, using qualified and effective enhancement, such as the requirement of real property, personal property, demand deposits, time deposits, securities and the guarantee of financial institution or the credit guarantee mechanism approved by government. (e.g. R.O.C SMEG, Agricultural Credit Guarantee Fund, Overseas Credit Guarantee Fund)

(10) Information on the financial assets of the Bank and subsidiaries that have been credit derogated and the collateral for mitigating potential losses are as follows:

December 31, 2019	Carrying amount	Allowance impairment	Exposure (measured at amortized cost)	Value of collateral
Impairment financial assets:				
Receivables				
Accounts receivables	\$ 64,187	57,390	6,797	41,632
Interest receivable	38,762	10,123	28,639	-
Discounts and loans	19,403,047	5,722,768	13,680,279	20,769,101
Overdue receivable	105,829	53,947	51,882	-
Total impairment financial assets	<u>\$ 19,611,825</u>	<u>5,844,228</u>	<u>13,767,597</u>	<u>20,810,733</u>
December 31, 2018	Carrying amount	Allowance impairment	Exposure (measured at amortized cost)	Value of collateral
Impairment financial assets:				
Receivables				
Interest receivable	\$ 65,815	41,204	24,611	-
Discounts and loans	16,553,430	4,659,004	11,894,426	15,595,114
Overdue receivable	105,200	54,231	50,969	-
Total impairment financial assets	<u>\$ 16,724,445</u>	<u>4,754,439</u>	<u>11,970,006</u>	<u>15,595,114</u>

Note: The value of collateral is the real estate appraisal information and credit guarantee agency guarantee amount levied by the Bank and subsidiaries' credit assets.

(11) Credit risk concentration

The Bank and subsidiaries do not conduct significant transaction with single customer or single trade counterparty. The total amount of discounts and loans, overdue loans in terms of individual customer or individual trade counterparty is not significant. The information of credit risk concentration of the Bank's discounts and loans and overdue loans are divided by industries, geographic areas and collaterals and listed as follows:

A. By industry

Distribution of discounts and loans, overdue loans based on industries.

Industry	December 31, 2019		December 31, 2018	
	Amount	%	Amount	%
Private business	\$ 698,913,482	60.98%	646,562,103	59.43%
Public business	4	-%	39,994,081	3.68%
Government institution	75,701,806	6.61%	42,745,443	3.93%
Nonprofit organization	2,984,867	0.26%	3,235,117	0.30%
Individual	293,998,770	25.65%	290,379,990	26.68%
Foreign financial institution	3,992,809	0.35%	4,200,432	0.39%
Foreign non financial institution	66,451,574	5.80%	56,236,535	5.17%
Foreign individual	4,047,438	0.35%	4,569,243	0.42%
Total	<u>\$ 1,146,090,750</u>	<u>100.00%</u>	<u>1,087,922,944</u>	<u>100.00%</u>

B. By geographic area

Distribution of discounts and loans, overdue loans based on geographic area.

Area	December 31, 2019		December 31, 2018	
	Amount	%	Amount	%
Domestic	\$ 1,071,598,929	93.50%	1,022,916,734	94.02%
Foreign	74,491,821	6.50%	65,006,210	5.98%
Total	<u>\$ 1,146,090,750</u>	<u>100.00%</u>	<u>1,087,922,944</u>	<u>100.00%</u>

C. By collateral

Distribution of discounts and loans, overdue loans based on collateral.

Collateral	December 31, 2019		December 31, 2018	
	Amount	%	Amount	%
Unsecured	\$ 242,592,802	21.17%	248,476,152	22.84%
Stocks	8,425,118	0.73%	9,232,197	0.85%
Bonds	19,411,907	1.69%	19,051,511	1.75%
Real estate	721,629,891	62.96%	672,375,170	61.80%
Chattel	17,950,096	1.57%	12,702,253	1.17%
Notes receivable	3,962,549	0.35%	3,100,812	0.28%
Guarantees	120,774,302	10.54%	113,770,575	10.46%
Others	11,344,085	0.99%	9,214,274	0.85%
Total	<u>\$ 1,146,090,750</u>	<u>100.00%</u>	<u>1,087,922,944</u>	<u>100.00%</u>

Note: Secured credit are categorized in its respective item per the type of the collaterals. Non-secured credit (no collateral provided) is classified in fiduciary credit. If the credit amount is higher than the accreditation value, the credit amount within the accreditation is classified in the respective item, the credit amount exceeds the accreditation value is classified in fiduciary credit. The accreditation value is the value calculated per the accreditation regulations of the Bank and subsidiaries, not the discounted value of the signed contract.

(12) Maximum credit risk exposure

- A. The maximum credit exposure of the assets in the consolidated financial statement is approximately the book value when not considering collaterals or other credit enhancement instruments. The maximum credit exposure off the consolidated balance sheet (when not considering collaterals or other credit enhancement instruments and not revocable) was as follows:



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Off balance sheet items	Maximum credit risk exposure	
	December 31, 2019	December 31, 2018
Issued and irrevocable loan commitments	\$ 55,259,927	104,313,061
Irrevocable credit card loan commitments	20,072,907	29,329,058
Letter of credit issued yet unused	7,156,747	8,830,536
Various guarantee proceeds	18,400,367	18,362,275
Total	\$ 100,889,948	160,834,930

The Management of the Bank and subsidiaries evaluated the credit risk exposure and believed that it is able to continuously control and minimize the off-balance sheet credit risk exposure due to its strict appraisal process and regular subsequent examination.

B. The credit quality analyses of the financial assets

a. Credit quality analysis of discounts and loans, receivables, guarantee and commitments

December 31, 2019	12 month ECL							Lifetime ECL – not impaired							Lifetime ECL – impaired	Allowance impairment	Total
	Excellent	Good	Medium	Acceptable	Under standard	No rating	Subtotal	Excellent	Good	Medium	Acceptable	Under standard	No rating	Subtotal	High risk		
Receivable																	
Credit card	\$ 565,022	133,458	233,637	31,938	3,428	321,592	1,289,075	1,965	1,826	3,426	807	389	234	8,647	-	3,341	1,294,381
Acceptances receivable	196,869	496,036	105,120	32,197	-	89,328	919,550	-	-	-	-	-	-	-	-	9,195	910,355
Accounts receivable factoring	-	-	-	-	-	19,089	19,089	-	-	-	-	-	-	-	-	191	18,898
Other receivables	274,150	1,428,023	311,286	43,556	6,867	3,274,831	5,338,713	310	969	5,485	500	2,655	2,943	12,862	102,949	138,863	5,315,661
Discounts and loans																	
Private banking	114,510,252	100,852,540	68,662,021	4,831,469	1,126,572	2,982,316	292,965,170	42,853	229,741	276,231	61,477	133,295	112	743,709	4,337,330	3,469,485	294,576,724
Corporate banking	172,479,816	260,682,892	218,425,945	36,941,972	4,249,047	133,618,335	826,398,007	402,500	36,161	3,443,874	191,431	2,457,788	49,063	6,580,817	15,065,717	9,871,883	838,172,658
Other financial assets																	
Overdue receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	105,829	85,901	19,928
Total	\$ 288,026,109	363,592,949	287,738,009	41,881,132	5,385,914	140,305,491	1,126,929,604	447,628	268,697	3,729,016	254,215	2,594,127	52,352	7,346,035	19,611,825	13,578,859	1,140,308,605
Guarantee and commitments	\$ 29,738,327	9,577,042	3,310,453	878,885	50,764	57,139,021	100,694,492	68,030	38,417	523	33	148	1,422	108,573	86,883	232,446	100,657,502

December 31, 2018	12 month ECL							Lifetime ECL – not impaired							Lifetime ECL – impaired	Allowance impairment	Total
	Excellent	Good	Medium	Acceptable	Under standard	No rating	Subtotal	Excellent	Good	Medium	Acceptable	Under standard	No rating	Subtotal	High risk		
Receivable																	
Credit card	\$ 546,365	130,485	288,946	39,017	8,732	298,288	1,291,733	1,972	613	3,183	1,026	2,080	-	8,874	-	3,439	1,297,168
Acceptances receivable	536,265	431,071	248,116	67,306	-	122,030	1,404,788	-	513	6,578	-	-	-	7,091	-	14,214	1,397,665
Accounts receivable factoring	-	-	-	-	-	566,451	566,451	-	-	-	-	-	-	-	-	5,665	560,786
Other receivables	293,606	1,522,169	311,620	53,250	9,029	2,825,043	5,014,717	351	491	1,727	1,515	2,404	33,998	40,486	65,815	112,412	5,008,606
Discounts and loans																	
Private banking	109,714,063	102,082,939	70,464,120	4,278,416	1,585,150	2,614,256	290,738,944	85,992	110,913	308,885	162,536	229,961	6,195	904,482	3,305,807	3,400,597	291,548,636
Corporate banking	173,049,850	271,957,972	191,589,607	49,334,606	4,071,360	88,236,547	778,239,942	13,919	37,688	172,299	336,415	925,825	-	1,486,146	13,247,623	9,633,554	783,340,157
Other financial assets																	
Exchange bills	-	-	-	-	-	20	20	-	-	-	-	-	-	-	-	-	20
Overdue receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	105,200	87,249	17,951
Total	\$ 284,140,149	376,124,636	262,882,309	53,772,595	5,674,271	94,662,635	1,077,256,595	102,234	150,218	492,672	501,492	1,160,270	40,193	2,447,079	16,724,445	13,257,130	1,083,170,989
Guarantee and commitments	\$ 24,354,317	10,928,309	10,983,731	1,610,303	365,707	112,194,037	160,416,404	44,469	18,621	88,434	23,137	47,438	-	222,099	196,427	289,136	160,545,794

b. Debt instruments

December 31, 2019	12 month ECL					Lifetime ECL – not impaired					Lifetime ECL – impaired	Total	Accumulated impairment (Note)
	Investment	Sub investment	High risk	No rating	Subtotal	Investment	Sub investment	High risk	No rating	Subtotal	High risk		
Investment in debt instruments measured at fair value through other comprehensive income													
Overseas bonds	\$ 24,664,354	-	-	-	24,664,354	-	-	-	-	-	-	24,664,354	6,045
NT bonds	66,578,857	-	-	-	66,578,857	-	-	-	-	-	-	66,578,857	46,254
Investment in debt instruments at amortized cost													-
Overseas bonds	39,453,717	299,924	-	-	39,753,641	-	-	-	-	-	-	39,753,641	15,963
NT bonds	48,150,744	-	-	-	48,150,744	-	-	-	-	-	-	48,150,744	22,691
Certificates of deposit with the Central Bank	174,880,000	-	-	-	174,880,000	-	-	-	-	-	-	174,880,000	51,645
Negotiable certificates of deposit	362,868	-	-	-	362,868	-	-	-	-	-	-	362,868	112
Total	\$ 354,090,540	299,924	-	-	354,390,464	-	-	-	-	-	-	354,390,464	142,710

December 31, 2018	12 month ECL					Lifetime ECL – not impaired					Lifetime ECL – impaired	Total	Accumulated impairment (Note)
	Investment	Sub investment	High risk	No rating	Subtotal	Investment	Sub investment	High risk	No rating	Subtotal	High risk		
Investment in debt instruments measured at fair value through other comprehensive income													
Overseas bonds	\$ 11,764,869	-	-	-	11,764,869	-	-	-	-	-	-	11,764,869	1,910
NT bonds	53,643,189	-	-	-	53,643,189	-	-	-	-	-	-	53,643,189	31,855
Investment in debt instruments at amortized cost													
Overseas bonds	41,889,974	-	-	-	41,889,974	-	-	-	-	-	-	41,889,974	18,115
NT bonds	54,151,974	-	-	-	54,151,974	-	-	-	-	-	-	54,151,974	26,126
Certificates of deposit with the Central Bank	165,150,000	-	-	-	165,150,000	-	-	-	-	-	-	165,150,000	48,771
Negotiable certificates of deposit	371,676	-	-	-	371,676	-	-	-	-	-	-	371,676	116
Total	\$ 326,971,682	-	-	-	326,971,682	-	-	-	-	-	-	326,971,682	126,893

Note: The cumulative impairment of the bond which measured at fair value through other comprehensive profit or loss is recognized as other equity.

C. The Maximum credit risk exposure for financial instruments are not subject to impairment regulations are as follows:

December 31, 2019	Maximum credit risk exposure	Collateral	Enhancement of other credit
Financial assets at fair value through profit or loss			
– Debt investments	\$ 4,551,167	-	-
– Commercial paper	21,037,165	-	-
– Listed stocks	178,867	-	-
– Unlisted stocks	145,901	-	-
– Beneficiary certificates	108,890	-	-
– Derivative instruments	950,796	484,712	468,795



December 31, 2018	Maximum credit risk exposure	Collateral	Enhancement of other credit
Financial assets at fair value through profit or loss			
– Linked deposits	\$ 1,506,135	-	-
– Debt investments	603,572	-	-
– Commercial paper	4,581,217	-	-
– Listed stocks	48,910	-	-
– Beneficiary certificates	67,080	-	-
– Derivative instruments	327,690	176,599	627,412

(13) Changes in the expected credit losses of the Bank and subsidiaries

A. Receivables

	For the year ended December 31, 2019					
	12-month ECL	Lifetime ECL-not impaired	Lifetime ECL-impaired	Impaired (IFRS9)	Impairment difference of "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing and Non-Accrual Loans "	Total
Beginning balance	\$ 38,464	12,808	41,204	92,476	43,254	135,730
Changes in financial instruments that have been identified at the beginning of the period:						
– Transfer to 12-months ECL	136	(48)	(88)	-	-	-
– Transfer to lifetime ECL	(134)	44	90	-	-	-
– Transfer to the credit-impaired financial assets	(27)	(63)	90	-	-	-
– The financial assets that have been derecognized	(10,110)	(1,224)	(4,188)	(15,522)	-	(15,522)
New financial assets originated or purchased	24,852	154	22,189	47,195	-	47,195
Write-off	-	-	(43,492)	(43,492)	-	(43,492)
Other changes	(10,323)	(10,215)	51,708	31,170	-	31,170
Impairment difference of "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing and Non-Accrual Loans "	-	-	-	-	(3,491)	(3,491)
Ending balance	<u>\$ 42,858</u>	<u>1,456</u>	<u>67,513</u>	<u>111,827</u>	<u>39,763</u>	<u>151,590</u>

	For the year ended December 31, 2018					
	12-month ECL	Lifetime ECL-not impaired	Lifetime ECL-impaired	Impaired (IFRS9)	Impairment difference of "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing and Non-Accrual Loans "	Total
Beginning balance	\$ 37,773	3,565	26,086	67,424	43,792	111,216
Changes in financial instruments that have been identified at the beginning of the period:						
– Transfer to 12-months ECL	139	(114)	(25)	-	-	-
– Transfer to lifetime ECL	(1,958)	2,010	(52)	-	-	-
– Transfer to the credit-impaired financial assets	(233)	(43)	116	(160)	-	(160)
– The financial assets that have been derecognized	(8,859)	(27)	(11,328)	(20,214)	-	(20,214)
New financial assets originated or purchased	19,921	127	6,304	26,352	-	26,352
Write-off	-	-	(16,607)	(16,607)	-	(16,607)
Other changes	(8,319)	7,290	36,710	35,681	-	35,681
Impairment difference of "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing and Non-Accrual Loans "	-	-	-	-	(538)	(538)
Ending balance	<u>\$ 38,464</u>	<u>12,808</u>	<u>41,204</u>	<u>92,476</u>	<u>43,254</u>	<u>135,730</u>

B. Discounts and loans

	For the year ended December 31, 2019					
	12-month ECL	Lifetime ECL-not impaired	Lifetime ECL-impaired	Impaired (IFRS9)	Impairment difference of "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing and Non-Accrual Loans "	Total
Beginning balance	\$ 2,774,377	66,416	4,659,004	7,499,797	5,534,354	13,034,151
Changes in financial instruments that have been identified at the beginning of the period:						
– Transfer to 12-months ECL	68,543	(11,251)	(57,292)	-	-	-
– Transfer to lifetime ECL	(15,688)	18,916	(3,228)	-	-	-
– Transfer to the credit-impaired financial assets	(19,820)	(15,298)	35,118	-	-	-
– The financial assets that have been derecognized	(1,413,191)	(18,785)	(979,822)	(2,411,798)		(2,411,798)
New financial assets originated or purchased	1,312,987	29,338	707,320	2,049,645		2,049,645
Write-off	-	-	(469,404)	(469,404)		(469,404)
Other changes	(510,142)	128,137	1,831,072	1,449,067		1,449,067
Impairment difference of "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing and Non-Accrual Loans "	-	-	-	-	(310,293)	(310,293)
Ending balance	\$ 2,197,066	197,473	5,722,768	8,117,307	5,224,061	13,341,368

	For the year ended December 31, 2018					
	12-month ECL	Lifetime ECL-not impaired	Lifetime ECL-impaired	Impaired (IFRS9)	Impairment difference of "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing and Non-Accrual Loans "	Total
Beginning balance	\$ 2,277,834	32,442	3,323,101	5,633,377	6,469,695	12,103,072
Changes in financial instruments that have been identified at the beginning of the period:						
– Transfer to 12-months ECL	12,113	(2,007)	(10,106)	-	-	-
– Transfer to lifetime ECL	(2,330)	12,155	(9,825)	-	-	-
– Transfer to the credit-impaired financial assets	(15,454)	(12,239)	27,693	-	-	-
– The financial assets that have been derecognized	(1,319,687)	(6,169)	(556,996)	(1,882,852)		(1,882,852)
New financial assets originated or purchased	1,398,612	4,163	1,222,628	2,625,403		2,625,403
Write-off	-	-	(2,596,896)	(2,596,896)		(2,596,896)
Other changes	423,289	38,071	3,259,405	3,720,765		3,720,765
Impairment difference of "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing and Non-Accrual Loans "	-	-	-	-	(935,341)	(935,341)
Ending balance	\$ 2,774,377	66,416	4,659,004	7,499,797	5,534,354	13,034,151

C. Other financial assets

	For the year ended December 31, 2019					
	12-month ECL	Lifetime ECL-not impaired	Lifetime ECL-impaired	Impaired (IFRS9)	Impairment difference of "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing and Non-Accrual Loans "	Total
Beginning balance	\$ -	-	54,231	54,231	33,018	87,249
Changes in financial instruments that have been identified at the beginning of the period:						
– The financial assets that have been derecognized	-	-	(59)	(59)		(59)
New financial assets originated or purchased	-	-	21,784	21,784		21,784
Write-off	-	-	(22,009)	(22,009)		(22,009)
Impairment difference of "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing and Non-Accrual Loans "	-	-	-	-	(1,064)	(1,064)
Ending balance	\$ -	-	53,947	53,947	31,954	85,901

	For the year ended December 31, 2018					
	12-month ECL	Lifetime ECL-not impaired	Lifetime ECL-impaired	Impaired (IFRS9)	Impairment difference of "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing and Non-Accrual Loans "	Total
Beginning balance	\$ -	-	55,668	55,668	33,457	89,125
Changes in financial instruments that have been identified at the beginning of the period:						
– Transfer to the credit-impaired financial assets	-	-	160	160		160
– The financial assets that have been derecognized	-	-	(13)	(13)		(13)
New financial assets originated or purchased	-	-	37,683	37,683		37,683
Write-off	-	-	(39,267)	(39,267)		(39,267)
Impairment difference of "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing and Non-Accrual Loans "	-	-	-	-	(439)	(439)
Ending balance	\$ -	-	54,231	54,231	33,018	87,249



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D. Guarantee and commitments

	For the year ended December 31, 2019					
	12-month ECL	Lifetime ECL-not impaired	Lifetime ECL-impaired	Impaired (IFRS9)	Impairment difference of "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing and Non-Accrual Loans "	Total
Beginning balance	\$ 106,141	418	28,523	135,082	154,054	289,136
Changes in financial instruments that have been identified at the beginning of the period:						
– Transfer to lifetime ECL	(67)	67	-	-		-
– Transfer to the credit-impaired financial assets	(28)	(27)	55	-		-
– The financial assets that have been derecognized	(49,068)	(161)	(27,395)	(76,624)		(76,624)
New financial assets originated or purchased	26,117	24	14,718	40,859		40,859
Other changes	(24,050)	17	1,319	(22,714)		(22,714)
Impairment difference of "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing and Non-Accrual Loans "	-	-	-	-	1,789	1,789
Ending balance	\$ 59,045	338	17,220	76,603	155,843	232,446

	For the year ended December 31, 2018					
	12-month ECL	Lifetime ECL-not impaired	Lifetime ECL-impaired	Impaired (IFRS9)	Impairment difference of "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing and Non-Accrual Loans "	Total
Beginning balance	\$ 80,439	105	37,541	118,085	85,703	203,788
Changes in financial instruments that have been identified at the beginning of the period:						
– Transfer to 12-months ECL	36	(36)	-	-		-
– Transfer to lifetime ECL	(304)	304	-	-		-
– Transfer to the credit-impaired financial assets	(20)	(3)	23	-		-
– The financial assets that have been derecognized	(25,702)	(39)	(283)	(26,024)		(26,024)
New financial assets originated or purchased	46,732	77	712	47,521		47,521
Other changes	4,960	10	(9,470)	(4,500)		(4,500)
Impairment difference of "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing and Non-Accrual Loans "	-	-	-	-	68,351	68,351
Ending balance	\$ 106,141	418	28,523	135,082	154,054	289,136

E. Debts investments

	For the year ended December 31, 2019			
	12-month ECL	Lifetime ECL-not impaired	Lifetime ECL-impaired	Total
Beginning balance	\$ 126,893	-	-	126,893
Additions	67,834	-	-	67,834
Derecognition	(50,664)	-	-	(50,664)
Other changes	(1,353)	-	-	(1,353)
Ending balance	<u>\$ 142,710</u>	<u>-</u>	<u>-</u>	<u>142,710</u>

	For the year ended December 31, 2018			
	12-month ECL	Lifetime ECL-not impaired	Lifetime ECL-impaired	Total
Beginning balance	\$ 98,052	-	-	98,052
Additions	84,844	-	-	84,844
Derecognition	(51,475)	-	-	(51,475)
Other changes	(4,528)	-	-	(4,528)
Ending balance	<u>\$ 126,893</u>	<u>-</u>	<u>-</u>	<u>126,893</u>

(14) Collateral management policy

- A. Collaterals are recognized under the account of other assets per the rules of "Regulations Governing the Preparation of Financial Reports by Public Banks".

- B. Details were as follows:

Collaterals refer to the collaterals provided by clients as guarantee which are undertaken through public auction when the debtor is not able to fulfill its obligation. The collaterals assumed are recognized using the prices undertaken per the rules of "Regulations Governing the Preparation of Financial Reports by Public Banks" and measured by the book value or the fair value deducted by cost of sale, whichever is lower, at the end of the period. Collaterals will be sold when they are available to be sold and the proceeds received will be used to reduce the book amount of collaterals.

(d) Liquidity risk

(1) The origin and definition of liquidity risk

Liquidity risk refers to the potential financial loss results from the inability to liquidate assets or obtain finance to fulfill the financial obligation which is going to mature with sufficient fund, such as early rescind of time deposits, the channels and terms to call loan from other bank are deteriorated due to the influence of specific markets and the default of loan customers worsen and it is harder for the Bank to receive payments and liquidate financial instruments. The abovementioned situations may diminish the source of cash for the Bank to undertake loan business, trades and investment activities. Under some extreme circumstances, the lack of liquidity may increase the potential possibility of reduction of the overall position of consolidated financial statement, sale of assets and inability to fulfill loan obligation. Liquidity risk is an inherent risk of bank operations and is influenced by specific or overall events in various markets. Those events include but not limited to: Credit event, merger or buyout, systematic strike and natural disaster.

(2) The management policy, process and measurement of liquidity risk

A. Policy

- a. In accordance with the target and limit for liquidity risk management approved by the board of directors and monitor all liquidity risk positions.

- b. Established "Directions Governing the Capital Liquidity Risk Management of Taiwan Business Bank" and "Remarks Governing the Capital Liquidity Risk Management of Taiwan Business Bank" to serve as guidance to effectively control capital liquidity risk.
- c. Overseas branches shall regulate the code of conduct for liquidity risk management based on business characteristics and the regulations of local authorities. After being approved by the general manager, the Risk Management Department will be in charge of monitoring liquidity risk.

B. Process

- a. Finance Department is in charge of daily capital deployment to ensure that the capital is sufficient to cope with various demands for capital.
- b. Risk Management Department is in charge of the identification, measurement, supervision and control of capital liquidity risk to establish a firm operation process and structure.
- c. Risk Management Department reports the result of capital liquidity risk measurement to the Assets and Liabilities Management Committee on a monthly basis and reports the results of capital liquidity risk and pressure test to the board of directors quarterly.

C. Measurement

- a. Maturity gap: To place the inflows and outflows of capital into various time zones accordingly based on the remaining days to maturity and calculate the gap of capital of each time zone in order to measure the capital deficiency of each time zone.
- b. Loan-deposit ratio: To calculate the deposits the Bank received which are used to conduct loan business. In other words, the percentage of the total loan amount accounts for the total deposit amount.
- c. Capital concentration and stability: In order to prevent the Bank from over-relying on single trade counterparty, product or market, the Bank observes several aspects such as the changes in large time deposit customers, the percentage of demand deposits and the continuity of deposits.
- d. Pressure test: Except for monitoring the capital demand under normal circumstances, the Bank conducts pressure test regularly in order to evaluate the capital liquidity under abnormal circumstances and ensure that the Bank is equipped with sufficient capital.

(3) Financial assets possessed for managing liquidity risk and maturity analysis for non-derivative financial liability

A. Financial assets possessed for managing liquidity risk

The Bank and subsidiaries possesses cash and other high liquidity interest yielding assets to cope with payment obligations and potential emergent capital demands in the market. The assets possessed for managing liquidity risk include cash and cash equivalent, due from the Central Bank and call loans to banks, financial assets at fair value through profit or loss, discounts and loans, financial assets measured at fair value through other comprehensive income and investment in debt instruments at amortized cost.

B. Maturity analysis for non-derivative financial liabilities

The table below shows the cash outflows from the non-derivative financial liabilities which are possessed by the Bank and subsidiaries based on the remaining days from the consolidated financial statement date to the contract maturity date. The amount disclosed is based on the cash flows of the contracts.



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	December 31, 2019					
	0-30 days	31-90 days	91days-1 year	1-5 years	Over 5 years	Total
Major matured cash outflow	\$ 904,142,429	193,155,772	423,123,774	63,934,641	29,806,197	1,614,162,813
Deposits from the Central Bank and banks	268,330	-	-	-	-	268,330
Overdrafts on banks	1,118,477	-	-	-	-	1,118,477
Call loans from the Central Bank and banks	24,703,175	8,444,072	1,847,147	-	-	34,994,394
Due to the central bank and banks	90,500	-	186,740	474,905	-	752,145
Financial liabilities designated at fair value through profit or loss	-	-	-	-	8,949,182	8,949,182
Notes and bonds issued under repurchase agreement	60,390	172,381	635,810	-	-	868,581
Interest payable	449,550	803,258	1,291,095	79,568	8	2,623,479
Deposits transferred from Chunghwa Post Co., Ltd.	11,200,000	24,312,411	32,900,000	-	-	68,412,411
Demand deposits	755,384,107	-	-	-	-	755,384,107
Time deposits	110,515,249	154,358,207	370,847,890	43,619,659	18,237	679,359,242
Remittance	306,198	-	-	-	-	306,198
Bank notes payable	-	5,000,000	15,000,000	16,790,000	16,460,000	53,250,000
Cumulative earnings on appropriated loan fund	2,500	-	161,670	2,412,080	4,258,834	6,835,084
Lease liabilities	43,953	65,443	253,422	558,429	119,936	1,041,183

	December 31, 2018					
	0-30 days	31-90 days	91days-1 year	1-5 years	Over 5 years	Total
Major matured cash outflow	\$ 830,674,488	181,906,588	357,705,431	76,020,934	24,580,641	1,470,888,082
Deposits from the Central Bank and banks	316,275	-	-	-	-	316,275
Overdrafts on banks	812,952	-	-	-	-	812,952
Call loans from the Central Bank and banks	22,460,469	11,591,288	307,350	-	-	34,359,107
Due to the central bank and banks	30,735	-	30,735	530,518	-	591,988
Financial liabilities designated at fair value through profit or loss	-	-	-	-	9,162,841	9,162,841
Notes and bonds issued under repurchase agreement	369,337	626,644	661,725	-	-	1,657,706
Interest payable	325,088	638,988	1,155,732	63,348	51	2,183,207
Deposits transferred from Chunghwa Post Co., Ltd.	7,500,000	15,108,258	33,217,951	-	-	55,826,209
Demand deposits	694,579,076	-	-	-	-	694,579,076
Time deposits	103,697,597	153,933,750	322,112,518	36,124,148	20,635	615,888,648
Remittance	573,379	-	-	-	-	573,379
Bank notes payable	-	-	-	36,400,000	11,050,000	47,450,000
Cumulative earnings on appropriated loan fund	9,580	7,660	219,420	2,902,920	4,347,114	7,486,694

(4) Derivative financial liabilities maturity analysis

A. Derivative financial instruments settled by net amount

The derivative instruments of the Bank and subsidiaries whose possession are settled by net amount include foreign derivative instruments, such as non-delivery forward contracts. After evaluation the Bank concluded that the maturity date is the basic element to comprehend all the derivative financial instruments listed in the consolidated financial statement. The amount disclosed is based on the cash flows of the contracts and thus part of the amount disclosed may not correspond to the amount disclosed in the consolidated financial statement. As of December 31, 2018, the Bank and subsidiaries had no derivative financial instruments settled by net amount. As of December 31, 2019, maturity analysis for the derivative financial liabilities settled by net amount is as follows:

	December 31, 2019					Total
	0-30 days	31-90 days	91-180 days	181 days to 1 year	Over 1 year	
Derivative financial liabilities at fair value through profit or loss						
– Foreign exchange derivative instrument	\$ -	-	-	560	-	560

B. Derivative financial instruments settled by gross amount

The derivative instruments of the Bank's possession settled by gross amount include the following:

- Foreign exchange derivative financial instrument: Foreign exchange options settled by gross amount, foreign exchange forward contracts and currency swap contracts.
- Interest rate derivative financial instruments: interest rate swap contracts.

The table below shows the derivative financial instruments of the Bank and subsidiaries whose possession are settled by gross amount based on the remaining days from the consolidated financial statement date to the contract maturity date. The amount disclosed is based on the cash flow of the contracts and thus part of the amount disclosed may not correspond to the amount disclosed in the consolidated financial statement. The maturity analysis for derivative financial liabilities settled by gross amount is as follows:

December 31, 2019	0-30 days	31-90 days	91-180 days	181 days to 1 year	Over 1 year	Total
Derivative financial instruments at fair value through profit or loss						
Foreign exchange derivative instruments						
Cash outflow	\$ 54,733,698	32,548,928	71,226,616	56,264,496	1,799,400	216,573,138
Cash inflow	55,106,820	32,263,313	70,476,718	56,270,898	1,802,371	215,920,120
Interest rate derivative instrument						
Cash outflow	-	15,820	22,689	35,707	52,623	126,839
Cash inflow	6,336	3,951	26,496	38,679	44,908	120,370
Total cash outflow	54,733,698	32,564,748	71,249,305	56,300,203	1,852,023	216,699,977
Total cash inflow	55,113,156	32,267,264	70,503,214	56,309,577	1,847,279	216,040,490
Net cash flow	\$ (379,458)	297,484	746,091	(9,374)	4,744	659,487

December 31, 2018	0-30 days	31-90 days	91-180 days	181 days to 1 year	Over 1 year	Total
Derivative financial instruments at fair value through profit or loss						
Foreign exchange derivative instruments						
Cash outflow	\$ 26,416,112	36,190,587	2,891,375	3,868,099	-	69,366,173
Cash inflow	26,087,200	36,209,231	2,865,909	3,781,737	-	68,944,077
Total cash outflow	26,416,112	36,190,587	2,891,375	3,868,099	-	69,366,173
Total cash inflow	26,087,200	36,209,231	2,865,909	3,781,737	-	68,944,077
Net cash flow	\$ 328,912	(18,644)	25,466	86,362	-	422,096



(5) Maturity analysis of off-balance sheet items

The table below shows the maturity analysis of the off-balance sheet items of the Bank based on the remaining days from the consolidated financial statement date to the contract maturity date. For the financial guarantee contracts issued, the maximum amount of the guarantee is listed in the earliest time zone that the guarantee may be executed. The amount disclosed is based on the cash flows of the contracts and thus part of the amount disclosed may not correspond to the amount disclosed in the consolidated financial statement.

December 31, 2019	0-30 days	31-90 days	91-180 days	181 days to 1 year	Over 1 year	Total
Issued and irrevocable loan commitments	\$ 80,600	470,300	240,778	4,151,688	50,316,561	55,259,927
Irrevocable credit card loan commitments	426	8,850	244,874	1,383,874	18,434,883	20,072,907
Letters of credit issued yet unused	2,331,015	3,904,555	668,520	218,697	33,960	7,156,747
Other guarantees	1,013,082	2,595,282	1,160,466	1,590,609	12,040,928	18,400,367
Total	\$ 3,425,123	6,978,987	2,314,638	7,344,868	80,826,332	100,889,948

December 31, 2018	0-30 days	31-90 days	91-180 days	181 days to 1 year	Over 1 year	Total
Issued and irrevocable loan commitments	\$ 156,603	5,403,482	40,354,160	11,521,819	46,876,997	104,313,061
Irrevocable credit card loan commitments	3,491	8,674	15,695	59,713	29,241,485	29,329,058
Letters of credit issued yet unused	3,100,804	4,493,508	754,936	431,297	49,991	8,830,536
Other guarantees	1,418,212	1,138,643	2,276,614	3,006,484	10,522,322	18,362,275
Total	\$ 4,679,110	11,044,307	43,401,405	15,019,313	86,690,795	160,834,930

(6) Maturity analysis of lease contract commitments

The Bank and subsidiaries only has operating lease contract, operating lease commitment refers to, when the Bank and subsidiaries is the lessor or lessee and under the irrevocable operating lease conditions, the minimum total future rent payment. Below tables show the maturity analysis of the Bank and subsidiaries operating lease contract commitments:

December 31, 2019	Below 1 year	1-5 years	Over 5 years	Total
Operating lease income (lessor)	\$ 2,270	449	-	2,719

December 31, 2018	Below 1 year	1-5 years	Over 5 years	Total
Operating lease expense (lessee)	\$ 328,756	476,264	65,366	870,386
Operating lease income (lessor)	1,666	2,338	-	4,004

The capital expenditure commitment of the Bank refers to the contract signed to obtain property and equipment. The maturity analysis of the capital expenditure commitment of the Bank is as follows:

December 31, 2019	Below 1 year	1-5 years	Over 5 years	Total
Machinery and equipment	\$ 1,226,830	-	-	1,226,830
Right-of-use assets	7,358	5,435	-	12,793
Transportation equipment	130	-	-	130
Miscellaneous equipment	8,899	-	-	8,899
Total	\$ 1,243,217	5,435	-	1,248,652

December 31, 2018	Below 1 year	1-5 years	Over 5 years	Total
Machinery and equipment	\$2,000,216	-	-	2,000,216
Transportation equipment	16	-	-	16
Lease assets	10,111	10,910	-	21,021
Miscellaneous equipment	24	-	-	24
Total	\$ 2,010,367	10,910	-	2,021,277

(e) Market risk

(1) Definition of market risk

Market risk refers to the possible loss of the Bank's business in or off the balance sheet results from the disadvantageous fluctuation in market price in terms of interest rates, stock prices, foreign exchange rates and commodity prices.

(2) Policies and procedures of market risk management

A. Strategy

- a. To carry out market risk management, achieve operation target and maintain healthy capital adequacy by following "Directions Governing the Market Risk Management of Taiwan Business Bank" and other relevant regulations.
- b. Under the risk tolerance approved by the board of directors or board of executive directors, the Bank applies various risk control mechanism to effectively deploy and manage capital in order to maintain the market risk exposure within the tolerable extent and achieve earning target.

B. Policies and procedures

In order to establish the market risk management mechanism and ensure that the market risk is within the tolerable extent, the Bank set up directions governing the market risk management, remarks governing the limit of market risk and financial product valuation procedures as the primary management guidance. Other than what is stated above, the Bank also establish limit control mechanism in terms of trade positions, stop-limit, suspensions and lines of alert based on the operation notices and procedures of different financial instruments, including fixed income instruments, equity securities, foreign exchange transaction and derivative financial instruments.

(3) Process for market risk management

A. Risk identification

In accordance with the rules of "Directions Governing the Market Risk Management of Taiwan Business Bank", the Bank shall conduct appropriate market risk evaluation and document the process for later review before financial instruments are promoted. The content of evaluation includes risk factors identification, evaluation methods, cost-benefit analysis, market liquidity, risk strategy, adequacy of risk management mechanism and the influence on the Bank for undertaking market risk.

B. Risk measurement

- a. Annually based on the business development of transaction units and submit to the board of directors or board of executive directors for approval. For the units which the positions and limits remain unchanged after evaluation, they can put the positions and limits into practice after receiving the approval from the general manager.
- b. The risk measurements (or evaluations) of the financial instruments of the Bank are conducted through different information systems. For the market data and parameters of the models applied for evaluation, they shall be random inspected regularly to determine the rationality.

C. Risk monitoring

- a. Valuation reports of various financial instruments are prepared regularly for executives to review and serve as the guidance for daily risk management operation.
- b. All financial transactions are equipped with different regulations in terms of limit of loss and stop-limit. Provided that the valuation loss amount is over the limit, a stop-limit, suspension and subsequent risk control will be executed.

D. Risk report

Risk management department report current market risk management status of the Bank to directors, executive directors and executives to facilitate them to control the risk exposure status and adjust management procedures properly.

(4) Scope and method of market risk management

A. Foreign exchange risk management

a. Definition of foreign exchange risk management

Foreign exchange risk refers to the potential profit or loss of the foreign currency financial instruments which results from the transition among fluctuating currencies.

b. Applicable scope

All the financial instruments which apply to trading book position and banking book position and involve in foreign currencies.

c. Purpose for foreign exchange risk management

To avoid loss of earnings or deterioration of financial status due to intensive fluctuation of foreign exchange and to increase capital deployment efficiency and business operation integrity.

d. Procedures of foreign exchange risk management

- 1) In order to control foreign exchange transaction risk, the Bank established trade position authorization standard for financial transaction operations, trade units and traders in current regulations. In addition, for non-commercial business foreign exchange operation, all trade units submit the required amounts of position annually based on operation status. Risk management department will evaluate the requirement and submit to the board of directors' (executive directors) for approval. The demand will be executed after the board of directors approved. For the units which the positions remain unchanged after evaluation, they can put the positions into practice after receiving the approval from the general manager.
- 2) The trade units conduct various foreign financial product business, they shall fully understand the content of commodities, the risk tolerance and trade purpose. Trade units shall establish financial products trading strategies based on market status in the meeting every morning and submit the risk-benefit evaluation in the meeting minutes for the department heads to review. The trading shall follow the relevant authorization rules of the Bank and the stop-limit of all trade positions shall be executed reliably.

e. Process of foreign exchange risk management

1) Identification and measurement

- A) Risk Management department established risk factor chart based on different financial transactions to effectively identify risk factors and market risk resources. In addition, the financial transactions which the Bank and subsidiaries conduct deal with simple type financial products. For complex financial products, the Bank and subsidiaries conduct back-to-back hedge covering to effectively avoid market risk.
- B) Risk Management department uses Greeks to measure the influence level of exchange rate for held-for-trading spot exchange and exchange rate derivative and setup Greek's sensitivity allowance, according to the yearly demand of trade units, the state of utilization, and monitor the load of fluctuation of exchange rate in each acceptable range.
- C) Positions of the trading book shall be evaluated daily where the positions of the banking book shall be evaluated monthly. When there are public quotes for financial instruments, the quotes shall be the prior evaluation prices. If the financial instruments are evaluated by models, then they shall be evaluated by mathematic models prudently and the assumptions and parameters of the models shall be reviewed regularly.

2) Monitoring and report

- A) When the evaluation loss of non-commercial foreign exchange transactions is over the limit, the trade units shall execute a stop-limit per the regulations. If the loss amount reaches the suspension warning line or suspension limit of the financial transaction, risk management units shall report to the general manager. Provided that the loss amount reaches the annual suspension line, risk management department shall report to the board of directors or executive directors.



B) Reports of operation results shall be prepared and submitted to the department heads for approval on a daily basis.

B. Equity security risk management

a. Definition of equity security risk

The market risks of the equity securities possessed by the Bank include the individual risk results from the market price fluctuation of individual equity security and the general market risk results from overall market price fluctuation.

b. Applicable scope

Financial instruments similar to equity security in all trading books.

c. Purpose of equity security risk management

To avoid loss of earnings or deterioration of financial status due to intensive fluctuation of equity securities and to increase capital deployment efficiency and business operation integrity.

d. Procedures of equity security risk management

- 1) All trade units submit the required amounts of position annually base on operation status. Risk management department will evaluate the requirement and submit to the board of directors or executive directors. The demand will be executed after approved by the board of directors.
- 2) The trade units shall predict the possible trend of domestic stock market based on the information of foreign and domestic security markets so as to set up the operation strategies and directions. The traders shall pay close attention to the market trend when the market opens so as to conduct security transactions and the operations as well as the meeting minutes shall be submitted to the department heads to review.

e. Process of equity security risk management

1) Identification and measurement

- A) The risk management department apply Value at Risk models to measure the market risk of equity security investment. Furthermore, based on the trade units' operation demand and the risk limit established by the Bank's risk tolerance, the risk management units effectively control the variation of risk factors under an acceptable extent.
- B) Trading book position shall be evaluated daily. When there is a public quote in the market, the quote shall be adopted as the prior evaluation price. If the transaction is in secondary market and the liquidity is high, the closing price can be adopted as the evaluation price. If the financial instruments are evaluated by models, then they shall be evaluated by mathematic models prudently and the assumptions and parameters of the models shall be reviewed regularly.

2) Monitoring and report

- A) When the evaluation loss of equity security investment is over the limit, the trade units shall execute a stop-limit per regulations. If the loss amount reaches the suspension warning line or suspension limit of the financial transaction, risk management units shall report to the general manager. Provided that the loss amount reaches the annual suspension line, risk management department shall report to the board of directors or executive directors.
- B) Transaction reports shall be prepared and submitted to the department heads for approval on a daily basis. And the investment gains or losses shall report to the board of directors or executive directors regularly for future reference.

C. Interest rate risk management

a. Definition of interest rate risk

Interest rate risk refers to the price decline of the Bank's financial products which contain interest risk factors due to the disadvantageous changes in interest rate.

b. Applicable scope

Financial instruments which contain interest rate factors in all trading books.

- c. Purpose of interest rate risk management

To avoid loss of earnings or deterioration of financial status due to intensive fluctuation of interest rate and to increase capital deployment efficiency and business operation integrity.
 - d. Procedures of interest rate risk management
 - 1) In order to control interest rate risk, the Bank established trade position authorization standard for financial transaction operations, trade units and trade counterparties in current regulations. In addition, for the positions held for trading, all trade units submit the required amounts of position annually based on operation status. Risk management department will evaluate the requirement and submit to the board of directors or executive directors for approval. The demand will be executed after the board of directors approved.
 - 2) The trade units shall consider safety, liquidity and profitability and gather market information to assess the potential risk and benefit. In additional, the trade units shall choose investment target prudently through analyzing the issuers' credit, financial status, country risks and interest rate trends.
 - e. Process of interest rate risk management
 - 1) Identification and measurement
 - A) The risk management department establish risk factor charts base on different financial transaction to effectively identify risk factors and market risk resources. In addition, the financial transactions which the Bank conducts deal with simple type financial products. For complex financial products, the Bank conducts back-to-back hedge covering to effectively avoid market risk.
 - B) Position of the trading book shall be evaluated daily. When there are public quotes for financial instruments, the quotes shall be the prior evaluation prices. If the financial instruments are evaluated by models, then they shall be evaluated by mathematic models prudently and the assumptions and parameters of the models shall be reviewed regularly.
 - 2) Monitoring and report
 - A) The risk management department apply DV01 to measure to what extent the trading book bond positions are influenced by the interest rate risk and set up interest rate sensitivity limit base on the requirements of the trade units and the risk tolerance of the Bank annually.
 - B) The trade units shall prepare the income assessment tables of trade positions and traders for the department heads to review. In addition, when the evaluation loss of the position is over the limit, the trade units shall execute a stop-limit per the regulations. If the loss amount reaches the suspension warning line or suspension limit of the financial transaction, risk management department shall report to the general manager. Provided that the loss amount reaches the annual suspension line, risk management units shall report to the board of directors or executive directors.
 - D. Concentration management
 - a. The trade counterparties of the Bank are mostly financial institutions. To avoid the risk being over concentrated and enhance credit risk management, the Bank established financial institution credit risk limit based on the world ranking of Level 1 capital and credit ratings from The Banker. The trade units shall also pay attention to the changes of the credit status of individual financial institution as well as the changes of the national credit rating to conduct the transaction prudently.
 - b. For equity security investments, the Bank set up limits for single institution and single related party.
- (5) Interest rate risk management of the banking book
- A. The definition and management purpose for the interest rate risk of the banking book
 - a. The interest rate risk of the banking book refers to the negative effect towards the future net interest income or economic value of equity results from the fluctuation of interest rate. Net Interest Income (hereafter NII) is the total amount of interest revenue deducted by the total amount of interest expense; Economic Value of Equity (hereafter EVE) is the total discounted future cash inflow from assets deducted by the total discounted future cash outflow from liabilities.



- b. The management purpose of the interest rate risk management of the banking book is to control the negative effect from the interest rate risk fluctuation towards NII or EVE within the approved limit extent.
- B. The process for the interest rate risk management of the banking book

- a. Identification and measurement

When the Bank conducts interest rate related products, it identifies the reprising risk, yield curve risk, basis risk and option characteristic risk and measures the possible influence on the earnings and economic value results from interest rate fluctuation.

- b. Monitoring and report

The Bank established limits of the ratio between interest-rate-sensitivity assets and interest-rate-sensitivity liabilities, the effect to NII in 1 year when the market interest rate parallel changes 1 BP and the effect to EVE when the market interest rate parallel changes 200 BP to control the banking book interest rate risk. The results of interest rate risk measurement are reported to the Assets and Liabilities Management Committee monthly and to the board of directors or executive directors quarterly. When the measurement result is over the limit, relevant units shall be convened to establish responding plan and the plan shall be submitted to the Assets and Liabilities Management Committee for discussion. After the plan is approved by the general manager, it shall be executed by the relevant business units and report to the board of directors or executive directors.

(6) Value at Risk

- A. Description of Value at Risk

Value at Risk (VaR) is a statistical amount used to evaluate the maximum possible loss of portfolio results from the changes of market risk factors within a certain period of time and a fixed confidence interval.

- B. Value at Risk models and assumptions

In order to enhance the market risk control operation, the Bank established quantified indices of market risk for the equity security position of the trading book. Based on the historical information of the last 1 year and applies Historical Simulation Method (with the confidence interval being 99% and the duration of possession being 1 day), the Bank calculates and monitors the trend of Value at Risk.

- C. The limit of Value at Risk model

Value at Risk is a tool to measure market risk under normal circumstance. The limits of the model are listed below:

- a. Value at Risk cannot reflect the losses result from other type of risks, such as credit risk and liquidity risk.
- b. Value at Risk measures the possible loss of the position on hand at the end of the transaction day, but it cannot reflect the distribution of the part which actual loss exceeds Value at Risk.
- c. Value at Risk model is based on historical data to evaluate the amount, and therefore it may not be able to predict the future changes of risk factors, especially for those exceptions result from significant market fluctuation.

(7) Foreign exchange risk disclosure and sensitivity analysis

- A. Foreign exchange risk exposure

- a. Significant net positions of foreign currencies (Market risk)

Significant net positions of foreign currencies (Market risk)		
December 31, 2019		
Currency	Foreign currency amount	NT\$ amount
USD	\$ 411,606	12,344,064
JPY	4,142,819	1,143,832
EUR	10,906	366,878
AUD	16,808	353,220
ZAR	70,508	149,477



Significant net positions of foreign currencies (Market risk)		
December 31, 2018		
Currency	Foreign currency amount	NT\$ amount
USD	\$ 470,443	14,459,066
JPY	2,965,336	822,584
CNY	135,296	604,638
AUD	16,208	350,984
EUR	3,495	122,954

Note 1: Main foreign currencies are the top five foreign currencies ranked in NTD value.

Note 2: Net foreign currency is the absolute value of the net positions of each foreign currency.

b. Assets and liabilities of foreign currency

December 31, 2019						
Currency	Monetary financial assets			Monetary financial liabilities		
	Foreign currency amount (in thousands)	Spot rate	NTD amount	Foreign currency amount (in thousands)	Spot rate	NTD amount
USD	\$ 14,982,151	29.9900	449,314,708	14,424,396	29.9900	432,587,636
CNY	36,499,479	4.2950	156,765,262	36,306,922	4.2950	155,938,230
AUD	4,212,685	21.0150	88,529,575	4,146,043	21.0150	87,129,094
HKD	6,170,963	3.8510	23,764,379	5,791,786	3.8510	22,304,168
JPY	53,452,970	0.2761	14,758,365	52,141,895	0.2761	14,396,377
EUR	394,078	33.6400	13,256,784	394,201	33.6400	13,260,922
ZAR	4,442,764	2.1200	9,418,660	4,443,233	2.1200	9,419,654
GBP	30,508	39.3800	1,201,405	30,488	39.3800	1,200,617
NZD	58,418	20.2000	1,180,044	58,414	20.2000	1,179,963
CAD	32,029	22.9800	736,026	32,075	22.9800	737,084
THB	172,762	1.0081	174,161	176,909	1.0081	178,342
SGD	6,067	22.2600	135,051	6,156	22.2600	137,033
SEK	36,065	3.2200	116,129	35,768	3.2200	115,173
Others (Note)	-	-	62,198	-	-	-
	Non-monetary financial assets			Non-monetary financial liabilities		
USD	2,025	29.9900	60,730	-	-	-

Note: Consolidated disclosure is applied for other currencies not over \$100,000.

December 31, 2018						
Currency	Monetary financial assets			Monetary financial liabilities		
	Foreign currency amount (in thousands)	Spot rate	NTD amount	Foreign currency amount (in thousands)	Spot rate	NTD amount
USD	\$ 10,400,702	30.7350	319,665,576	9,815,937	30.7350	301,692,824
AUD	4,113,296	21.6550	89,073,425	4,061,406	21.6550	87,949,747
CNY	8,922,386	4.4690	39,874,143	8,717,386	4.4690	38,957,998
HKD	5,947,321	3.9230	23,331,340	5,666,020	3.9230	22,227,796
JPY	41,701,989	0.2774	11,568,132	40,269,290	0.2774	11,170,701
EUR	303,587	35.1800	10,680,191	303,677	35.1800	10,683,357
ZAR	4,782,950	2.1200	10,139,854	4,784,213	2.1200	10,142,532
GBP	40,606	38.9000	1,579,573	40,654	38.9000	1,581,441
NZD	61,409	20.6300	1,266,868	62,555	20.6300	1,290,510
CAD	45,171	22.5800	1,019,961	45,227	22.5800	1,021,226
CHF	6,529	31.1650	203,476	6,595	31.1650	205,533
SGD	5,427	22.4400	121,782	5,492	22.4400	123,240
Others (Note)	-	-	84,570	-	-	91,209
	Non-monetary financial assets			Non-monetary financial liabilities		
USD	556	30.7350	17,089	-	-	-

Note: Consolidated disclosure is applied for other currencies not over \$100,000.

B. Foreign exchange risk sensitivity analysis (Change by 1%)

Foreign exchange risk sensitivity analysis is the analysis that given other conditions remain the same, the influence on profit or loss and equity when each respective currency depreciate or appreciate by 1%.

Currency	December 31, 2019			
	Depreciate by 1%		Appreciate by 1%	
	Income	Equity	Income	Equity
USD	\$ (1,676)	(55,313)	1,676	55,313
AUD	7,410	(18,231)	(7,410)	18,231
HKD	2,979	(17,543)	(2,979)	17,543
JPY	5,572	(3,766)	(5,572)	3,766
GBP	125	-	(125)	-
SGD	20	-	(20)	-
ZAR	7	-	(7)	-
SEK	(10)	-	10	-
CHF	626	-	(626)	-
CAD	42	-	(42)	-
THB	42	-	(42)	-
EUR	(119)	-	119	-
NZD	(8)	-	8	-
CNY	(2,189)	-	2,189	-
Total	\$ 12,821	(94,853)	(12,821)	94,853

Currency	December 31, 2018			
	Depreciate by 1%		Appreciate by 1%	
	Income	Equity	Income	Equity
USD	\$ 23,357	(53,055)	(23,357)	53,055
AUD	7,318	(15,365)	(7,318)	15,365
HKD	3,050	(14,263)	(3,050)	14,263
JPY	5,690	(4,431)	(5,690)	4,431
GBP	100	-	(100)	-
SGD	14	-	(14)	-
ZAR	24	-	(24)	-
SEK	22	-	(22)	-
CHF	21	-	(21)	-
CAD	40	-	(40)	-
THB	44	-	(44)	-
EUR	(153)	-	153	-
NZD	229	-	(229)	-
CNY	(1,334)	-	1,334	-
Total	\$ 38,422	(87,114)	(38,422)	87,114

(8) Interest rate risk disclosure and sensitivity analysis

A. Interest rate sensitivity analysis

The assumption of interest rate sensitivity analysis is, under the circumstance that other conditions remain the same, the yield of the market increase or decrease by 1 basis point (1 bp).

Currency	December 31, 2019			
	Interest rate increases by 1 bp		Interest rate decreases by 1 bp	
	Income	Equity	Income	Equity
Trading book				
TWD	\$ (660)	(5,211)	660	5,211
Banking book				
TWD	-	(49,215)	-	49,215
USD	9	(13,057)	(9)	13,057
AUD	-	(647)	-	647
HKD	-	(78)	-	78
CNY	-	(1,423)	-	1,423
ZAR	-	(80)	-	80
Total	\$ (651)	(69,711)	651	69,711

Currency	December 31, 2018			
	Interest rate increases by 1 bp		Interest rate decreases by 1 bp	
	Income	Equity	Income	Equity
Trading book				
TWD	\$ -	(4,175)	-	4,175
Banking book				
TWD	-	(50,411)	-	50,411
USD	34	(12,593)	(34)	12,593
AUD	-	(682)	-	682
ZAR	-	(191)	-	191
HKD	-	(20)	-	20
CNY	-	(495)	-	495
Total	\$ 34	(68,567)	(34)	68,567

B. Sensitivity analysis of expected net revenue/Sensitivity of equity in terms of interest rate fluctuation

Scenario	December 31, 2019			
	Effect on NII in 1 year		Effect on EVE	
	TWD	USD	TWD	USD
Interest rate increases by 100 bp	3,000,869	(21,189)	(2,668,734)	(59,485)
Interest rate decreases by 100 bp	(5,575,295)	8,698	4,298,253	65,845
Scenario	December 31, 2018			
	Effect on NII in 1 year		Effect on EVE	
	TWD	USD	TWD	USD
Interest rate increases by 100 bp	2,721,539	(17,175)	(1,309,829)	(30,545)
Interest rate decreases by 100 bp	(5,609,550)	6,550	1,726,999	34,423



VI

FINANCIAL STATUS

(9) Equity security risk disclosure and sensitivity analysis

A. Equity security sensitivity analysis (Changes by 1%)

The assumption of equity security sensitivity analysis is, under the circumstance that other conditions remain the same, the price of equity security increased or decreased by 1%.

Change	Currency	December 31, 2019	
		Income	Equity
Equity security price increases by 1 %	TWD	1,789	-
	USD	20	-
Equity security price decreases by 1 %	TWD	(1,789)	-
	USD	(20)	-

Change	Currency	December 31, 2018	
		Income	Equity
Equity security price increases by 1 %	TWD	489	-
	USD	6	-
Equity security price decreases by 1 %	TWD	(489)	-
	USD	(6)	-

B. Value at Risk of equity security

Value at Risk	For the year ended December 31, 2019		
	Average	Maximum	Minimum
Equity security risk	3,255	7,623	94

Value at Risk	For the year ended December 31, 2018		
	Average	Maximum	Minimum
Equity security risk	13,763	5,130	25

(f) Transferred financial assets that are not fully derecognized

The transactions, relating to transferred financial assets not qualifying for full derecognition, the Bank and subsidiaries conduct during daily operation mostly involve securities lending in accordance to repurchase agreements. Since the right to receive contractual cash flow has been transferred to others and the Bank and subsidiaries' obligation to repurchase the transferred assets for a fixed price at a future date is recognized under liability, for these transactions, the Bank and subsidiaries cannot use, sell or pledge those transferred financial assets in availability period, the Bank and subsidiaries have interest rate risk and credit risk, the said transferred assets are not fully derecognized.

As of December 31, 2019 and 2018, there were not any financial assets of the Bank that are not fully derecognized.

(g) Offsetting financial assets and financial liabilities

The Bank and subsidiaries have an exercisable master netting arrangement or similar agreement in place with counterparties. When both parties reach a consensus regarding net settlement, the aforesaid exercisable master netting arrangement or similar agreement can be net settled by offsetting financial assets and financial liabilities. If not, the transaction can be settled at total amount. In the event of default involving one of the parties, the other party can have the transaction net settled.

The following tables present the aforementioned offsetting financial assets and financial liabilities:

December 31, 2019						
Financial assets under offsetting or general agreement of net amount settlement or similar norm						
Item	Gross amounts of recognized financial assets (a)	Gross amounts of financial liabilities offset in the balance sheet (b)	Net amount of financial assets presented in the balance sheet (c)=(a)-(b)	Amounts not set off in the balance sheet(d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash collateral received	
Derivative financial instruments	\$ 370,369	-	370,369	468,795	484,712	(583,138)



December 31, 2019						
Financial liabilities under offsetting or general agreement of net amount settlement or similar norm						
Item	Gross amounts of recognized financial liabilities (a)	Gross amounts of financial assets offset in the balance sheet (b)	Net amount of financial liabilities presented in the balance sheet (c)=(a)-(b)	Amounts not set off in the balance sheet(d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash collateral pledged	
Derivative financial instruments	\$ 131,733	-	131,733	-	969,900	(838,167)

December 31, 2018						
Financial assets under offsetting or general agreement of net amount settlement or similar norm						
Item	Gross amounts of recognized financial assets (a)	Gross amounts of financial liabilities offset in the balance sheet (b)	Net amount of financial assets presented in the balance sheet (c)=(a)-(b)	Amounts not set off in the balance sheet(d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash collateral received	
Derivative financial instruments	\$ 121,120	-	121,120	627,412	176,599	(682,891)

December 31, 2018						
Financial liabilities under offsetting or general agreement of net amount settlement or similar norm						
Item	Gross amounts of recognized financial liabilities (a)	Gross amounts of financial assets offset in the balance sheet (b)	Net amount of financial liabilities presented in the balance sheet (c)=(a)-(b)	Amounts not set off in the balance sheet(d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash collateral pledged	
Derivative financial instruments	\$ 95,769	-	95,769	-	608,768	(512,999)

Note: Master netting arrangements and non-cash financial collaterals are included.

(AP) Capital Management

- (a) The Bank takes business development and risk control into consideration and calculates capital adequacy per "Regulations Governing the Capital Adequacy Ratio and Capital Category of Banks" and "Calculation Methods and Forms of Proprietary Capital and Risk Capital of Banks". The ratio between proprietary capital and risk capital shall remain above the regulated minimum ratio.
- (b) In order to maintain adequate capital and reach a balance between risk control and business development, the Bank established "Directions Governing Capital Adequacy" as the guidance for controlling capital adequacy. The scope of the directions includes, except for the least capital requirements for credit risk, market risk and operation risk, significant risk such as banking book interest rate risk, liquidity risk and concentration risk. In addition, in order to link business strategies, capital and risk management, the Bank sets up capital management plan annually for the president's approval and reports to Risk Management Committee and the board of directors quarterly about relevant risks and capital control status.
- (c) The Bank identifies, measures, monitors and reports various risks based on the directions, notices and relevant rules of competent authority regarding credit risk, market risk, operation risk, interest rate risk of the banking book, and liquidity risk so as to be familiar with current business environment and monitors and adjusts capital adequacy effectively.
- (d) To cope with the implementation of new Basel Accord, the Bank set up complete risk management system, risk management operation tracking procedures to provide the management with appropriate risk management information for making decisions. Therefore, the Bank is able to maintain adequate capital within the tolerable extent and to ensure the provision of proprietary capital of the Bank corresponds with the overall operating risk characteristics of the Bank.
 - (1) Tier 1 capital
 - A. Common stock equity: The item includes common stock deducted by treasury stock, goodwill and other intangible assets, deferred tax assets based on future profit status of the Bank, unrealized

gain on financial assets measured at fair value through other comprehensive income, operating reserve and deficiency of allowance for bad debts, real estate retained earning increment arising from applying the fair value or the revaluation reserve as the deemed cost when first adopting IFRSs, and 25% of the investment on financial related business which is classified in banking book.

B. Other Tier 1 capital: 25% of the perpetual non-accumulated subordinated financial debentures deducted by the investment on financial related business which is classified in banking book.

(2) Tier 2 capital

The item includes perpetual accumulated subordinated financial debentures, long term subordinated debenture, real estate retained earning increment arising from applying the fair value or the revaluation reserve as the deemed cost when first adopting IFRSs, 45% of unrealized gain on financial assets measured at fair value through other comprehensive income, and 50% of the investment on financial related business which is classified in banking book.

Item			December 31, 2019	December 31, 2018
Eligible capital	Common stock equity		88,212,592	78,947,036
	Other tier 1 capital		12,708,443	13,386,998
	Tier 2 capital		32,082,995	29,797,442
	Eligible Capital		133,004,030	122,131,476
Risk-weighted assets	Credit risk	Standardized approach	992,799,980	912,764,211
		Internal ratings-based approach	-	-
		Securitization	-	-
	Operational risk	Basic indicator approach	-	-
		Standardized approach/ selective standardized approach	38,286,712	36,971,711
		Advanced measurement approach	-	-
	Market risk	Standardized approach	19,565,088	11,844,063
		Internal model approach	-	-
	Total risk-weighted assets		1,050,651,780	961,579,985
Capital adequacy ratio			12.66%	12.70%
Common stock equity/ Risk-weighted assets ratio			8.40%	8.21%
Tier 1 capital / Risk-weighted assets ratio			9.61%	9.60%
Leverage ratio			5.53%	5.40%

The formulas of the table are listed as follows:

A. The eligible capital, risk-weighted assets and exposure are calculated per "Regulations Governing the Capital Adequacy and Capital Category of Banks" and "The Calculation and Forms of Eligible Capital and Risk Assets of Banks".

B. The Bank shall fill out the capital adequacy of this period and last period. For the semi-annual report, the Bank shall disclose the capital adequacy of this period and last period and additionally disclose the capital adequacy of the previous period ended December 31.

C. Note 1. Eligible Capital = Common stock equity + Other Tier 1 Capital + Tier 2 Capital

Note 2. Total risk-weighted assets = Credit risk weighted asset + (operational risk charge + market risk charge) × 12.5

Note 3. Capital adequacy ratio = Eligible Capital ÷ Risk weighted assets.

Note 4. Common stock equity / Risk-weighted assets ratio = Common stock equity / total risk weighted assets

Note 5. Tier 1 capital / Risk-weighted assets ratio = (Common stock equity + other tier 1 capital) / Risk-weighted assets

Note 6. Leverage ratio = Net Tier 1 capital / Total risk exposure.

D. Above table is not required to be disclosed when preparing the financial reports of the first quarter and third quarter.



(AQ) Investing and financing activities not affecting current cash flow

The Bank's investing and financing activities which did not affect the current cash flow for the years ended December 31, 2019 and 2018 were carried out to acquire right-of-use assets under leases. Please refer to Note 6(K).

Reconciliation of liabilities arising from financing activities were as follows:

	January 1, 2019	Cash flow	Non-cash changes			December 31, 2019
			Exchange rate movement	Fair value changes	Other changes	
Financial liabilities at fair value through profit or loss	\$ 9,162,841	-	(223,500)	9,841	-	8,949,182
Bank notes payable	47,450,000	5,800,000	-	-	-	53,250,000
Lease liabilities	912,342	(429,462)	(333)	-	558,636	1,041,183
Total liabilities from financing activities	<u>\$ 57,525,183</u>	<u>5,370,538</u>	<u>(223,833)</u>	<u>9,841</u>	<u>558,636</u>	<u>63,240,365</u>

	January 1, 2018	Cash flow	Non-cash changes			December 31, 2018
			Exchange rate movement	Fair value changes	Other changes	
Financial liabilities at fair value through profit or loss	\$ 3,565,337	5,532,300	126,600	(61,396)	-	9,162,841
Bank notes payable	41,000,000	6,450,000	-	-	-	47,450,000
Total liabilities from financing activities	<u>\$ 44,565,337</u>	<u>11,982,300</u>	<u>126,600</u>	<u>(61,396)</u>	<u>-</u>	<u>56,612,841</u>

(AR) Structured entities that not included in consolidated financial reports

- (a) The table below presents the types of structured entities that the Bank and subsidiaries do not include in consolidated financial reports but in which they hold an interest:

Types of structured entities	Nature and purpose	Interests held by the Bank and subsidiaries
Private fund	Investing in funds that cannot be freely traded on the open market	Investing in units or limited partnership interests issued by these funds.
Asset securitization product	Investing in commercial real estate assets securitization products	Investment in asset-backed securities issued by unconsolidated structured entities

- (b) The scales of structures entities not included in consolidated financial reports were as follow:

	December 31, 2019	December 31, 2018
Private fund	\$ 48,150	50,000
Asset securitization product	49,804	43,502
Total	<u>\$ 97,954</u>	<u>93,502</u>

- (c) The carrying amounts of interests held by the Bank and subsidiaries in these structured entities were as follows:

Assets held by the Bank and subsidiaries	December 31, 2019	December 31, 2018
Financial assets at fair value through profit or loss	\$ 48,150	50,000
Financial assets at fair value through other comprehensive income	49,804	43,502
Total	<u>\$ 97,954</u>	<u>93,502</u>

The maximum amount of risk exposure the Bank and subsidiaries endure to a loss incurred from special purpose entities that are not included in consolidated financial reports is the carrying amount of interests held by the Bank and subsidiaries.

- (d) As of December 31, 2019 and 2018, the Bank and subsidiaries have not provided any financial support to their special purpose entities that are not included in consolidated financial reports.

7. RELATED PARTY TRANSACTIONS

(A) Names of related parties and relationship

Name of related party	Relationship with the Bank and subsidiaries
Bank of Taiwan	Corporate director of the Bank
Ministry of Finance, R.O.C	Corporate director of the Bank
Land Bank of Taiwan	Corporate director of the Bank
Taiwan Business Bank Guild	Corporate director of the Bank
Others	Management and other related parties of the Bank

(B) Significant related party transactions

(a) Due from banks

	December 31, 2019	
	Amount	%
Bank of Taiwan	\$ 207,228	1.17
Land Bank of Taiwan	4,952	0.03
Total	<u>\$ 212,180</u>	<u>1.20</u>

	December 31, 2018	
	Amount	%
Bank of Taiwan	\$ 129,756	0.57
Land Bank of Taiwan	6,036	0.03
Total	<u>\$ 135,792</u>	<u>0.60</u>

Interest rates are the same as those with regular clients.

(b) Deposits from banks

	December 31, 2019	
	Amount	%
Land Bank of Taiwan	<u>\$ 1,813</u>	<u>1.94</u>

	December 31, 2018	
	Amount	%
Land Bank of Taiwan	<u>\$ 732</u>	<u>1.13</u>

Interest rates are the same as those with regular clients.

(c) Call loans to banks

For the years ended December 31, 2019	Highest balance	December 31, 2019	Interest income	Annual interest rate
Bank of Taiwan	\$ 8,404,583	429,500	8,671	0.174%~3.403%
Land Bank of Taiwan	4,667,730	-	8,259	1.4%~3.7%
Total	<u>\$ 13,072,313</u>	<u>429,500</u>	<u>16,930</u>	

For the years ended December 31, 2018	Highest balance	December 31, 2018	Interest income	Annual interest rate
Bank of Taiwan	\$ 11,800,740	153,675	8,507	0.17%~3.00%
Land Bank of Taiwan	4,948,798	-	6,037	1.45%~2.77%
Total	<u>\$ 16,749,538</u>	<u>153,675</u>	<u>14,544</u>	

Interest rates are the same as those with regular clients.

(d) Call loans from banks

For the years ended December 31, 2019	Highest balance	December 31, 2019	Interest Expense	Annual interest rate
Bank of Taiwan	\$ 11,554,385	1,157,025	22,902	0.07%~3.35%
Land Bank of Taiwan	10,744,942	1,214,735	26,016	0.15%~3.5%
Total	\$ 22,299,327	2,371,760	48,918	

For the years ended December 31, 2018	Highest balance	December 31, 2018	Interest Expense	Annual interest rate
Bank of Taiwan	\$ 5,210,241	-	2,978	0.05%~3.3%
Land Bank of Taiwan	10,067,317	-	19,615	0.18%~3.9%
Total	\$ 15,277,558	-	22,593	

Interest rates are the same as those with regular clients.

(e) Deposits

	December 31, 2019	
	Amount	%
Others	\$ 1,067,540	0.07

	December 31, 2018	
	Amount	%
Others	\$ 1,149,229	0.09

Interest rates are the same as those with regular clients.

(f) Credit

December 31, 2019							
Category	Number of clients or name of related party	Highest balance	Ending balance	Performing situations		Collaterals	Transaction terms are the same as those with regular clients
				Performing loan	Non-performing Loans		
Employee consumer loans	149	438,488	404,626	404,626	-	none/real estate	none
Self-use residence mortgages loans	113	501,692	461,965	461,965	-	real estate	none
Others	Du ○ ○	7,614	7,358	7,358	-	real estate	none
	Wu ○ ○	6,597	5,503	5,503	-	real estate	none
	Hong ○ ○	2,266	1,715	1,715	-	real estate	none
	Cho ○ ○	1,215	1,155	1,155	-	real estate	none
	Chang ○ ○	1,118	1,118	1,118	-	real estate	none

December 31, 2018							
Category	Number of clients or name of related party	Highest balance	Ending balance	Performing situations		Collaterals	Transaction terms are the same as those with regular clients
				Performing loan	Non-performing Loans		
Employee consumer loans	151	808,222	384,533	384,533	-	none/real estate	none
Self-use residence mortgages loans	123	1,141,682	461,328	461,328	-	real estate	none
Others	Si ○ ○	726	726	726	-	real estate	none
	Du ○ ○	7,792	7,705	7,705	-	real estate	none
	Wu ○ ○	7,179	7,179	7,179	-	real estate	none
	Cho ○ ○	1,246	1,246	1,246	-	real estate	none
	Chang ○ ○	1,168	1,142	1,142	-	real estate	none
	Chuang ○ ○	1,565	1,565	1,565	-	real estate	none
	Huang ○ ○	5,699	5,699	5,699	-	real estate	none

- (g) Guarantees: None.
- (h) Service fees: None.
- (i) Rental revenue: None.
- (j) Derivatives financial instrument transactions: None.
- (k) Sales of Non-Performing Loans Transactions: None.

(C) Major management salary information

	For the years ended December 31,	
	2019	2018
Salary and other short-term employee benefits	\$ 116,814	125,316
Post-employment benefits	2,971	2,798
Total	<u>\$ 119,785</u>	<u>128,114</u>

8. PLEDGED ASSETS: Please refer to notes 6(H) for more details.

9. COMMITMENTS AND CONTINGENCIES

(A) Significant commitments and contingencies were as follows:

	December 31, 2019	December 31, 2018
Marketable securities held for custody	\$ 12,065,026	14,045,346
Bills collected for others	44,164,781	47,768,037
Bills lent for others	30,006,439	28,686,169
Guarantees and letters of credit	25,557,114	27,192,811
Collaterals received	426	426
Trust liabilities	167,127,065	152,551,326
Travelers' check in custody for sale	50,163	59,725
Items held for custody	3,995,489	4,433,125
Registered government bonds for sale	66,587,300	65,842,800
Registered short-term bills for sale	1,584,150	1,471,796
Guarantee notes payable	26,383,110	26,069,360

(B) Unrecognized contractual commitments:

As of December 31, 2019 and 2018, major constructions in progress and purchases amounted to \$1,097,821 and \$1,095,465 respectively, of which \$546,673 and \$851,250 respectively, remained unpaid.

(C) The Bank's trust department plans, manages, and operates trust services in accordance with the Banking Law and Trust Law. Special purpose funds are used to invest in marketable securities and the Bank also manages trust funds. The trust information as of December 31, 2019 and 2018 is as follows:

Trust Balance Sheet

December 31, 2019 and 2018

Trust Assets	December 31, 2019	December 31, 2018
Cash in Bank	\$ 2,834,268	3,469,268
Stocks	358,857	169,514
Funds	53,466,368	54,862,191
Bonds	1,306,250	233,392
Real estate	18,005,658	14,044,203
Securities custody	90,554,050	79,136,066
Other assets	601,614	636,692
Total trust assets	<u>\$ 167,127,065</u>	<u>152,551,326</u>
Trust Liabilities	December 31, 2019	December 31, 2018
Payables	\$ 12	62
Securities held for custody	90,554,050	79,136,066
Trust capital	76,519,480	73,366,293
Accumulated profit and loss	(1,758,213)	(1,775,757)
Net income	1,811,736	1,824,662
Total trust liabilities	<u>\$ 167,127,065</u>	<u>152,551,326</u>

Trust Property Accounts

December 31, 2019 and 2018

Investment items	December 31, 2019	December 31, 2018
Cash in bank	\$ 2,834,268	3,469,268
Stocks	358,857	169,514
Funds	53,466,368	54,862,191
Bonds	1,306,250	233,392
Real estate		
Land	13,465,100	10,601,163
Buildings	47,869	49,612
Construction in progress	4,492,689	3,393,428
Securities in custody	90,554,050	79,136,066
Other assets	601,614	636,692
Total	<u>\$ 167,127,065</u>	<u>152,551,326</u>

Note: As of December 31, 2019 and 2018, the amounts above included OBU transaction on "foreign currency designated trust funds investment in foreign negotiable securities business" amounting to \$1,088,678 and \$945,302, respectively.



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Trust Income Statement

For the years ended December 31, 2019 and 2018

Investment items	For the years ended December 31,	
	2019	2018
Trust Revenue		
Interest income	\$ 39,595	6,164
Realized gain-stocks	5,196	2,520
Realized gain-bonds	14,928	-
Dividend revenue	2,120,878	2,174,988
Gains on property transaction	816,160	945,568
Other revenues	1,976	220
Sub-total	2,998,733	3,129,460
Trust Expense		
Administrative expenses	55,189	54,540
Postage and telecommunication expense	276	9
Duties	46	36
Realized loss-funds	1,045	-
Realized loss-bonds	218	316
Losses on disposal of property	1,129,157	1,249,737
Other expenses	1,032	135
Sub-total	1,186,963	1,304,773
Income before income tax	1,811,770	1,824,687
Income tax expense	(34)	(25)
Net income	\$ 1,811,736	1,824,662

- (D) In 1996, the Bank's World Trade Center Branch was sued for handling a letter of credit export collection from Chin Seen Industrial Co., which allegedly used a forged export document and failed to ship the goods to the importer, the International Comagnie de Commercialization et d'Investissement (I.C.C.I.) of the Republic of Zaire, suffered a loss thereon. In November 1998, I.C.C.I. initiated a case with the Court of Commerce of Brussels in Belgium, requested the L/C opening bank (Banque Bruxelles Lambert, or BBL) and the Bank to jointly pay compensation of USD\$7,830 thousand plus interest, losses, and expenses for the L/C. On August 31, 2005, the Court of Commerce of Brussels rendered its judgment which the Bank has to make compensation of USD\$7,674 thousand plus interest to I.C.C.I.. The Bank has engaged a local attorney in Belgium to formally file an appeal. In February 2011, Court of Appeal in Brussels had made an intermediate adjudication which I.C.C.I. and the Bank are both responsible for the offense. Furthermore, on November 16, 2011, the judgment of the court indicated that the Bank should be responsible for 90% of the negligence proportion. In terms of the judgment of the court of the second instance, the Bank has filed an appeal on November 3, 2011. On February 6, 2013, the court overruled the Bank's appeal and the Bank lost the case. In October 2016, I.C.C.I. initiated a case with the Court of Frankfurt in Germany, applied for seizing the bank account in Germany, and the bank lodged guaranty money of EUR \$13,200 thousand to the court to rescind the order for attachment. In July 2017, I.C.C.I. applied for compulsory execution to the guaranty money, the court has transferred the guaranty money to I.C.C.I. The Bank then filed a lawsuit objecting to the debt through the attorney. The case was dismissed by the Court of Frankfurt in November 2018, and remanded back to trial court in November 2019 after the Bank's appeal was granted by the High Court of Frankfurt. In October and November 2019, the Bank received subpoenas from the court of the Democratic Republic of Congo by a third person Star Marine, who demanded I.C.C.I. to pay USD\$1,130 thousand in compensation

and held the Bank as jointly liable, and by I.C.C.I., which demanded the Bank to pay USD\$20,060 thousand less its reimbursed amount to make a security deposit of EUR\$14,000 thousand. The Bank has engaged local attorneys to represent itself in court. As of December 31, 2019, the Bank has accrued the compensation of \$183,923 and EUR\$8,000 thousand.

(E) Among the private equity fund contracts signed by the Bank and subsidiaries, the maximum amount of committed investment that has not been invested is:

	December 31, 2019	December 31, 2018
New Taiwan Dollar	\$ 50,000	50,000

Note: The committed investment amount that has not been invested does not include the portion of the notified transaction that has not yet been delivered.

10. LOSSES DUE TO MAJOR DISASTERS: None.

11. SUBSEQUENT EVENTS

A resolution was passed during the board meeting held on December 19, 2018 for the merger of the Bank's subsidiaries, Taiwan Business Bank Insurance Agency Co., Ltd. and Taiwan Business Bank Property Insurance Agency Co., Ltd., with January 2, 2020 as the effective date. The relevant statutory registration procedures have since been approved by the Ministry of Economic Affairs on February 25, 2020.

A resolution was passed during the subsidiary TBB Venture Capital Co., Ltd.'s board meeting held on December 26, 2019 for the issuance of 30,000 thousand ordinary shares, amounting to \$300,000 and were subscribed by the Bank with January 7, 2020 as the date of capital increase.

12. OTHER

(A) Information on loan quality, concentration of credit extensions, interest rate-sensitivity, profitability and maturity analysis

(a) Loan quality:

Unit: In Thousands of New Taiwan Dollars, %

Month/Year			December 31, 2019				
Items			Non-performing loans	Total loans	Non-performing loan ratio	Allowance for credit losses	Coverage ratio
Corporate finance	Secured		1,796,696	541,634,128	0.33%	6,116,645	340.44%
	Unsecured		765,400	316,615,157	0.24%	3,901,681	509.76%
Consumer finance	Residence mortgages(Note 4)		339,607	144,607,596	0.23%	1,630,514	480.12%
	Cash cards		-	13	-%	-	-%
	Small-scale credit loan(Note 5)		18,908	656,886	2.88%	18,524	97.97%
	Others (Note 6)	Secured	656,766	134,365,005	0.49%	1,542,832	234.91%
		Unsecured	50,301	8,211,965	0.61%	131,172	260.77%
total loan business			3,627,678	1,146,090,750	0.32%	13,341,368	367.77%
			Overdue receivables	Total receivables	Delinquency ratio	Allowance for credit losses	Coverage ratio
Credit cards business			2,557	1,336,358	0.19%	25,851	1,010.99%
Accounts receivable factoring-without recourse (Note 7)			-	19,089	-%	191	-%

Month/Year			December 31, 2018				
Items			Non-performing loans	Total loans	Non-performing loan ratio	Allowance for credit losses	Coverage ratio
Corporate finance	Secured		1,535,013	489,854,376	0.31%	5,777,173	376.36%
	Unsecured		507,030	312,809,178	0.16%	3,856,381	760.58%
Consumer finance	Residence mortgages(Note 4)		533,982	148,166,073	0.36%	1,762,103	329.99%
	Cash cards		-	30	-%	-	-%
	Small-scale credit loan(Note 5)		14,358	835,206	1.72%	17,130	119.31%
	Others (Note 6)	Secured	686,075	126,434,434	0.54%	1,496,212	218.08%
		Unsecured	31,053	9,823,647	0.32%	125,152	403.03%
total loan business			3,307,511	1,087,922,944	0.30%	13,034,151	394.08%
			Overdue receivables	Total receivables	Delinquency ratio	Allowance for credit losses	Coverage ratio
Credit cards business			1,701	1,342,892	0.13%	27,773	1,632.75%
Accounts receivable factoring-without recourse (Note 7)			-	566,451	-%	5,665	-%

Note 1 Non-performing loans represent the amount of overdue loans as reported in accordance with the "Regulations on the Procedures for Banking Institutions to Evaluate Assets and Deal with Past Due/Non-performing Loans". The credit card overdue loans represent the amount of overdue loans as reported in accordance with Jin-Kuan-Yin-(4)-Zi No. 0944000378, dated July 6, 2005.

Note 2 Non-performing loan ratio = Non-performing loans ÷ total loans; Credit card delinquency ratio = Overdue receivables ÷ receivables

Note 3 Coverage ratio for loans = allowance for credit losses ÷ non-performing loans; Coverage ratio for credit card business = allowance for credit losses ÷ overdue receivables.

Note 4 For residential mortgage loans, a borrower provides his/her (or spouse's or minor child's) house as collateral in full and pledges it to the financial institution for the purpose of obtaining funds to purchase property and to construct or repair a house.

Note 5 Microcredit loans are defined by Jin-Kuan-Yin-(4)-Zi No. 09440010950, dated December 19, 2005, and do not include credit cards or cash cards.

Note 6 Others in consumer finance are secured and unsecured consumer loans other than residential mortgage loans, cash card loans, and microcredit loans, and do not include credit cards.

Note 7 In accordance with Jin-Kuan-Yin-(5)-Zi No. 0944000494, dated July 19, 2005, the amounts of without-recourse factoring will be classified as overdue receivables within three months from the date that suppliers or insurance companies resolve not to compensate the loss.

Overdue loans and receivables exempted from reporting

	December 31, 2019		December 31, 2018	
	Loans may be exempted from reporting as a non-performing loan	Receivables may be exempted from reporting as overdue receivables	Loans may be exempted from reporting as a non-performing loan	Receivables may be exempted from reporting as overdue receivables
Pursuant to a contract under a debt negotiation plan	\$ 833	2,906	1,305	4,139
Pursuant to a contract under a debt liquidation plan and a debt relief plan	66,053	33,173	76,801	36,408
Total	\$ 66,886	36,079	78,106	40,547

Note 1: In accordance with Jin-Kuan-Yin-(1)-Zi No. 09510001270, dated April 25, 2006, a bank is required to make supplemental disclosure of credit information which was approved under the debt coordination mechanism of unsecured consumer debts by the Bankers Association of the R.O.C.

Note 2: In accordance with Jin-Kuan-Yin-(1)-Zi No. 09700318940, dated September 15, 2008, a bank is required to make supplemental disclosure of credit information once debtors apply for pre-negotiation, relief and liquidation under the "Consumer Debt Clearance Act."

(b) Concentration of credit extensions

Unit: In Thousands of New Taiwan Dollars, %

December 31, 2019			
Ranking	Group enterprise	Credit amount	Credit amount to equity ratio (%)
1	A company. (Railway transportation)	26,912,468	28.18%
2	B group. (Steel rolling and extruding)	9,036,247	9.46%
3	C group. (Real estate development)	8,752,192	9.16%
4	D group. (Other holding)	7,897,098	8.27%
5	E group. (Real estate for sale and rental with own or leased property)	6,865,922	7.19%
6	F group. (Air transportation)	6,370,151	6.67%
7	G group. (Computers manufacturing)	6,158,068	6.45%
8	H group. (Real estate development)	5,576,407	5.84%
9	I group. (Chemical raw materials manufacturing)	4,843,526	5.07%
10	J group. (Real estate development)	4,775,225	5.00%

December 31, 2018			
Ranking	Group enterprise	Credit amount	Credit amount to equity ratio (%)
1	A company. (Railway transportation)	26,900,374	31.70%
2	B group. (Steel rolling and extruding)	8,830,249	10.41%
3	E group. (Real estate for sale and rental with own or leased property)	8,327,022	9.81%
4	G group. (Computer manufacturing)	6,796,732	8.01%
5	C group. (Real estate development)	6,645,072	7.83%
6	D group. (Other holding)	5,918,472	6.97%
7	I group. (Chemical raw materials manufacturing)	5,379,013	6.34%
8	K group. (Real estate development)	4,311,031	5.08%
9	L group. (Real estate for sale and rental with own or leased property)	4,173,592	4.92%
10	M group. (Steel smelting)	4,153,903	4.90%

Note 1 The top ten enterprise groups other than government or stated-owned enterprises are ranked according to their total outstanding credit amount. If the borrowers belong to an enterprise group, the aggregate credit balance of the enterprise should be calculated and disclosed as a code number for each such borrower together with an indication of the borrowers' line of business. In addition, if the borrowers are enterprise groups, the enterprise group's industry sector with the maximum exposure to credit risk in its main industry sector should be disclosed, along with the "class" of the industry, in compliance with the Standard Industrial Classification System of the R.O.C. posted by the Directorate-General of Budget, Accounting and Statistics, Executive Yuan, R.O.C.

Note 2 Enterprise group is as defined in Article 6 of the "Supplementary Provisions to the Taiwan Stock Exchange Corporation Rules for Review of Securities Listings".

Note 3 Consists of loans (import/export bills negotiated, bills and notes discounted, overdrafts, short-term loans, short-term secured loans, margin loans receivable, medium-term loans, medium-term secured loans, long-term loans, long-term secured loans, overdue loans), exchange bills negotiated, accounts receivable factoring without recourse, bankers' acceptances receivable, guarantees proceeds.

Note 4 In the calculation of Credit amount to equity ratio, the domestic bank should be calculated in the net value of head office. The Foreign bank should be calculated in the net value of Taiwan branch.



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(c) Interest rate-sensitivity information

(1) Analysis of interest rate-sensitive assets and liabilities (New Taiwan dollars)

Unit : In Thousands of New Taiwan Dollars, %

December 31, 2019					
Item	1~90 days	91~180 days	181days~1year	over 1 year	total
Interest rate-sensitive assets	\$ 1,173,468,027	48,183,340	32,004,069	127,788,145	1,381,443,581
Interest rate-sensitive liabilities	1,083,476,198	86,252,494	111,628,016	38,899,834	1,320,256,542
Interest rate sensitivity gap	89,991,829	(38,069,154)	(79,623,947)	88,888,311	61,187,039
Net worth					95,516,766
Ratio of interest rate-sensitive assets to liabilities (%)					104.63
Ratio of interest rate-sensitive gap to net worth (%)					64.06

December 31, 2018					
Item	1~90 days	91~180 days	181days~1year	over 1 year	total
Interest rate-sensitive assets	\$ 1,094,648,453	7,655,531	23,923,254	157,779,086	1,284,006,324
Interest rate-sensitive liabilities	980,971,467	64,335,404	89,739,637	47,342,431	1,182,388,939
Interest rate sensitivity gap	113,676,986	(56,679,873)	(65,816,383)	110,436,655	101,617,385
Net worth					84,853,019
Ratio of interest rate-sensitive assets to liabilities (%)					108.59
Ratio of interest rate-sensitive gap to net worth (%)					119.76

Note 1 Listed amount refers to the Bank's amount of N.T. dollars and does not include contingent assets or liabilities.

Note 2 Interest rate-sensitive assets and liabilities refer to revenues or costs of interest-yielding assets and interest-bearing liabilities, which are affected by interest rate fluctuations.

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

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

(2) Analysis of the interest-sensitive assets and liabilities (US dollars)

Unit : In Thousands of US Dollars, %

December 31, 2019					
Item	1~90 days	91~180 days	181days~1year	over 1 year	total
Interest rate-sensitive assets	\$ 4,947,261	485,765	388,815	634,245	6,456,086
Interest rate-sensitive liabilities	4,908,555	740,209	949,016	-	6,597,780
Interest rate sensitivity gap	38,706	(254,444)	(560,201)	634,245	(141,694)
Net worth					3,184,954
Ratio of interest rate-sensitive assets to liabilities (%)					97.85
Ratio of interest rate-sensitive gap to net worth (%)					(4.45)

December 31, 2018					
Item	1~90 days	91~180 days	181days~1year	over 1 year	total
Interest rate-sensitive assets	\$ 3,871,699	444,219	174,371	724,152	5,214,441
Interest rate-sensitive liabilities	5,091,691	569,099	421,251	-	6,082,041
Interest rate sensitivity gap	(1,219,992)	(124,880)	(246,880)	724,152	(867,600)
Net worth					2,760,795
Ratio of interest rate-sensitive assets to liabilities (%)					85.74
Ratio of interest rate-sensitive gap to net worth (%)					(31.43)

Note 1 Listed amount refers to the Bank's amount of US dollars and does not include contingent assets or liabilities.

Note 2 Interest rate-sensitive assets and interest rate-sensitive liabilities refer to the interest yielding assets and interest-bearing liabilities which the revenue and cost are affected by interest rate fluctuation.

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

Note 4 Ratio of interest rate-sensitive assets to liabilities=Interest rate-sensitive assets ÷ Interest rate-sensitive liabilities (US dollars interest-rate-sensitive assets and US dollars interest-rate-sensitive liabilities).

(d) Profitability

Unit: %

Item		December 31, 2019	December 31, 2018
The ratio of return on assets	Before income tax	0.48	0.57
	After income tax	0.40	0.48
The ratio of return on equity	Before income tax	8.94	11.45
	After income tax	7.47	9.51
Net income ratio		29.01	33.18

Note 1 The ratio of return on assets = Income before (after) income tax expense ÷ average assets.

Note 2 The ratio of return on equity = Income before (after) income tax expense ÷ average equity.

Note 3 Net income ratio = Net income after income tax expense ÷ Net revenue.

Note 4 Income before (after) income tax expense refers to income accumulated from January of the current year to the current period end.

(e) Maturity analysis for assets and liabilities

(1) Maturity analysis in New Taiwan dollars

Unit : In Thousands of New Taiwan Dollars

December 31, 2019							
	Total	Amount during the maturity period from the balance sheet date to due date					
		0-10days	11-30days	31-90days	91-180days	181days-1year	Over 1 year
Major maturity capital inflow	\$ 1,501,890,612	179,367,254	151,213,247	134,502,252	184,976,030	129,089,921	722,741,908
Major maturity capital outflow	1,874,702,427	55,886,586	112,153,255	218,860,212	230,190,070	355,711,629	901,900,675
Gap	(372,811,815)	123,480,668	39,059,992	(84,357,960)	(45,214,040)	(226,621,708)	(179,158,767)

Note: Listed amounts are denominated in New Taiwan dollars of the Bank and subsidiaries, including loan commitments of credit agreement and estimates to outflow \$364,510,276.

December 31, 2018							
	Total	Amount during the maturity period from the balance sheet date to due date					
		0-10days	11-30days	31-90days	91-180days	181days-1year	Over 1 year
Major maturity capital inflow	\$ 1,386,992,267	142,043,052	117,357,985	158,442,815	154,433,257	103,970,117	710,745,041
Major maturity capital outflow	1,739,903,414	114,961,489	96,567,905	187,352,640	207,077,947	318,556,969	815,386,464
Gap	(352,911,147)	27,081,563	20,790,080	(28,909,825)	(52,644,690)	(214,586,852)	(104,641,423)

Note: Listed amounts are denominated in New Taiwan dollars of the Bank and subsidiaries, including loan commitments of credit agreement and estimates to outflow \$344,259,726.

(2) Maturity analysis in US dollars

Unit : In Thousands of US Dollars

December 31, 2019						
	Total	Amount during the maturity period from the balance sheet date to due date				
		0-30days	31-90days	91-180days	181days-1year	Over 1 year
Major maturity capital inflow	\$ 15,355,895	3,358,162	2,608,973	3,107,881	2,619,737	3,661,142
Major maturity capital outflow	16,092,017	3,851,126	2,573,777	3,475,166	3,026,241	3,165,707
Gap	(736,122)	(492,964)	35,196	(367,285)	(406,504)	495,435

Note: Listed amounts are denominated in US dollars of the Bank and subsidiaries, including loan commitments of credit agreement and estimates to outflow US \$948,394.



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December 31, 2018						
	Total	Amount during the maturity period from the balance sheet date to due date				
		0-30days	31-90days	91-180days	181days-1year	Over 1 year
Major maturity capital inflow	\$ 10,656,284	4,816,832	1,872,015	527,466	400,721	3,039,250
Major maturity capital outflow	11,623,232	3,692,617	2,791,061	1,010,782	1,107,184	3,021,588
Gap	(966,948)	1,124,215	(919,046)	(483,316)	(706,463)	17,662

Note: Listed amounts are denominated in US dollars of the Bank and subsidiaries, including loan commitments of credit agreement and estimates to outflow US \$1,152,522.

(B) Merger of Taiwan Business Bank Insurance Agency Co., Ltd. and Taiwan Business Bank Property Insurance Agency Co., Ltd.

As of January 2, 2020, the Bank merged its wholly owned subsidiaries, Taiwan Business Bank Insurance Agency Co., Ltd. and Taiwan Business Bank Property Insurance Agency Co., Ltd. without consideration involved. The increase in assets arising from the merger will be used for the Bank's future operation and no major assets have been planned to be disposed of.

In addition, the operating results of Taiwan Business Bank Insurance Agency Co., Ltd. and Taiwan Business Bank Property Insurance Agency Co., Ltd. have been consolidated in the Bank's income statement for the year ended December 31, 2019.

13. OTHER DISCLOSURES

(A) Information on significant transactions:

- (a) Cumulative purchase or sale of the same investee's capital stock up to \$300,000 or 10% of paid-in capital: None.
- (b) Acquisition of real estate amounting to over \$300,000 or 10% of paid-in capital: None.
- (c) Disposal of real estate amounting to over \$300,000 or 10% of paid-in capital: None.
- (d) Discount of commissions fees with related parties amounting to over \$5,000: None.
- (e) Receivables from related parties amounting to over \$300,000 or 10% of paid-in capital: None.
- (f) Sale of non-performing loans information: None.
- (g) Types of securitization instruments and related information approved by financial assets securitization rules or real estate securitization rules: None.
- (h) Business relationship and significant transactions with the subsidiaries:

No	Trader	Counterparty	Relationship	Transaction status for the year ended December 31, 2019			
				Account	Amount	Terms	Percentage accounted for consolidated net revenue or total assets
0	TAIWAN BUSINESS BANK, LTD.	Taiwan Business Bank Insurance Agency Co., Ltd.	1	Receivables	50,901	No difference with non-related parties	-%
0	TAIWAN BUSINESS BANK, LTD.	Taiwan Business Bank Insurance Agency Co., Ltd.	1	Deposits and remittances	443,529	No difference with non-related parties	0.03%
0	TAIWAN BUSINESS BANK, LTD.	Taiwan Business Bank Insurance Agency Co., Ltd.	1	Service revenue	992,134	No difference with non-related parties	4.27%



No	Trader	Counterparty	Relationship	Transaction status for the year ended December 31, 2019			
				Account	Amount	Terms	Percentage accounted for consolidated net revenue or total assets
0	TAIWAN BUSINESS BANK, LTD.	Taiwan Business Bank Insurance Agency Co., Ltd.	1	Net revenue other than interest	2,203	No difference with non-related parties	0.01%
0	TAIWAN BUSINESS BANK, LTD.	Taiwan Business Bank Property Insurance Agency Co., Ltd.	1	Receivables	2,795	No difference with non-related parties	-%
0	TAIWAN BUSINESS BANK, LTD.	Taiwan Business Bank Property Insurance Agency Co., Ltd.	1	Deposits and remittances	20,047	No difference with non-related parties	-%
0	TAIWAN BUSINESS BANK, LTD.	Taiwan Business Bank Property Insurance Agency Co., Ltd.	1	Service revenue	32,134	No difference with non-related parties	0.14%
0	TAIWAN BUSINESS BANK, LTD.	Taiwan Business Bank Property Insurance Agency Co., Ltd.	1	Net revenue other than interest	245	No difference with non-related parties	-%
0	TAIWAN BUSINESS BANK, LTD.	TBB International Leasing Co., Ltd.	1	Deposits and remittances	10,371	No difference with non-related parties	-%
1	TBB International Leasing Co., Ltd.	TAIWAN BUSINESS BANK, LTD.	2	Right-to-use assets	2,262	No difference with non-related parties	-%
1	TBB International Leasing Co., Ltd.	TAIWAN BUSINESS BANK, LTD.	2	Lease liabilities	2,271	No difference with non-related parties	-%
0	TAIWAN BUSINESS BANK, LTD.	TBB International Leasing Co., Ltd.	1	Net revenue other than interest	691	No difference with non-related parties	-%
0	TAIWAN BUSINESS BANK, LTD.	TBB Venture Capital Co., Ltd.	1	Deposits and remittances	52,126	No difference with non-related parties	-%
2	TBB Venture Capital Co., Ltd.	TAIWAN BUSINESS BANK, LTD.	2	Right-to-use assets	1,223	No difference with non-related parties	-%
2	TBB Venture Capital Co., Ltd.	TAIWAN BUSINESS BANK, LTD.	2	Lease liabilities	1,233	No difference with non-related parties	-%
0	TAIWAN BUSINESS BANK, LTD.	TBB Venture Capital Co., Ltd.	1	Net revenue other than interest	354	No difference with non-related parties	-%
0	TAIWAN BUSINESS BANK, LTD.	Taiwan Business Bank International Leasing Co., Ltd.	1	Deposits and remittances	220,050	No difference with non-related parties	0.01%

Note: 1. The meaning of the number is as follows.

(1) Zero stands for the parent company

(2) Subsidiaries are numbered in a sequence of Arabic numerals from 1 based on company category.

2. There are three kinds of relationships with counterparty

(1) Parent company to subsidiary

(2) Subsidiary to parent company

(3) Between subsidiaries

(i) Other significant transactions that might have influence over the decision-making process of the financial statements users: None.

(B) Information of investees:

(a) The following is the information on investees (excluding investment in mainland China):

(Unit : In Thousands of New Taiwan Dollars : thousand shares)

Name of investee	Location	Main business scope	Shareholding ratio	Book value	Investment gain (loss)	The cross holding of the Bank and its related parties				Note
						Number of shares	Number of proforma shares	Total		
								Number of shares	Shareholding ratio	
Taiwan Business Bank Insurance Agency Co., Ltd.	2F, No.158, Songjiang Rd Taipei, Taiwan, R.O.C.	Agent of personal insurance	100.00%	330,606	320,605	500	-	500	100.00%	Already written-off when preparing the consolidated financial statements
Taiwan Business Bank Property Insurance Agency Co., Ltd.	2F, No.158, Songjiang Rd Taipei, Taiwan, R.O.C.	Agent of property insurance	100.00%	15,885	8,943	500	-	500	100.00%	"
TBB International Leasing Co., Ltd.	5F., No.151, Sec. 4, Nanjing E. Rd., Taipei, Taiwan, R.O.C.	Leasing business	100.00%	1,365,039	(14,133)	150,000	-	150,000	100.00%	"
TBB (Cambodia) Microfinance Institution Plc	Cambodia	SMEs and personal finance business	100.00%	554,905	(2,807)	20	-	20	100.00%	"
TBB Venture Capital Co., Ltd.	11F, No.30, Ta-Chang Street, Taipei, Taiwan, R.O.C.	Investing business	100.00%	296,433	(328)	30,000	-	30,000	100.00%	"

(b) Loans to others:

(Unit: In Thousands of New Taiwan Dollars)

NO.	Creditor	Debtor	Interaction Account	Related party	Highest Amount	Ending balance	Actual drawdown amount	Range of interest rate	Nature of the loan	Dealing amount	The necessary reason for short-term loans	Allowance for bad debts	Guarantee		Limited amount for individual object	Total limited amount for loan
													Name	Value		
1	Taiwan Business Bank International Leasing Co., Ltd.	Shanghai-Buynow Electronic Information Co., Ltd.	Entrusted loan	No	51,577	31,366	77,310	6.5%-6.8%	1	77,310	None	172	land, building 1~4F, underground parking lot B1~B2	820,345	341,257	1,365,030
2	TBB International Leasing Co., Ltd.	Ideation Industrial Co., Ltd.	Financial receivables	No	8,000	-	8,000	5.0%-6.9%	2	-	To the lender for buying goods	-	None	-	341,257	1,365,030
2	TBB International Leasing Co., Ltd.	Kuang Ming Shipping Corp.	Financial receivables	No	100,000	98,424	100,000	4.00%	2	-	To the lender for buying goods	2,916	None	-	341,257	1,365,030
2	TBB International Leasing Co., Ltd.	Qi Jian Square Enterprise Co., Ltd.	Financial receivables	No	40,500	38,475	40,500	4.10%	2	-	To the lender for buying goods	1,140	None	-	341,257	1,365,030
2	TBB International Leasing Co., Ltd.	Xi Quan Restaurant Co., Ltd.	Financial receivables	No	23,500	22,325	23,500	4.10%	2	-	To the lender for buying goods	662	None	-	341,257	1,365,030



NO.	Creditor	Debtor	Interaction Account	Related party	Highest Amount	Ending balance	Actual drawdown amount	Range of interest rate	Nature of the loan	Dealing amount	The necessary reason for short-term loans	Allowance for bad debts	Guarantee		Limited amount for individual object	Total limited amount for loan
													Name	Value		
2	TBB International Leasing Co.,Ltd.	Chao-Yang International Co., Ltd	Financial receivables	No	35,000	17,731	35,000	5.5%-7%	2	-	To the lender for buying goods	540	None	-	341,257	1,365,030
2	TBB International Leasing Co.,Ltd.	Wang Tong Food Co.,Ltd	Financial receivables	No	30,000	17,615	30,000	3.1%-4.0%	2	-	To the lender for buying goods	512	None	-	341,257	1,365,030
2	TBB International Leasing Co.,Ltd.	Hsin Chuan Construct-ion Co., Ltd	Financial receivables	No	50,000	33,508	50,000	3.1%-5.3%	2	-	To the lender for buying goods	976	None	-	341,257	1,365,030
2	TBB International Leasing Co.,Ltd.	Sian Shang Frozen Food Co.,Ltd	Financial receivables	No	25,000	18,876	25,000	5.6%-7.2%	2	-	To the lender for buying goods	579	None	-	341,257	1,365,030
2	TBB International Leasing Co.,Ltd.	ANLI LINES CORP.	Financial receivables	No	12,000	12,000	12,000	4.25%	2	-	To the lender for buying goods	365	None	-	341,257	1,365,030

Note1: The meaning of the number is as follows.

(1) Zero stands for issuer.

(2) Investee companies are numbered in a sequence of Arabic numerals from 1 based on company category.

Note2: The amount of loans is still valid up to now.

Note3: The nature of the loan nature is as follows.

(1) 1 stands for business relation.

(2) 2 stands for the necessity for short-term loans.

Note4: Limited amount for individual object:25% net worth of the latest TBB International Leasing Co.,Ltd's audited financial statements.

Note5: Total limited amount for loan: 100% net worth of the latest TBB International Leasing Co.,Ltd.'s audited financial statements.

(c) Endorsements and guarantee for others: None

(d) Acquisition of securities:

Company acquired	Type and name of the security	Relationship with the security issuer	Account	At the end of the period				Note
				Number of shares	Carrying amount	Share proportion (Note 2)	Market price (Note 1)	
Taiwan Business Bank International Leasing Co., Ltd.	Unlisted	The investee under the equity method of the subsidiary TBB International Leasing Co.,Ltd.	Investment under equity method	-	838,761	100.00%	838,761	The transaction has been written off when preparing the consolidated financial statements.

Note 1: Listed companies apply the market price to calculate the net worth of the shares possessed. Unlisted companies apply the proportion of shares calculate the net worth of the shares possessed. The net worth of preferred stock is calculated based on the liquidation price plus dividends in arrears.

Note 2: The proportion of shares the preferred stock is calculated based on the shares the Bank possessed divided by the shares issued.

(e) Accumulative purchases or sales of the same investee companies amounting to over \$300,000 or 10% of paid-in capital: None.

(f) Acquisition of real estate amounting to over \$300,000 or 10% of paid-in capital: None.

(g) Disposition of real estate amounting to over \$300,000 or 10% of paid-in capital: None.

(h) Discount of commissions and handling fees with related parties amounting to over \$5,000: None.

- (i) Receivables from related parties amounting to over \$300,000 or 10% of paid-in capital: None.
- (j) Transactions of financial derivatives: None.
- (k) Sale of non-performing loans information: None.
- (l) Types of securitization instruments and related information approved by financial assets securitization rules or real estate securitization rules: None.
- (m) Other significant transactions that might have substantial influence over the decision making of the financial statement users: None.

(C) Information on investments in Mainland China:

(a) Name and major business item of the investee in China:

Unit: In Thousands of New Taiwan Dollars

Name of investee company in Mainland China	Major business	Paid-in capital	Investment method (Note 1)	Accumulated amount transferred from Taiwan, beginning of the period	Investment transferred out or recovered		Accumulated amount transferred from Taiwan, end of the period	The current profit or loss of the investee (Note 2)	Shares directly or indirectly possessed by the Bank	Investment income for the period (Note 2)	Ending carrying value of investment	Accumulated inward remittance of earnings as of the end of period
					Transferred out	Recovered						
Taiwan Business Bank, Ltd. Shanghai branch	Banking business	3,910,537 (CNY800 million) (Operating capital)	(c)	3,910,537 (CNY800 million)	-	-	3,910,537 (CNY800 million)	-	Shanghai branch of the Bank, not an investee company	-	4,097,936	None
Taiwan Business Bank, Ltd. Wuhan branch	Banking business	3,942,815 (CNY800 million) (Operating capital)	(c)	3,942,815 (CNY800 million)	-	-	3,942,815 (CNY800 million)	-	Wuhan branch of the Bank, not an investee company	-	3,896,949	"
Taiwan Business Bank International Leasing Co., Ltd.	Leasing business	838,305 (CNY170 million) (Operating capital)	(a)	838,305 (CNY170 million)	-	-	838,305 (CNY170 million)	23,895 2(a)	100%	23,895 2(a)	838,761	"

Note 1: Investment method is divided into three categories and are listed as follows:

- Directly invest in Mainland China.
- Investment in Mainland China companies through a third region.
- Others: establishment of overseas branches

Note 2: The column of "Investment gains (losses)":

- If the company is still in the preparation process, and does not have any investment gain or loss, please specify.
- The bases for recognition of investment income or loss have three methods, please specify.
 - The audited financial reports that are issued by an international accounting firm which is connected to an accounting firm in Taiwan.
 - The audited financial reports that are issued by the Taiwan parent company's designated accounting firm.
 - Others
- Please specify if information regarding current gains or losses of an investee is not retrievable.

Note 3: The number is expressed in New Taiwan Dollars.

(b) Limit of investment in China:

Unit: In Thousands of New Taiwan Dollars

Name of Company	Accumulated outflow of investment from Taiwan to Mainland China, as of the end of period	Investment amount authorized by Investment Commission, MOEA	Upper limit on investment authorized by Investment Commission, MOEA
Taiwan Business Bank Co., Ltd. (Note)	8,691,657 (CNY 1,770 million)	8,691,657 (CNY 1,770 million)	57,310,060

Note: The investment amount in China of the subsidiary TBB International Leasing Co, Ltd. is included.



14. SEGMENT INFORMATION

(A) General information

The chief operating decision maker is the general manager of the Bank and subsidiaries who is in charge of all major projects' approval, budget review and performance measurement. In order to express operating activities legitimately, the reportable segments of the Bank are Bank segment, Securities segment, Trust segment and Others. Securities segment, Trust segment and Other segments don't meet the quantitative thresholds, therefore regarded as the same reporting department. The main operations of the banking segment are engaged in deposits, remittance and loans in New Taiwanese Dollars or foreign currencies, as well as securities investments. The major operating activities of securities segment are securities brokerage, financing, ancillary business of futures trading and providing clients a platform for securities investment. The trust segment mainly provides customers relevant financial services, including securities under writing, custodian bank service, new type trust business and specific trust funds investing in domestic or foreign securities. Other segments include all the business of subsidiaries, which main operations are insurance agents, property insurance agents, leasing, financing, and venture capital. The profit or loss of the operating segments of the Bank and subsidiaries is measured by income from continuing operation before tax. The reported amount is consistent with the financial statements which were provided to the chief operating decision maker in order to use it as the base of resource allocation and performance measurement.

(B) Segment information

For the year ended December 31, 2019	Banking Segment	Securities, Trust and Others	Adjustment and Elimination	Total
Net interest revenue	\$ 16,706,175	324,806	132	17,031,113
Net revenue other than interest	5,478,077	1,016,579	(315,827)	6,178,829
Net revenue	22,184,252	1,341,385	(315,695)	23,209,942
Bad debt expense, commitment and guarantee liability provision	(2,345,700)	(71,977)	-	(2,417,677)
Operating expenses	(12,174,432)	(555,568)	3,415	(12,726,585)
Income from continuing operation before tax	\$ 7,664,120	713,840	(312,280)	8,065,680
Total assets	\$ 1,730,989,136	18,524,844	(3,361,166)	1,746,152,814
Total liabilities	\$ 1,638,064,196	13,370,169	(798,317)	1,650,636,048
For the year ended December 31, 2018	Banking Segment	Securities, Trust and Others	Adjustment and Elimination	Total
Net interest revenue	\$ 16,855,464	339,556	2,856	17,197,876
Net revenue other than interest	5,071,765	1,147,812	(390,506)	5,829,071
Net revenue	21,927,229	1,487,368	(387,650)	23,026,947
Bad debt expense, commitment and guarantee liability provision	(750,799)	(43,335)	-	(794,134)
Operating expenses	(12,467,785)	(569,809)	3,198	(13,034,396)
Income from continuing operation before tax	\$ 8,708,645	874,224	(384,452)	9,198,417
Total assets	\$ 1,603,542,532	19,153,231	(3,655,308)	1,619,040,455
Total liabilities	\$ 1,521,320,594	13,837,649	(970,807)	1,534,187,436

(C) Geographic information:

The Bank and subsidiaries, based on the geographic location of foreign operating segments, to disclose the information as below:

Income from continuing operation before tax:

Area	For the years ended December 31	
	2019	2018
Taiwan	\$ 6,807,209	7,987,404
USA	304,915	236,337
Hong Kong	465,103	438,243
Australia	294,615	387,159
China	241,767	259,700
Cambodia	(2,192)	(28,914)
Japan	(45,737)	(81,512)
Total	<u>\$ 8,065,680</u>	<u>9,198,417</u>

Non-current assets:

Area	December 31, 2019	December 31, 2018
Taiwan	\$ 21,178,179	19,639,128
USA	39,744	40,663
Hong Kong	61,617	27,678
Australia	30,038	15,952
China	47,178	40,328
Cambodia	51,277	38,793
Japan	46,589	54,576
Total	<u>\$ 21,454,622</u>	<u>19,857,118</u>

(D) Significant client information:

No single customer represents 10% or more of the Bank and subsidiaries' operating revenue. Therefore, no disclosure of major customer information is required.



7. Independent Auditors' Report for 2019 Individual Financial Statements

Independent Auditors' Report

To the Board of Directors of Taiwan Business Bank, Ltd.:

Opinion

We have audited the financial statements of Taiwan Business Bank, Ltd. "the Bank" which comprise the balance sheets as of December 31, 2019 and 2018, the statements of comprehensive income, changes in equity and cash flows for the years then ended, and 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 Bank 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 Public Held Banks, and with the Regulation Governing the Preparation of Financial Reports by Securities Firms.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants, Jin-Kuan-Yin-Zi No.10802731571 and the auditing standards generally accepted in the Republic of China. We conducted our audits of the prior period in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of 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 of the current period. 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.

1. The assessment of loans impairment

Please refer to Note (4) (E) "Financial Instruments" for related accounting policy, Note 5 (A) for accounting assumptions and estimates, and Note 6 (F) "Discount and loans-net" and Note 6 (AP) "Financial Risk Information" for details of loans impairment, respectively.

The management of the Bank assess the impairment of loans by determining if there is any observable evidence indicating impairment, and dividing them into collective assessment and individual assessment based on the materiality levels to measure by different impairment method. For the individual assessment with objective evidence of impairment, the measurement is based on expected future cash flow. For the collective assessment with objective evidence of impairment, the Bank needs to calculate the recovery rate of each group to measure the impairment amount. For the collectively assessed loans without objective evidence of impairment, the impairment is calculated by establishing an impairment model using the pass loss experience on assets with similar credit risk characteristic to form basic estimation. Besides the methods mentioned above, the management of the Bank should inspect whether the amount of impairment is in compliance with the minimum level made by the authority. Both the evaluation of impairment evidences and its methods, as well as the uses of assumptions, such as the expected recovery rates and default rates, which are applied to determine the future cash flow, involved significant judgements and estimations. Therefore, the assessment on the impairment of loans has been identified as a key audit matter in our audit.

How the matter was addressed in our audit?

Our principal audit procedures included: understanding the methodology and related control procedure about how the management assesses and measures the impairment amount of loans. For individual assessment, we used sampling test to evaluate the use of the original effective interest rate, the appropriateness of the estimation of

future recoverable amounts and value of collateral. For collective assessment, we assessed the impairment model adopted by the management and reviewed the appropriateness of the calculation of the impairment parameters and verified the completeness of the loans portfolio via sampling. Meanwhile, we assessed whether allowance for the loans meets the requirements.

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 Public Held Banks, and the Regulations Governing the Preparation of Financial Reports by Securities Firms, 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 Bank'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 Bank 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 Bank'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 the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these 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 Bank'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 Bank'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 Bank 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.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on this financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.



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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period 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 CHUNG, TAN TAN and CHEN, CHUN KUANG.

KPMG

Taipei, Taiwan (Republic of China) March 11, 2020

Notes to Readers

The accompanying financial statements are intended only to present the financial position, financial performance and cash flows in accordance with the 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 accepted and applied in the Republic of China.

The independent auditors' report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and financial statements, the Chinese version shall prevail.

8. 2019 Individual Financial Statements and Notes

(English Translation of Financial Statements Originally Issued in Chinese)

TAIWAN BUSINESS BANK, LTD.

Balance Sheets

December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2019		December 31, 2018	
	Assets	Amount	%	Amount	%
11000	Cash and cash equivalents (Notes 6(A) and 7)	\$ 31,193,304	2	45,706,331	3
11500	Due from the Central Bank and call loans to banks (Notes 6(B) and 7)	125,357,393	7	86,980,274	5
12000	Financial assets at fair value through profit or loss (Note 6(C))	26,626,885	2	6,934,604	-
12100	Financial assets at fair value through other comprehensive income (Notes 6(G) and (P))	102,597,144	6	73,164,201	5
12200	Investment in debt instruments at amortized cost (Note 6(H))	263,056,842	15	261,470,496	16
12500	Securities purchased under resell agreements (Notes 6(D) and (P))	13,399,113	1	2,386,518	-
13000	Receivables (Note 6(E))	25,715,593	1	43,698,543	3
13200	Current tax assets	-	-	64,842	-
13500	Discounts and loans, net (Notes 6(F) and 7)	1,132,462,936	65	1,074,627,748	67
15000	Investments measured by equity method, net (Note 6(I))	2,562,868	-	2,684,501	-
15500	Other financial assets (Note 6(J))	19,928	-	17,971	-
18500	Property and equipment, net (Note 6(K))	14,490,374	1	14,298,525	1
18600	Right-of-use assets, net (Note 6(L))	1,037,377	-	-	-
19000	Intangible assets, net	351,454	-	284,944	-
19300	Deferred tax assets (Note 6(Y))	1,591,851	-	1,623,371	-
19500	Other assets, net (Note 6(M))	5,506,011	-	5,222,172	-
	Total assets	\$ 1,745,969,073	100	1,619,165,041	100



	Liabilities and equity	December 31, 2019		December 31, 2018	
		Amount	%	Amount	%
	Liabilities and equity				
21000	Deposits from the Central Bank and banks (Notes 6(N) and 7)	\$ 104,793,612	6	91,314,543	6
22000	Financial liabilities at fair value through profit or loss (Notes 6(O) and (S))	9,393,336	1	9,339,273	1
22500	Notes and bonds issued under repurchase agreement (Note 6(P))	868,581	-	1,657,706	-
23000	Payables (Note 6(Q))	31,000,340	2	58,620,227	4
23200	Current tax liabilities	224,577	-	952,293	-
23500	Deposits and remittances (Notes 6(R) and 7)	1,435,795,670	82	1,311,937,545	81
24000	Bank notes payable (Note 6(S))	53,250,000	3	47,450,000	3
25500	Other financial liabilities (Note 6(T))	6,835,084	1	7,507,715	-
25600	Provisions (Note 6(U))	3,158,003	-	3,565,727	-
26000	Lease liabilities (Note 6(V))	1,026,667	-	-	-
29300	Deferred tax liabilities (Note 6(Y))	888,436	-	880,738	-
29500	Other liabilities (Note 6(W))	3,218,001	-	1,086,255	-
	Total liabilities	1,650,452,307	95	1,534,312,022	95
	Equity				
31101	Common stock (Note 6(X))	71,319,842	4	63,938,802	4
31500	Capital surplus (Note 6 (X))	815,900	-	-	-
	Retained earnings:				
32001	Legal reserve (Note 6(X))	12,312,175	1	10,020,013	1
32003	Special reserve (Note 6(X))	223,331	-	516,555	-
32005	Unappropriated retained earnings (Note 6(X))	7,167,217	-	7,470,985	-
32500	Other equity interest	3,678,301	-	2,906,664	-
	Total equity	95,516,766	5	84,853,019	5
	Total liabilities and equity	\$ 1,745,969,073	100	1,619,165,041	100

(English Translation of Financial Statements Originally Issued in Chinese)

TAIWAN BUSINESS BANK, LTD.

Statements of Comprehensive Income

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)

		For the year ended December 31,				Percent Change%
		2019		2018		
		Amount	%	Amount	%	
41000	Interest income (Notes 6(AC) and 7)	\$ 29,270,949	128	28,156,855	124	4
51000	Less: Interest expenses (Notes 6(AC) and 7)	(12,384,563)	(54)	(11,082,469)	(49)	12
	Net interest revenue	16,886,386	74	17,074,386	75	(1)
	Net revenue other than interest					
49100	Net service fee revenue (Notes 6(AD) and 13)	3,013,496	13	3,012,942	13	-
49200	Gains on financial assets or liabilities measured at fair value through profit or loss (Note 6(AE))	1,333,055	6	1,029,180	5	30
49310	Realized gain on financial assets at fair value through other comprehensive income (Note 6(AF))	613,920	3	374,849	2	64
49450	Gains arising from derecognition of financial assets measured at amortized cost (Note 6(H))	980	-	130	-	654
49600	Foreign exchange gain	228,669	1	478,887	2	(52)
49700	(Impairment loss on assets) reversal of impairment loss on assets (Note 6(AG))	(16,330)	-	(28,297)	-	42
49750	Share of profit (loss) of associates and joint ventures accounted for using equity method (Note 6(AH))	312,280	1	384,452	2	(19)
49800	Net other revenue other than interest income (Note 6(AI))	117,333	-	99,343	-	18
49831	Net securities brokering revenue	210,077	1	221,110	1	(5)
49899	Other miscellaneous revenue (expense) (Note 6(AJ))	138,999	1	-	-	
	Net revenue	22,838,865	100	22,646,982	100	1
58200	Bad debts expense, commitment and guarantee liability provision (Note 6(AK))	(2,349,480)	(10)	(745,770)	(3)	215
	Operating expenses					
58500	Employee benefits expense (Notes 6(AL))	(7,965,610)	(35)	(8,176,618)	(36)	(3)
59000	Depreciation and amortization expense (Notes 6(AM))	(946,334)	(4)	(468,765)	(2)	102
59500	Other general and administrative expense (Note 6(AN))	(3,603,283)	(16)	(4,169,000)	(19)	(14)



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		For the year ended December 31,				Percent Change%
		2019		2018		
		Amount	%	Amount	%	
	Total operating expenses	(12,515,227)	(55)	(12,814,383)	(57)	(2)
61001	Income from continuing operation before tax	7,974,158	35	9,086,829	40	(12)
61003	Less: Income tax expenses (Note 6(Y))	1,239,905	6	1,446,287	6	(14)
	Net income	6,734,253	29	7,640,542	34	(12)
65000	Other comprehensive income:					
65200	Components of other comprehensive income that will not be reclassified to profit or loss					
65201	Remeasurements of defined benefit plans	29,493	-	(174,907)	(1)	117
65204	Revaluation gains on investments in equity instruments measured at fair value through other comprehensive income	851,684	4	226,956	1	275
65220	Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss(Note 6(Y))	5,899	-	(71,895)	-	(108)
	Components of other comprehensive income that will not be reclassified to profit or loss	875,278	4	123,944	-	606
65300	Components of other comprehensive income that will be reclassified to profit or loss					
65301	Exchange difference on translation	(395,385)	(2)	335,075	1	(218)
65308	Gains (losses) from investments in debt instruments measured at fair value through other comprehensive income	301,822	2	164,546	1	83
65320	Less: Income tax related to components of other comprehensive income that will be reclassified to profit or loss(Note 6(Y))	(65,943)	-	40,277	-	264
	Components of other comprehensive income that will be reclassified to profit or loss	(27,620)	-	459,344	2	(106)
65000	Other comprehensive income	847,658	4	583,288	2	45
	Total comprehensive income	\$ 7,581,911	33	8,223,830	36	(8)
	Earnings per share (in NT dollar)(Note 6 (AA))					
	Basic earnings per share (in NT dollar)	\$ 0.98		1.14		
	Diluted earnings per share (in NT dollar)	\$ 0.98		1.13		

(English Translation of Financial Statements Originally Issued in Chinese)

TAIWAN BUSINESS BANK, LTD.

Statements of Change in Equity

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	Share Capital						Other interest equity			
	Share Capital		Retained earnings				Exchange differences on translation of foreign financial statements	Unrealized gains on financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) on available for sale financial assets	Total
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total				
Balance at January 1, 2018	\$ 61,479,617	-	8,569,864	1,240,588	4,833,832	14,644,284	(835,340)	-	529,112	75,817,673
Effects of retrospective application of new standards	-	-	-	-	(98,187)	(98,187)	-	3,086,469	(529,112)	2,459,170
Balance at January 1, 2018 after adjustments	61,479,617	-	8,569,864	1,240,588	4,735,645	14,546,097	(835,340)	3,086,469	-	78,276,843
Net income for the year ended December 31, 2018	-	-	-	-	7,640,542	7,640,542	-	-	-	7,640,542
Other comprehensive income (losses) for the year ended December 31, 2018	-	-	-	-	(103,012)	(103,012)	294,218	392,082	-	583,288
Total comprehensive income for the year ended December 31, 2018	-	-	-	-	7,537,530	7,537,530	294,218	392,082	-	8,223,830
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	-	1,450,149	-	(1,450,149)	-	-	-	-	-
Reversal of special reserve	-	-	-	(724,033)	724,033	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(1,647,654)	(1,647,654)	-	-	-	(1,647,654)
Stock dividends of ordinary share	2,459,185	-	-	-	(2,459,185)	(2,459,185)	-	-	-	-
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	30,765	30,765	-	(30,765)	-	-
Balance at December 31, 2018	63,938,802	-	10,020,013	516,555	7,470,985	18,007,553	(541,122)	3,447,786	-	84,853,019
Net Income for the year ended December 31, 2019	-	-	-	-	6,734,253	6,734,253	-	-	-	6,734,253
Other comprehensive income (losses) for the year ended December, 2019	-	-	-	-	23,594	23,594	(321,744)	1,145,808	-	847,658
Total comprehensive income for the year ended December 31, 2019	-	-	-	-	6,757,847	6,757,847	(321,744)	1,145,808	-	7,581,911
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	-	2,292,162	-	(2,292,162)	-	-	-	-	-
Reversal of special reserve	-	-	-	(293,224)	293,224	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(1,918,164)	(1,918,164)	-	-	-	(1,918,164)
Stock dividends of ordinary share	3,196,940	-	-	-	(3,196,940)	(3,196,940)	-	-	-	-
Issue of shares	4,184,100	815,900	-	-	-	-	-	-	-	5,000,000
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	52,427	52,427	-	(52,427)	-	-
Balance at December 31, 2019	\$ 71,319,842	815,900	12,312,175	223,331	7,167,217	19,702,723	(862,866)	4,541,167	-	95,516,766

(English Translation of Financial Statements Originally Issued in Chinese)

TAIWAN BUSINESS BANK, LTD.

Statements of Cash Flows

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	For the years ended December 31,	
	2019	2018
Cash flows from operating activities:		
Net income before tax	\$ 7,974,158	9,086,829
Adjustments:		
Income and expenses items:		
Depreciation expenses	822,072	370,604
Amortization expenses	124,262	98,161
Provision for bad debt expenses	2,405,991	660,423
Net loss on financial assets or liabilities at fair value through profit or loss	103,035	179,390
Interest expenses	12,384,563	11,082,469
Net gain arising from derecognition of financial assets measured at amortized cost	(980)	(130)
Interest income	(29,270,949)	(28,156,855)
Dividend revenues	392,958	355,800
Net change in provisions for guarantee liabilities	(14,340)	58,710
Net change in other provisions	(42,171)	26,637
Share of loss (profit) of associates and joint ventures accounted for using equity method	(312,280)	(384,452)
Loss on disposal of property and equipment	693	1,155
Impairment loss on financial assets	16,330	28,297
Total adjustments to reconcile profit	(13,390,816)	(15,679,791)
Changes in Operating Assets and Liabilities:		
Changes in Operating Assets:		
(Increase) decrease in due from the Central Bank and call loans to banks	(38,392,298)	14,352,507
Increase in financial assets at fair value through profit or loss	(18,470,402)	(5,812,905)
(Increase) decrease in securities purchased under resell agreements	(11,012,595)	1,611,586
Decrease (increase) in receivables	18,122,784	(20,996,379)
(Increase) decrease in discounts and loans	(60,243,206)	36,317,199
(Increase) decrease in other financial assets	(743)	102,084
Increase in other assets	(292,518)	(727,419)
Total changes in operating assets	(110,288,978)	24,846,673
Changes in Operating Liabilities:		
Increase (decrease) in deposits from the Central Bank and banks	13,479,069	(2,215,227)



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	For the years ended December 31,	
	2019	2018
(Decrease) increase in financial liabilities at fair value through profit or loss	(1,270,852)	5,367,493
(Decrease) increase in notes and bonds issued under repurchase agreement	(789,125)	552,110
(Decrease) increase in payable	\$ (28,059,091)	21,240,603
Increase (decrease) in deposits and remittances	123,858,125	(4,733,806)
Decrease in other financial liabilities	(651,610)	(2,603,441)
Decrease in provisions for employee benefits	(321,541)	(257,144)
Total Changes in Operating Liabilities	106,244,975	17,350,588
Total Changes in Operating Assets and Liabilities	(4,044,003)	42,197,261
Total adjustments	(17,434,819)	26,517,470
Cash (outflow) inflow generated from operations	(9,460,661)	35,604,299
Interest received	29,163,184	27,816,690
Interest paid	(11,945,359)	(10,601,963)
Income tax paid	(1,803,517)	(510,148)
Net Cash Flow Provided by Operating Activities	5,953,647	52,308,878
Cash Flows from Investing Activities:		
Acquisition of financial assets at fair value through other comprehensive income	(28,297,971)	(4,153,866)
Acquisition of investments in debt instruments at amortized cost	(1,582,649)	(56,422,485)
Acquisition of investment accounted for using equity method	-	(300,000)
Acquisition of property and equipment	(657,712)	(446,775)
Disposal of property and equipment	378	195
Increase in refundable deposits	(364,676)	(529,738)
Acquisition of intangible assets	(155,355)	(109,329)
Net Cash Flows Used in Investing Activities	(31,057,985)	(61,961,998)
Cash Flows from Financing Activities:		
Proceeds from issuing bank notes payable	5,800,000	6,450,000
Increase in guarantee deposits received	478,290	51,804
Decrease in lease payable	-	(9,389)
Payments of lease liabilities	(407,455)	-
Increase (decrease) in other liabilities	1,653,456	(552,257)
Cash dividends paid	(1,918,164)	(1,647,654)
Proceeds from issuing shares	5,000,000	-
Net Cash Flows Provided by Financing Activities	10,606,127	4,292,504
Effect of exchange rate changes on cash and cash equivalents	(14,816)	420
Net decrease in cash and cash equivalents	(14,513,027)	(5,360,196)
Cash and cash equivalents at beginning of period	45,706,331	51,066,527
Cash and cash equivalents at end of period	\$ 31,193,304	45,706,331

(English Translation of Financial Statements Originally Issued in Chinese)

TAIWAN BUSINESS BANK, LTD.
Notes to the Financial Statements

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

1. COMPANY HISTORY

TAIWAN BUSINESS BANK, LTD. (the "Bank") was formerly a general savings union known as "Taiwan Mutual Financing Bank" or "Tai-Shio Mutual Financing Bank" when it was established in 1915. After several mergers and acquisitions, it was renamed as Taiwan Business Bank, Ltd. in order to finance and provide banking assistance to small and medium-size businesses on July 1, 1976. The Bank's major lines of business are the following:

- (A) As prescribed by the Banking Law, provides professional services tailored to the needs of small and medium-size businesses;
- (B) Trust and securities brokerage businesses as approved by the relevant authority;
- (C) International banking business; and
- (D) Other relevant businesses as authorized by the relevant authority in-charge.

As of December 31, 2019, the Bank not only sets up the business dept., international dept., securities dept. and trust dept. under head office but also has 124 domestic branches, 1 offshore banking unit, 8 overseas branches, 1 oversea representative office and 16 securities brokerage locations.

The Bank became listed on the Taiwan Stock Exchange on January 3, 1998.

Under the "Statute for Privatization of State Enterprises" and upon the approval of Taiwan Province Government, the shares of the Bank owned by the provincial government were sold to the public. In line with privatization of the three other major Taiwan province government owned run commercial banks, the Bank had completed its own privatization on January 22, 1998.

2. APPROVAL DATE AND PROCEDURES OF THE FINANCIAL STATEMENTS

These financial statements were authorized for issuance by the board of directors on March 11, 2020.

3. NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS ADOPTED

(a) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") which have already been adopted.

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2019.

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRS 16 "Leases"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Amendments to IFRS 9 "Prepayment features with negative compensation"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019
Amendments to IAS 28 "Long-term interests in associates and joint ventures"	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019



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Except for the following items, the Bank believes that the adoption of the above IFRSs would not have any material impact on its financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 16 "Leases"

IFRS 16 replaces the existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The Bank applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in the accounts of balance sheet on January 1, 2019. The details of the changes in accounting policies are disclosed below,

1) Definition of a lease

Previously, the Bank determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Bank assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 4 (I)

On transition to IFRS 16, the Bank elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Bank applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

2) As a lessee

As a lessee, the Bank previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly most risks and rewards incidental to ownership of the underlying asset to the Bank. Under IFRS 16, the Bank recognizes right-of-use assets and lease liabilities for most leases on balance sheet.

- Leases classified as operating leases under IAS 17

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Bank's incremental borrowing rate as at January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

In addition, the Bank used the following practical expedients when applying IFRS 16 to leases.

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

- Leases previously classified as finance leases

For leases that were classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and the lease liability at January 1, 2019 are determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

3) As a lessor

The Bank is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor. The Bank accounted for its leases in accordance with IFRS 16 from the date of initial application.

4) Impacts on financial statements

On transition to IFRS 16, the Bank recognized additional \$896,795 of right-of-use assets and \$876,278 of lease liabilities, the difference between right-of-use assets and lease liabilities is the decrease in prepaid rents for \$20,517. When measuring lease liabilities, the Bank discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied is 1.638%.



The explanation of differences between operating lease commitments disclosed at the end of the annual reporting period immediately preceding the date of initial application, and lease liabilities recognized in the statement of financial position at the date of initial application disclosed as follows:

	January 1, 2019
Operating lease commitment at December 31, 2018 as disclosed in the Bank financial statements	\$ 851,413
Add: the operating lease commitment except the office commitment at December 31, 2018 that didn't disclose in the Bank financial statements	78,434
Total	929,847
Discounted using the incremental borrowing rate at January 1, 2019	876,278
Finance lease liabilities recognized as at December 31, 2018	21,021
Lease liabilities recognized at January 1, 2019	\$ 897,299

(b) The impact of IFRS issued by the FSC but not yet effective

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2020 in accordance with Ruling No. 1080323028 issued by the FSC on July 29, 2019:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
Amendments to IFRS 9, IAS39 and IFRS7 "Interest Rate Benchmark Reform"	January 1, 2020
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020

The Bank assesses that the adoption of the above-mentioned standards would not have any material impact on its financial statements.

(c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

As of the date, the following IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date 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

The Bank is evaluating the impact of its initial adoption of the above-mentioned standards or interpretations on financial position and the financial performance. The results thereof will be disclosed when the Bank completes its evaluation.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) Statement of compliance

These financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Public Held Banks (hereinafter referred to as the Regulation) and the Regulations Governing the Preparation of Financial Reports by Securities Firms.

(B) Basis of preparation

(a) Basis of measurement

The financial statements have been prepared on a historical cost basis except for the following material items in the statement of financial position:

- (1) Financial instruments measured at fair value through profit or loss are measured at fair value (including derivative instruments);
- (2) Financial instrument measured at fair value through other comprehensive income; and
- (3) The net defined benefit liability (asset) is recognized as fair value of plan assets, less present value of defined benefit obligation and the effect of the asset ceiling in Note 4(M).

(b) Consolidation of financial statement

The financial statements include the headquarter and all the domestic branches, and foreign branches. The internal transactions within the headquarter, the domestic branches and the foreign branches are offset when preparing the financial statement.

(c) Functional and presentation currency

The functional currency of the Bank is determined based on the primary economic environment in operating. The financial statements are presented in New Taiwan Dollar, which is the Bank's functional currency. All financial information presented in New Taiwan Dollar has been rounded to the nearest thousand.

(C) Foreign currency

(a) Foreign currency transaction

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies on the reporting date are retranslated to the functional currency at the exchange rate of Bank of Taiwan at 10 AM. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year adjusted for the effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of translation. Foreign currency differences arising on retranslation are recognized in profit or loss, except for the equity instruments measured at fair value through other comprehensive income which are recognized in other comprehensive income arising on the retranslation.

(b) Foreign operations

The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to the Bank's functional currency (not the currency under highly inflation economy) by the following procedures:

- (1) Assets and liabilities are translated at the date of the statement of financial position;
- (2) Profit and loss are translated at the average rate (unless the exchange rate of the period fluctuates intensively, then it applies the exchange rate on the trade date);
- (3) Foreign currency differences are recognized in other comprehensive income.

All the translation differences arising from above procedures are presented in the foreign currency translation reserve in equity. The exchange difference from translating net investments in foreign operations is recognized in other comprehensive income. When a foreign operation is wholly or partially disposed, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

(D) Cash and cash equivalent

Cash and cash equivalent comprise cash on hand, petty cash, foreign currency on hand and cash in banks, but excludes those items which are designated for specific purposes or restricted by contracts and law.



(E) Financial Instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Bank becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(a) Financial assets

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

On initial recognition, a financial asset is classified as measured at: amortized cost; fair value through other comprehensive income (FVOCI) – debt investment, FVOCI – equity investment, or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Bank changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the next reporting period following the change in the business model.

(1) Investment in debt instruments measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

(2) Financial assets at fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL.

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis.

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Bank's right to receive payment is established.

(3) Financial assets at fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Bank may irrevocably designate a financial asset, which otherwise meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

(4) Loans and advances

Loans and advances are recorded as initial fair value including direct transaction cost, and the subsequent measurement recognizes interest income via effective interest rate method if there is not much difference then it can adopt straight line method and is booked as per amortized cost deducted by impairment loss. Interest accrual on loans and advances is suspended if either of the following occurs:

- Payment of principal or interest is very likely not to be redeemed as per contracts.
- Non-performing loans are categorized as overdue loans in six months after the settlement period ends.

(5) Impairment of financial assets

The Bank recognize loss allowances for expected credit losses on financial assets measured at amortized cost, debt investments measured at FVOCI and loan commitments and financial guarantee contracts. Equity instrument investment does not need to recognize expected credit losses.

The Bank measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities, receivables, loan commitments and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instruments is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Bank is exposed to credit risk.

When determining whether the credit risk of financial asset has increased significantly since initial recognition and when estimating ECL, the Bank considers reasonable and supportable information that is relevant and available (without undue cost or effort). This includes both quantitative and qualitative information and analysis, based on the Bank's historical experience, informed credit assessment and including forward-looking information.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls. The difference between the cash flows due to the Bank expects to receive. ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Bank assesses whether financial assets carried at amortized cost, debt securities at FVOCI, loan commitments and contracts of financial guarantee are credit-impaired. A financial asset is "credit-impaired" when one or more events that have a detrimental impact on the



estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being past due;
- the restructuring of a loan or advance by the borrowers on terms that the borrowers would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganization;
- the disappearance of an active market for a security because of financial difficulties; or
- to purchase or initiate financial assets at a substantial discount that reflects the credit losses that have occurred.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognized in other comprehensive income instead of reducing the carrying amount of the asset.

In addition to estimate the allowance for bad debts and guarantee liability provisions as above, according to " Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing and Non-Accrual Loans " , and considering the situation of their finance and the default of principal and interest payment, the credit assets are classified as below:

- 1% of the first class credit assets deducted by the amount of credit assets from the government.
- 2% of the second class credit assets.
- 10% of the third class credit assets.
- 50% of the fourth class credit assets.
- 100% of the fifth class credit assets.

The allowance for bad debts and guarantee liability provisions were assessed by the previously stated method shall not be less than the amount regulated by " Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing and Non-Accrual Loans.

Unrecoverable overdue loans and bad debts of the Bank, which are not able to be recovered after the overdue collection process, are written-off after deducting the recoverable portion. Upon approval by the board of directors and notification to supervisors, the excess amount of written off loans over such allowance or reserve is reflected as a current loss.

(b) Financial liabilities

Financial liability measured at fair value through profit or loss, if one of the following conditions is met

(1) Financial liabilities held for trading

A financial liability is held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term; on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. A derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument, is classified as instrument held for trading as well.

(2) Financial liabilities designated at fair value through profit or loss

Financial liabilities falling under this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent changes are measured at fair value and recognized in profit or loss. While for financial liabilities designated at fair value through profit or loss, the changes in fair value generated from credit risk should be recognized under other comprehensive income, except for avoiding accounting mismatch that should be recognized in profit or loss.

(c) Reclassification of financial instruments

The Bank only reclassified all affected financial assets in accordance with the regulations when changing the business model of managing financial assets. These changes are expected to be extremely infrequent. In addition, the Bank must not reclassify any financial assets and liabilities of equity instruments.

If the Bank reclassify financial assets in accordance with the aforesaid circumstances, the reclassification shall be postponed from the reclassification date, and any previously recognized gains, losses (including impairment losses or reversal of impairment loss) or interest shall not be restated.

(d) Derecognition of financial assets and liabilities

The Bank shall derecognize a financial asset when the contractual rights to the cash flows from the financial asset expire or when the Bank transfer substantially all the risks and rewards of ownership of the financial assets. A financial liability should be removed from the balance sheet when, and only when, it is extinguished, that is, when the obligation specified in the contract is either discharged or cancelled or expires. If the bonds or stocks are taken as collateral, shall not be derecognized because the Bank have retained substantially all the risks and rewards of ownership. This is also applicable when the Bank conducts securitization transactions and still retain some of the risks.

(e) Financial instruments offsetting

A financial asset and a financial liability should be offset and the net amount reported when, and only when, an entity has a legally enforceable right to set off the amounts; and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

(F) Impairment loss on non-financial assets

The recoverable amount for an individual asset or a cash-generating unit is the higher of its fair value less costs to sell or its value in use. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount. That reduction is an impairment loss. An impairment loss shall be recognized immediately in profit or loss.

An impairment loss recognized in prior periods for an asset other than goodwill shall be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset shall be increased to its recoverable amount, as a reversal of a previously recognized impairment loss.

(G) Investment in associates

The Bank uses the equity method to evaluate an investee that it controls in preparing the financial statements. Under the equity method, the profit or loss and other comprehensive income are the same as the allocated amount of those attributable to owners of parent in the consolidated financial statements, and owners' equity are the same as the equity attributable to owners of parent in the consolidated financial statements. Changes in the Bank's ownership interest in a subsidiary that do not result in a loss of control of a subsidiary are equity transactions with owners.

(H) Property and Equipment

Items of property and equipment are measured at cost plus revaluation surplus and less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset.

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Bank. The carrying amount of those parts that are replaced is derecognized. Ongoing repairs and maintenance are expensed as incurred.

Land has an unlimited useful life and therefore is not depreciated. The estimated useful lives for the current and comparative years of significant items of property and equipment are as follows:

(a) Buildings	35-50 years
(b) Equipment	3-8 years



The Bank reviews and adjusts the residual value and the useful lives of assets at the end of each fiscal year. Whenever there is evidence indicating that the carrying amount is unable to be recovered due to environmental activities or changes, the Bank evaluates the impairment loss of assets.

If the carrying amount is higher than the recoverable amount, the carrying amount is adjusted to the recoverable amount. The recoverable amount is the fair value or the use value deducted by the disposition expense.

The gain or loss on disposal is the difference between the carrying amount and net disposal proceeds, and gain or loss on disposal shall be recognized as net other revenue other than interest income of comprehensive income.

When purchasing machinery equipment and computer software, the education fee implied in the contract is not recognized as the cost of machinery equipment and is recognized as expense.

For the lease contracts which regulate the Bank to restore the property to the original status, the Bank reviews the terms of each contract and calculated the present value of the restoration expenses when signing the contracts. The decommissioning liability reserve is provided based on the calculation and the discount rate is determined based on the Bank's policy.

(I) Lease

Applicable from January 1, 2019

(a) Identifying a lease

At inception of a contract, the Bank assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Bank assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and
- the Bank has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Bank has the right to direct the use of the asset. the Bank has the right to direct the use of the asset when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Bank has the right to direct the use of an asset if either:
 - the Bank has the right to operate the asset; or
 - the Bank designed the asset in a way that predetermines how and for what purpose it will be used.

(b) As a lessee

The Bank recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot

be reliably determined, the Bank incremental borrowing rate. Generally, the Bank uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Bank estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- there is a change of its assessment on whether it will exercise an extension or termination option; or
- there are any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Bank accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Bank has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Bank recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(c) As a lessor

When the Bank acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Bank makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Bank considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

Applicable before January 1, 2019

Leases contract can be divided into operating lease contracts and financing (capital) lease contracts. If a lease contract transfers almost all the risk and reward comes with the leasehold, the leasehold is considered financing (capital) lease. If a lease contract does not transfer almost all the risk and reward comes with the leasehold, the leasehold is considered operating lease.

Depreciation is calculated per the regulation of IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets". If there is no reason to be sure that the lessee will obtain the ownership of the assets at the end of the lease period for financing leasehold, the assets shall be depreciated within the lease period or the durable service time, whichever is shorter. The lease contracts of the Bank include operating lease and financing lease.

**(J) Deferred assets**

The costs of installation for utilities, including electricity and water, as well as security facilities, are capitalized and amortized equally over 5 years.

(K) Collaterals

The difference between the amount of claims and the Bank received when creditors cannot meet obligations and the collaterals are auctioned off is recognized as bad debts expense. The amount that net realized value lower than book value is recognized as impairment loss. The selling price deducts the original book value of collateral assumed is recognized as gain on sale of collateral assumed.

(L) Provisions

A provision is recognized if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probably that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. Amortization of the discount is recognized as interest expense. Future operating loss cannot be recognized as liability reserve.

Contingent liability refers to the possible obligation results from past events. The existence of contingent liability can only be proved by whether one or more uncertain events which can not be controlled by the Bank occurs or not. Contingent liability also refers to the current obligation results from a past event, but not likely to cause outflow of economic resource to redeem the obligation or the amount of the obligation cannot be measured reliably. The Bank do not recognize contingent liability and disclose it per related regulations.

(M) Employee benefit**(a) Short term employee benefit**

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

(b) Retirement benefit

The pension provision of the Bank includes defined contribution plan and defined benefit plan. For the personnel of foreign offices, the Bank provides pension fund per the regulations of the local authorities.

Defined contribution plan refers to the plan that the Bank annually provide certain amount of money to funds to fulfill the obligation. The Bank provide pension based on compulsory obligation, contracts or voluntary will to public or private managed pension funds. If certain pension fund fails to pay the employees the benefit which they deserve for the service they provided, the Bank does not hold legal or constructive obligation to pay additional provision. The Bank recognize the pension fund provided as current pension cost on accrual basis.

The Bank's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognized past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Bank's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Bank, the recognized asset is limited to the total of the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Bank. An economic benefit is available to the Bank if it is realizable during the life of the plan, or on settlement of the plan liabilities.

If the benefits of a plan are improved, the pension cost incurred from the portion of the increase benefit relating to past service by employees, is recognized immediately in profit or loss.

The remeasurements of defined benefit liability (asset) include:

- (1) Actuarial gains and losses;
- (2) Return on plan assets, excluding net interest on the net defined benefit liability (asset); and
- (3) The effect of the asset ceiling, excluding net interest on the net defined benefit liability (asset).

The remeasurements of defined benefit liability (asset) are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur.

Gains or losses on the curtailment or settlement of a defined benefit plan are recognized when the curtailment or settlement occurs. The gain or loss on curtailment arises from any changes in the fair value of plan assets, any changes in the present value of the defined benefit obligation, and any related actuarial gains or losses and past service cost which had not previously been recognized.

The pension cost in the interim financial statements was calculated and disclosed on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior fiscal year, for the reporting period, the rate will be adjusted by material market volatility, material curtailment, reimbursement and settlement or other material one-time events.

(c) Deposits with favorable rate

The Bank provides deposits with favorable rate to employees, which include current employee fix amount deposits with favorable rate and retired employee fix amount deposits with favorable rate. The rate difference between the favorable rate and the market rate belongs to the category of employee benefit.

According to article 28 of "Regulations Governing the Preparation of Financial Report by Public Banks", the additional interests result from the difference between deposit with favorable rate and the deposits with market interest rate shall be calculated by actuary per the regulations related to defined benefit plan in IAS 19. The parameters of actuarial assumptions shall follow the regulations of the competent authority.

In accordance with the regulation of "Discussion of the employee benefit actuarial assumption related matter for adopting IAS 19 with respect to the additional interest of employee deposits with favorable rate" issued by the Banking Bureau, the difference between the actual payment and the estimated retirement benefit obligation is deemed as changes in accounting estimate and is recognized in profit or loss.

(d) Termination benefits

Termination benefits are recognized as an obligation when the Bank is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. The Bank recognize liabilities when a formal irrevocable termination project is undertaken or when benefit is provided for encouraging voluntary resignation. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

(N) Income tax

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reserve, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any

Deferred tax assets and liabilities are offset against each other only the following criteria are met by the Bank.

- (a) the Taiwan Business Bank, Ltd. has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - (1) the same taxable entity; or
 - (2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

(O) Revenue recognition

Interest is recognized according to interest method. Interest accrual is suspended from the date when the loan is reclassified to non-performing loan and only when the Bank receives cash, the revenue is recognized.

The revenue of handling fee is recognized when cash collected or when the process of the profit are mostly completed. In addition, for the individual loan which does not belong to labor service and the handling fee is over 1% of the principal, the interest rate shall be adjusted from the original agreed interest rate to the effective interest rate. For the individual loan which does not belong to the service and the handling fee is less than 1% of the principal, the recognition of the revenue should be deferred and be recognized as revenue during the loan period.

(P) Earnings per share (EPS)

EPS is based on the weighted-average number of shares outstanding. In the event of capital increase through capitalization of retained earnings, capital surplus, or employee bonuses, EPS is retroactively adjusted based on the percentage of capital increase, regardless of the period when the incremental shares are outstanding.

The employee bonuses of the Bank issued by stocks were dilutive potential common shares. If the potential common shares have a non-dilutive effect, the Bank should only disclose the basic earnings per share. On the contrary, if the potential common shares have a dilutive effect, the Bank should disclose both the basic and diluted earnings per share. In calculating the diluted earnings per share, it is based on the assumption that all dilutive potential common shares are outstanding, and therefore the net income and the shares outstanding shall be adjusted in accordance with the calculation.

(Q) Operating segments

Segment information is disclosed in the consolidated financial statements by the Bank and therefore not included in the financial statements

5. SIGNIFICANT ACCOUNTING ASSUMPTIONS AND JUDGMENTS, AND MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the financial statements in conformity with the Regulations Governing the Preparation of Financial Reports by Public Held Banks and the Regulations Governing the Preparation of Financial Reports by

Securities Firms requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements is as follows:

(A) Impairment losses on loans

The impairment of loans of the Bank was evaluated by identifying the credit risk of those financial assets have significantly increased or not at the reporting date if the credit risk has not significant incurred, the 12-month expected credit loss should be adopted to evaluate, or the lifetime credit loss evaluation should be adopted.

To evaluate the expected credit losses for 12-month and lifetime, the Bank considers the unfavorable changes of payment status or the economic conditions of the countries or areas related to the default loans. When analyzing expected cash flows, the estimates by the management are based on the pass losses experience from assets with similar credit risk characteristics. In order to reduce losses from the difference between estimated and actual amount, the Bank has considered historical experience, current economic conditions and forward-looking information at the reporting date to determine the assumptions to be used in calculating the impairments and the select inputs.

(B) Retirement benefit

The present value of the retirement benefit obligation is the actuarial result based on several assumptions. Any change of the assumptions may influence the carrying amount of the retirement benefit obligation.

The assumptions applied to determine net pension cost (revenue) include the discount rate. The Bank determine the appropriate discount rate at the end of each year and apply it to calculate the present value of the future cash outflows which are to be paid to the retirement benefit obligation. To determine the appropriate discount rate, the Bank should consider the interest rate of high quality corporate bonds and government bonds. The currency of the retirement benefit shall be the same as that of the high quality corporate bond or government bonds and the duration till maturity date shall comply with the duration of the related pension obligation. Other significant assumptions of retirement benefit obligation are based on the current market situation.

6. EXPLANATION OF SIGNIFICANT ACCOUNTS

(A) Cash and cash equivalents

	December 31, 2019	December 31, 2018
Petty cash and revolving funds	\$ 10,056,292	9,463,583
Foreign currencies on hand	899,964	1,001,582
Checks for clearing	2,663,951	12,965,443
Due from other banks	17,573,097	22,275,723
Total	<u>\$ 31,193,304</u>	<u>45,706,331</u>

**(B) Due from the Central Bank and call loans to banks**

	December 31, 2019	December 31, 2018
Due from the Central Bank	\$ 65,227,293	50,348,172
Deposits transferred to Central Bank	105,769	74,869
Call loans to banks	60,024,331	36,557,233
Trust fund indemnity reserve deposited	80,000	80,000
Securities serving as trust fund indemnity reserve deposited	(80,000)	(80,000)
Total	<u>\$ 125,357,393</u>	<u>86,980,274</u>

As of December 31, 2019 and 2018, in accordance with the Banking Law and the Central Bank Law, the required reserve deposited by the Bank with the Central Bank amounted to \$64,836,250 and \$50,137,774 of which \$38,174,500 and \$34,763,628 respectively, were restricted and such restriction may only be lifted when the required reserve is adjusted to a lower amount.

As of December 31, 2019, the Bank's overseas branches, in compliance with the central bank's reserve requirement set by local authorities, deposited \$107,227 in reserve, of which \$69,921 were restricted.

Effective December 2000, in accordance with the amended "Regulations Governing the Audit and Adjustment of Deposit and Other Liability Reserves of Financial Institutions", the Bank provides the required additional reserve on foreign currency deposits. As of December 31, 2019 and 2018, the required reserve with the Central Bank amounted to \$283,816 and \$210,398 respectively, and its use was unrestricted.

As of December 31, 2019 and 2018, deposits collected on behalf of the armed forces, prisons, and other national deposits were restricted.

Effective January 20, 2001, in accordance with the requirement of the Central Bank of China, the Bank complies with Clause 34 of the Trust Law to treat the discretionary trust of investments in overseas marketable securities as a default loss reserve. As of December 31, 2019 and 2018, the Bank all deposited marketable securities of \$80,000 as trust fund reserves.

(C) Financial assets at fair value through profit or loss

	December 31, 2019	December 31, 2018
Financial assets designated at fair value through profit or loss:		
Linked deposits	\$ -	1,506,135
Overseas bonds	120,240	403,572
Financial assets at fair value through profit or loss, mandatorily measured at fair value :		
Derivative instruments not used for hedging:		
Foreign exchange forward contracts	23,843	5,687
Currency swap contracts	839,800	287,665
Foreign currency options-call	7,758	3,886
Stock index futures	65,784	30,452
Interest rate swap	13,611	-
Non-derivative financial assets		
Commercial paper	21,037,165	4,581,217
Listed stocks	178,867	48,910
Beneficiary certificates	108,890	67,080
Overseas bonds	4,230,927	-
Total	<u>\$ 26,626,885</u>	<u>6,934,604</u>

Derivative financial instruments are used for hedging foreign exchange risk and interest rate risk arising from operating, financing and investing activities. The Bank held derivative financial instruments which did not apply to hedge accounting are as follows (reported as financial assets mandatorily measured at fair value through profit or loss):

	December 31, 2019		
	Amount of contracts (in thousands)	Currency	Matured duration
Foreign exchange forward contracts	\$ 2,800	EUR	2020/3/3~2020/3/17
Foreign exchange forward contracts	114,806	JPY	2020/1/6~2020/4/17
Foreign exchange forward contracts	1,210,190	TWD	2020/1/3~2020/6/24
Foreign exchange forward contracts	43,247	USD	2020/1/3~2020/3/30
Foreign exchange forward contracts	9,538	SEK	2020/1/3
Foreign exchange forward contracts	9,661	AUD	2020/3/9~2020/3/31
Foreign exchange forward contracts	70,878	ZAR	2020/1/3~2020/2/20
Currency swap contracts	28,940	AUD	2020/1/3~2020/3/12
Currency swap contracts	15,000	CAD	2020/2/21
Currency swap contracts	10,819,871	CNY	2020/1/2~2021/5/17
Currency swap contracts	142,340	EUR	2020/1/22~2020/11/16
Currency swap contracts	7,000	GBP	2020/1/9~2020/3/18
Currency swap contracts	3,513,405	JPY	2020/1/6~2020/7/16
Currency swap contracts	27,000	NZD	2020/1/21~2020/2/21
Currency swap contracts	38,599,637	TWD	2020/1/2~2020/12/21
Currency swap contracts	3,979,626	USD	2020/1/2~2021/5/17
Currency swap contracts	2,059,560	ZAR	2020/1/6~2020/3/11
Option contracts-call	5,000	AUD	2020/2/14~2020/3/12
Option contracts-call	6,300	EUR	2020/1/13~2020/3/9
Option contracts-call	31,200	USD	2020/1/7~2020/10/13
Option contracts-put	5,000	AUD	2020/2/14~2020/3/12
Option contracts-put	6,300	EUR	2020/1/13~2020/3/9
Option contracts-put	31,200	USD	2020/1/7~2020/10/13

	December 31, 2018		
	Amount of contracts (in thousands)	Currency	Matured duration
Foreign exchange forward contracts	\$ 1,000	EUR	2019/1/24
Foreign exchange forward contracts	672,346	JPY	2019/1/4~2019/4/22
Foreign exchange forward contracts	875,469	TWD	2019/1/4~2019/9/12
Foreign exchange forward contracts	27,352	USD	2019/1/31~2019/3/29
Foreign exchange forward contracts	5,252	CNY	2019/1/21~2019/3/15
Currency swap contracts	800	AUD	2019/1/2
Currency swap contracts	22,012	CAD	2019/1/25~2019/3/22
Currency swap contracts	2,565,277	CNY	2019/1/9~2019/11/1
Currency swap contracts	90,000	EUR	2018/12/31~2019/10/11
Currency swap contracts	18,200	GBP	2019/1/3~2019/2/25
Currency swap contracts	40,000	HKD	2019/1/23
Currency swap contracts	4,251,853	JPY	2019/1/7~2019/6/14
Currency swap contracts	30,000	NZD	2019/1/18~2019/2/19
Currency swap contracts	1,000	CHF	2019/2/15
Currency swap contracts	12,537,712	TWD	2019/1/2~2019/10/9
Currency swap contracts	3,258,522	USD	2019/1/2~2019/12/31
Currency swap contracts	2,137,013	ZAR	2018/12/31~2019/3/5
Option contracts-call	8,000	AUD	2019/1/29~2019/3/25
Option contracts-call	6,800	EUR	2019/1/4~2019/3/20
Option contracts-call	21,300	USD	2019/1/11~2019/9/27
Option contracts-put	8,000	AUD	2019/1/29~2019/3/25
Option contracts-put	6,800	EUR	2019/1/4~2019/3/20
Option contracts-put	21,300	USD	2019/1/11~2019/9/27



(D) Securities purchased under resell agreements

	December 31, 2019	December 31, 2018
Securities under resell agreements	\$ 13,399,113	2,386,518
Face amount	13,413,000	2,388,800
Resell period	2020.1.2~2020.1.20	2019.1.2~2019.1.3
Range of resell interest rate	0.52%~0.57%	0.62%~0.63%
Resell price	\$ 13,403,489	2,386,828

(E) Receivables

	December 31, 2019	December 31, 2018
Interest receivable	\$ 3,421,560	3,288,394
Acceptances receivable	919,550	1,411,879
Accrued incomes	60,308	73,545
Accounts receivable	16,623	-
Accounts receivable factoring without recourse	19,089	566,451
Spot exchange receivable-foreign currencies	19,401,208	36,539,337
Refinancing guaranty deposits	6,058	13,025
Guaranteed proceeds receivable from refinancing	5,776	10,968
Credit cards accounts receivable	1,297,722	1,300,607
Receivable price of securities purchased for customers	148,588	43,252
Settlement price	178,136	337,174
Other receivables	302,743	182,346
Sub-total	25,777,361	43,766,978
Less: Allowance for bad debts	(61,768)	(68,435)
Net	\$ 25,715,593	43,698,543

The outstanding contract amount of financial assets that have been written off and still have recourse as of December 31, 2019 and 2018 were \$78,926,674 and \$77,039,223 respectively.

The change in allowance for bad debts was as follows:

	For the years ended December 31,	
	2019	2018
Beginning balance (according to IAS 39)	\$ 68,435	73,194
Adjustment of initial application of IFRS 9	-	3,456
Beginning balance (according to IFRS 9)	68,435	76,650
Reversal of provision	(6,542)	(8,244)
Foreign exchange	(125)	29
Ending balance	\$ 61,768	68,435

(F) Discounts and loans, net

	December 31, 2019	December 31, 2018
Import/export bills negotiated	\$ 159,033	502,839
Bills and notes discounted	1,055,795	1,709,185
Overdrafts	30,564	36,758
Secured overdrafts	2,750,654	2,877,536
Short-term loans	150,304,834	172,635,763
Short-term secured loans	207,869,262	196,148,277
Margin loans receivable	2,230,213	1,845,664
Medium-term loans	155,727,045	135,528,776
Medium-term secured loans	175,918,159	151,382,900
Long-term loans	21,723,867	15,495,441
Long-term secured loans	425,203,483	407,310,715
Overdue loans	3,117,841	2,449,090
Sub-total	1,146,090,750	1,087,922,944
Less: Adjustment of discount and premium	(286,446)	(261,045)
Less: Allowance for bad debts	(13,341,368)	(13,034,151)
Net	\$ 1,132,462,936	1,074,627,748

The change in allowance for bad debts is as follows:

	For the years ended December 31,	
	2019	2018
Beginning balance (according to IAS 39)	\$ 13,034,151	12,158,013
Adjustment of initial application of IFRS 9	-	(54,941)
Beginning balance (according to IFRS 9)	13,034,151	12,103,072
Provision	2,422,135	704,605
Transfer out	(24,238)	(44,688)
Write-off	(3,307,350)	(2,626,396)
Write-off recovered	1,231,950	2,890,761
Foreign exchange	(15,280)	6,797
Ending balance	\$ 13,341,368	13,034,151

(G) Financial assets at fair value through other comprehensive income

	December 31, 2019	December 31, 2018
Investment in debt instruments measured at fair value through other comprehensive income:		
Government bonds	\$ 35,730,629	31,926,679
Corporate bonds	30,848,228	21,716,510
Overseas bonds	24,664,354	11,764,869
Subtotal	91,243,211	65,408,058
Investment in equity instruments designated at fair value through other comprehensive income:		
Listed stocks	7,149,992	3,500,614
Unlisted stocks	4,154,137	4,212,027
Real estate investment trust	49,804	43,502
Subtotal	11,353,933	7,756,143
Total	\$ 102,597,144	73,164,201

1. Investment in debt instruments measured at fair value through other comprehensive income

The Bank assessed that the above bond investments were held within a business model whose objective was achieved by both collecting contractual cash flows and selling financial assets. The bond investments have been classified as the financial asset measured at fair value through other comprehensive income. Some of the investment in debt instruments measured at fair value through other comprehensive income are used as resell condition. Please refer to Note 6 (P) for more details.

2. Investment in equity instruments measured at fair value through other comprehensive income

The Bank designated the investments shown above as equity securities as at fair value through other comprehensive income because these equity securities represent those investments intending to hold for long-term for strategic purpose.

The Bank designated the investments shown above as equity instrument as at fair value through other comprehensive income, therefore, the Bank recognized \$408,485 and \$276,340 as dividend revenue for the years ended December 31, 2019 and 2018. In which, the disposal equity instruments recognized \$58,330 and \$16,587 as dividend revenue for the years ended December 31, 2019 and 2018.

The Bank sells the investments which were designated as at fair value through other comprehensive income due to assets allocation. The fair value of disposed is \$1,287,678 and \$368,739 and gains on disposal is \$52,427 and \$30,765 for the years ended December 31, 2019 and 2018. Thus, accumulated gains on disposal were transferred from other equity to retained earnings.

3. Please refer to Note 6(AP) for the credit risk (including the impairment in debt instruments) and market risk information.

4. The Bank assessed the impairment of financial assets measured at fair value through other comprehensive income as of December 31, 2019 and 2018. The changes in allowance for credit losses attribute to the financial assets were as follows:

	For the years ended December 31,	
	2019	2018
Beginning balance	\$ 33,765	-
Adjustments of initial application of IFRS 9	-	25,404
Beginning balance (according to IFRS 9)	33,765	25,404
Provision	18,676	8,363
Foreign exchange	(142)	(2)
Ending balance	\$ 52,299	33,765

(H) Investment in debt instruments at amortized cost

	December 31, 2019	December 31, 2018
Certificates of deposit with the Central Bank	\$ 174,880,000	165,150,000
Government bonds	32,061,168	34,922,034
Corporate bonds	16,089,576	19,229,940
Overseas bonds	39,753,641	41,889,974
Negotiable certificates of deposit	362,868	371,676
Subtotal	263,147,253	261,563,624
Less: Accumulated impairment	(90,411)	(93,128)
Total	\$ 263,056,842	261,470,496

The Bank assessed that these financial assets were held to collect the contractual cash flows, which consisted solely of payments of principal and interest on principal amount outstanding. Therefore, these investments were classified as financial assets measured at amortized cost.

- Please refer to Note 6(AP) for credit risk.
- The pledged assets provided by the above investment in debt instruments at amortized cost were shown follows:

	December 31, 2019	December 31, 2018
Reserve for provisional seizure by the court, international card payment reserve, trust claim reserve and operating guaranty funds	\$ 1,183,000	869,100
Overseas branches required reserve of overdraft guarantee	62,979	64,544
Daylight overdraft guarantee (Certificates of deposit with the Central Bank)	2,000,000	2,000,000
Guarantee for borrowing US dollars	23,000,000	23,000,000
Guarantee for borrowing JPY dollars	200,000	200,000
Total	\$ 26,445,979	26,133,644

- The Bank assessed the impairment of investment in debt instruments at amortized cost as of December 31, 2019 and 2018. The changes in allowance for credit losses attribute to these financial assets were as follows:

	For the years ended December 31,	
	2019	2018
Beginning balance	\$ 93,128	-
Adjustments of initial application of IFRS 9	-	72,648
Beginning balance (according to IFRS 9)	93,128	72,648
(Reversal) Provision	(2,346)	19,934
Foreign exchange	(371)	546
Ending balance	\$ 90,411	93,128



4. Disposal gain(loss) on disposal investment in assets at amortized cost:

	For the year ended December 31, 2019	
	The carrying amount at the date of derecognition	Gain (Loss) on disposal
Overseas bonds	\$ 1,283,635	980

	For the year ended December 31, 2018	
	The carrying amount at the date of derecognition	Gain (Loss) on disposal
Overseas bonds	\$ 86,063	130

The Bank derecognized investment in financial assets measured at amortized cost due to the prepayment of the issuer of the financial asset measured at amortized cost and the increase of credit risk.

(I) Investment measured by equity method, net

Subsidiary	December 31, 2019		December 31, 2018	
	Amount	%	Amount	%
Investment measured by equity method				
Taiwan Business Bank Insurance Agency Co., Ltd. – initial investment \$2,000 thousand	\$ 330,606	100.00	394,480	100.00
Taiwan Business Bank Property Insurance Agency Co., Ltd. – initial investment \$3,000 thousand	15,885	100.00	15,421	100.00
TBB International Leasing Co., Ltd. – initial investment \$1,500,000 thousand	1,365,039	100.00	1,406,353	100.00
TBB (Cambodia) Microfinance Institution Plc – initial investment USD \$10,000 thousand	554,905	100.00	571,486	100.00
TBB Venture Capital Co., Ltd. – initial investment \$300,000 thousand	296,433	100.00	296,761	100.00
Total	\$ 2,562,868		2,684,501	

The Bank's share of profit of associates and joint ventures accounted for using equity method for the years ended December 31, 2019 and 2018 are \$312,280 and \$384,452 respectively.

The Bank received cash dividends of \$392,958 and \$355,800 from the investee companies for the years ended December 31, 2019 and 2018.

On August 30, 2018, the Bank invested NTD \$300,000 in 100% equity of TBB Venture Capital Co., Ltd., which was recognized as equity investment and completed the registration of establishment on September 7, 2018.

The board of directors of the Bank agreed on participating in the capital increase by cash of NTD\$300,000, on December 26, 2019 in subsidiary TBB Venture Capital Co., Ltd. The capital increase is fully acquired by the Bank, and the base date of the capital increase is set on January 7, 2020.

Pursuant to the resolution approved by the board of directors of the Bank on December 19, 2018, the Bank will merge subsidiaries Taiwan Business Bank Insurance Agency Co., Ltd and Taiwan Business Bank Property Insurance Agency Co., Ltd at January 2, 2020. The merger will be approved by The Ministry of Economic Affairs, R.O.C. by February 25, 2020.

The Bank has prepared consolidated financial statements for the years ended December 31, 2019 and 2018.

(J) Other financial assets

	December 31, 2019	December 31, 2018
Overdue receivable	\$ 105,829	105,200
Less: Allowance for bad debts, overdue receivable	(85,901)	(87,249)
Overdue receivable, net	19,928	17,951
Exchange bills negotiated	-	20
Total	\$ 19,928	17,971



The change in allowance for bad debts was as follows:

	For the years ended December 31,	
	2019	2018
Beginning balance (according to IAS39)	\$ 87,249	84,411
Adjustments of initial application of IFRS 9	-	4,714
Beginning balance (according to IFRS 9)	87,249	89,125
Reversal	(25,452)	(45,387)
Transfer in	24,238	44,688
Write-off	(22,009)	(26,368)
Write-off recovered	21,875	25,191
Ending balance	\$ 85,901	87,249

(K) Property and equipment, net

December 31, 2019	Cost	Revaluation increment	Accumulated depreciation	Accumulated impairment	Total
Land	\$ 6,737,960	2,986,161	-	14,031	9,710,090
Buildings	7,862,521	31,184	4,213,708	14,754	3,665,243
Machinery and equipment	2,329,934	-	1,836,224	-	493,710
Transportation equipment	279,687	-	240,266	-	39,421
Miscellaneous equipment	578,667	-	490,638	-	88,029
Leasehold improvements	138,572	-	66,884	-	71,688
Construction in progress	16,346	-	-	-	16,346
Prepayment for real estate	120	-	-	-	120
Prepayment for equipment	405,727	-	-	-	405,727
Total	\$ 18,349,534	3,017,345	6,847,720	28,785	14,490,374

December 31, 2018	Cost	Revaluation appreciation	Accumulated depreciation	Accumulated impairment	Total
Land	\$ 6,737,960	2,986,161	-	14,031	9,710,090
Buildings	7,824,415	31,184	4,027,738	14,754	3,813,107
Machinery and equipment	2,088,578	-	1,736,082	-	352,496
Transportation equipment	277,590	-	242,631	-	34,959
Miscellaneous equipment	576,240	-	489,708	-	86,532
Leasehold improvements	125,422	-	49,020	-	76,402
Construction in progress	31,065	-	-	-	31,065
Prepayment for equipment	171,807	-	-	-	171,807
Leased assets	75,518	-	53,451	-	22,067
Total	\$ 17,908,595	3,017,345	6,598,630	28,785	14,298,525

Change of cost

	January 1, 2019	Increase	Decrease	Foreign Exchange	December 31, 2019
Land	\$ 9,724,121	-	-	-	9,724,121
Buildings	7,855,599	38,106	-	-	7,893,705
Machinery and equipment	2,088,578	297,576	57,806	1,586	2,329,934
Transportation equipment	277,590	16,054	15,477	1,520	279,687
Miscellaneous equipment	576,240	25,568	22,682	(459)	578,667
Leasehold improvements	125,422	21,191	7,200	(841)	138,572
Construction in progress	31,065	1,179	15,898	-	16,346
Prepayment for real estate	-	120	-	-	120
Prepayment for equipment	171,807	292,324	57,797	(607)	405,727
Total	\$ 20,850,422	692,118	176,860	1,199	21,366,879

	January 1, 2018	Increase	Decrease	Foreign Exchange	December 31, 2018
Land	\$ 9,665,113	59,008	-	-	9,724,121
Buildings	7,730,578	125,021	-	-	7,855,599
Machinery and equipment	2,068,237	165,277	148,708	3,772	2,088,578
Transportation equipment	280,241	10,173	14,807	1,983	277,590
Miscellaneous equipment	587,084	23,248	35,395	1,303	576,240
Leasehold improvements	92,522	32,632	5,526	5,794	125,422
Construction in progress	17,726	70,300	56,961	-	31,065
Prepayment for real estate	98,799	-	98,799	-	-
Prepayment for equipment	56,593	132,835	17,776	155	171,807
Leased assets	74,596	1,540	624	6	75,518
Total	\$ 20,671,489	620,034	378,596	13,013	20,925,940

Change of depreciation

	January 1, 2019	Increase	Decrease	Foreign Exchange	December 31, 2019
Buildings	\$ 4,027,738	185,970	-	-	4,213,708
Machinery and equipment	1,736,082	158,694	57,364	(1,188)	1,836,224
Transportation equipment	242,631	12,432	15,345	548	240,266
Miscellaneous equipment	489,708	23,828	22,186	(712)	490,638
Leasehold improvements	49,020	25,802	7,200	(738)	66,884
Total	\$ 6,545,179	406,726	102,095	(2,090)	6,847,720

	January 1, 2018	Increase	Decrease	Foreign Exchange	December 31, 2018
Buildings	\$ 3,849,763	177,975	-	-	4,027,738
Machinery and equipment	1,757,858	125,273	148,018	969	1,736,082
Transportation equipment	243,801	13,393	14,555	(8)	242,631
Miscellaneous equipment	502,442	22,183	35,088	171	489,708
Leasehold improvements	29,222	21,178	5,425	4,045	49,020
Leased assets	42,845	11,226	624	4	53,451
Total	\$ 6,425,931	371,228	203,710	5,181	6,598,630

Accumulated impairment

	January 1, 2019	Increase	Decrease	Foreign Exchange	December 31, 2019
Land	\$ 14,031	-	-	-	14,031
Buildings	14,754	-	-	-	14,754
Total	\$ 28,785	-	-	-	28,785

	January 1, 2018	Increase	Decrease	Foreign Exchange	December 31, 2018
Land	\$ 14,031	-	-	-	14,031
Buildings	14,754	-	-	-	14,754
Total	\$ 28,785	-	-	-	28,785

When the Bank first adopted IFRSs, it elected to apply the revaluation amount calculated per the regulation of GAAP of R.O.C as the original cost on the transition date.

As of December 31, 2019 and 2018, the appreciation from revaluation of properties all amounted to \$3,017,345. Reserve for land incremental tax all amounted to \$879,056 (Recognized under deferred tax liabilities).

As of December 31, 2019 and 2018, land which was illegally occupied all amounted to \$5,496. Except for a portion of the land that was still under negotiation with the occupant; in addition, the Bank intends to participate in land auction, urban renewal or by other appropriate means in due course.



(L) Right-of-use assets, net

The Bank leases many assets including buildings, machinery and transportation equipment. Information about leases on costs, depreciation and impairment for which the Bank as a lessee is presented below:

December 31, 2019	Cost	Accumulated depreciation	Accumulated impairment	Total
Buildings	\$ 1,282,927	296,132	-	986,795
Machinery and equipment	74,915	64,743	-	10,172
Transportation equipment	56,885	20,699	-	36,186
Miscellaneous equipment	5,729	1,505	-	4,224
Total	<u>\$ 1,420,456</u>	<u>383,079</u>	<u>-</u>	<u>1,037,377</u>

Change of cost

	January 1, 2019	Increase	Decrease	Foreign Exchange	December 31, 2019
Buildings	\$ 839,963	530,584	85,636	(1,984)	1,282,927
Machinery and equipment	75,518	88	691	-	74,915
Transportation equipment	53,376	3,554	45	-	56,885
Miscellaneous equipment	3,456	2,521	248	-	5,729
Total	<u>\$ 972,313</u>	<u>536,747</u>	<u>86,620</u>	<u>(1,984)</u>	<u>1,420,456</u>

Change of depreciation

	January 1, 2019	Increase	Decrease	Foreign Exchange	December 31, 2019
Buildings	\$ -	380,866	84,042	(692)	296,132
Machinery and equipment	53,451	11,983	691	-	64,743
Transportation equipment	-	20,744	45	-	20,699
Miscellaneous equipment	-	1,753	248	-	1,505
Total	<u>\$ 53,451</u>	<u>415,346</u>	<u>85,026</u>	<u>(692)</u>	<u>383,079</u>

The Bank leases machinery classified as property and equipment under the finance lease for the year ended December 31, 2018, please refer to note (K).

(M) Other assets, net

	December 31, 2019	December 31, 2018
Office supplies	\$ 28,531	28,261
Prepayments	4,264,403	4,258,889
Operating guarantee deposits and settlement fund	30,066	31,011
Guarantee deposits paid	1,180,968	816,292
Deferred assets	9	16
Temporary payments and suspense accounts	-	85,632
Proceeds of settlement and margin trading	2,034	2,071
Total	<u>\$ 5,506,011</u>	<u>5,222,172</u>

(N) Deposits from the Central Bank and banks

	December 31, 2019	December 31, 2018
Deposits from the Central Bank	\$ 175,101	251,673
Due from the Central Bank	10,796,400	15,367,500
Deposits from banks	93,229	64,602
Call loans from banks	24,197,994	18,991,607
Overdrafts on banks	1,118,477	812,952
Deposits transferred from Chunghwa Post Co., Ltd.	68,412,411	55,826,209
Total	<u>\$ 104,793,612</u>	<u>91,314,543</u>

(O) Financial liabilities at fair value through profit or loss

	December 31, 2019	December 31, 2018
Financial liabilities designated at fair value through profit or loss:		
Financial debentures	\$ 8,949,182	9,162,841
Financial liabilities held for trading:		
Derivative instruments not used for hedging		
Foreign exchange forward contracts	13,364	11,546
Currency swap contracts	395,909	161,000
Foreign currency option-put	7,763	3,886
Interest rate contract	27,118	-
Total	<u>\$ 9,393,336</u>	<u>9,339,273</u>

Please refer to 6(S) for the information of financial liabilities designated at fair value through profit and loss.

Please refer to 6(C) for the nominal amount of unsettled financial derivatives instrument contracts of December 31, 2019 and 2018.

(P) Notes and bonds issued under repurchase agreement

Assets	December 31, 2019			
	Par value	Selling Price (Recognized in securities sold under repurchase agreements)	Designated repurchase amount	Designated repurchase date
Financial assets at fair value through other comprehensive income	\$ 784,600	868,581	869,623	Prior to May 8, 2020

Assets	December 31, 2018			
	Par value	Selling Price (Recognized in securities sold under repurchase agreements)	Designated repurchase amount	Designated repurchase date
Financial assets at fair value through other comprehensive income	1,628,596	1,657,706	1,660,551	Prior to June 14, 2019

(Q) Payables

	December 31, 2019	December 31, 2018
Accrued interest	\$ 2,622,411	2,183,207
Accounts payable	3,107,749	12,976,036
Acceptances	946,338	1,476,163
Accrued expenses	2,758,701	3,178,162
Collection payable	773,872	611,608
Deposits received from securities borrowers	101,709	103,529
Guaranteed price deposits received from securities borrowers	110,417	111,936
Accounts payable factoring	19,089	177,759
Spot exchange payable, foreign currencies	19,400,371	36,521,898
Other payables	825,924	896,129
Prices payable of securities sold for customers	319,966	377,826
Others	13,793	5,974
Total	<u>\$ 31,000,340</u>	<u>58,620,227</u>

(R) Deposits and remittances

	December 31, 2019	December 31, 2018
Savings deposits	\$ 642,739,224	617,461,408
Time deposits	405,968,222	341,748,092
Demand deposits	362,006,319	323,897,070
Checking account deposits	24,775,707	28,257,596
Remittances	306,198	573,379
Total	<u>\$ 1,435,795,670</u>	<u>1,311,937,545</u>

(S) Bank notes payable

Bonds	Terms of Transactions			Bond Issued		
	Issue date	Maturity date	Interest Rate & repayment	Type	Amount	
					December 31, 2019	December 31, 2018
2010-1P A	09/23/2010	None	The debentures bear annual interest rate which is the Chunghwa post's board average interest rate for 1-year time deposit plus 1.34% for the ten years after the issue date. The interest rate will be the Chunghwa post's board interest rate for 1-year time deposit plus 2.34% from the eleventh year. The debentures are redeemable per face value plus accrued interest at the interest payment date after ten years from the issue date under the consent of the competent authority.	Perpetual non-accumulated subordinated financial debentures	\$ 3,200,000	3,200,000
2010-1P B	09/23/2010	None	The debentures bear an interest rate of 3.05% for the first ten years after the issue date. The interest rate will be 4.05% from the eleventh year. The debentures are redeemable per face value plus accrued interest at the interest payment date after ten years from the issue date under the consent of the competent authority.	"	800,000	800,000
2013-1	03/25/2013	03/25/2020	The debentures bear an annual interest rate of 1.68%. Simple interest is accrued and paid annually. The principal will be repaid in full at maturity.	Unsecured subordinated long-term financial debentures	5,000,000	5,000,000
2013-2A	11/25/2013	11/25/2020	(A) The debentures bear annual interest rate, which is the index rate plus 0.52%. The index rate is the average offer of 90-days CP which is indicated in Reuter's page 6165 at 11 A.M Taipei time, 2 operation days prior to the interest commencement date. (B) Since January 1, 2015 according to various indicators of interest rate changes during the value date two business days before the pricing (FIXING) Bank of the Republic of China Business Association National Union RCAs website "Taipei fixing the financial sector call loan rate (TAIBOR)" three-month interest rate fixing. Simple interest rate is accrued four times a year and paid annually. The principal will be repaid in full at maturity.	Unsecured subordinated long-term financial debentures	3,100,000	3,100,000
2013-2B	11/25/2013	11/25/2020	The debentures bear an annual interest rate of 1.92%. Simple interest is accrued and paid annually. The principal will be repaid in full at maturity.	"	2,900,000	2,900,000
2015-1P	06/18/2015	None	The debentures bear an annual interest rate of 3.9%. Simple interest is accrued and paid annually. The debentures are redeemable per face value plus accrued interest at interest payment date after five years from the issued date under the consent of the competent authority.	Perpetual non-accumulated subordinated financial debentures	5,000,000	5,000,000
2015-2A	08/31/2015	08/31/2023	The debentures bear an annual interest rate of 2.05%. Simple interest is accrued and paid annually. The principal will be repaid in full at maturity.	Unsecured subordinated long-term financial debentures	4,700,000	4,700,000
2015-2B	08/31/2015	08/31/2025	The debentures bear an annual interest rate of 2.10%. Simple interest is accrued and paid annually. The principal will be repaid in full at maturity.	"	300,000	300,000
2016-1P	09/20/2016	None	The debentures bear an annual interest rate of 3.2%. Simple interest is accrued and paid annually. The debentures are redeemable per face value plus accrued interest at interest payment date after five years and three months from the issued date under the consent of the competent authority.	Perpetual non-accumulated subordinated financial debentures	8,000,000	8,000,000
2016-2	12/20/2016	12/20/2023	The debentures bear an annual interest rate of 1.40%. Simple interest is accrued and paid annually. The principal will be repaid in full at maturity.	Unsecured subordinated long-term financial debentures	2,700,000	2,700,000



Bonds	Terms of Transactions			Bond Issued		
	Issue date	Maturity date	Interest Rate & repayment	Type	Amount	
					December 31, 2019	December 31, 2018
2017-1A	03/28/2017	03/28/2024	The debentures bear an annual interest rate of 1.50%. Simple interest is accrued and paid annually. The principal will be repaid in full at maturity.	Unsecured subordinated long-term financial debentures	\$ 390,000	390,000
2017-1B	03/28/2017	03/28/2025	The debentures bear an annual interest rate of 1.60%. Simple interest is accrued and paid annually. The principal will be repaid in full at maturity.	"	250,000	250,000
2017-1C	03/28/2017	03/28/2027	The debentures bear an annual interest rate of 1.85%. Simple interest is accrued and paid annually. The principal will be repaid in full at maturity.	"	3,360,000	3,360,000
2017-2	05/23/2017	05/23/2027	The debentures bear an annual interest rate of 1.85%. Simple interest is accrued and paid annually. The principal will be repaid in full at maturity.	"	1,300,000	1,300,000
2018-1	01/05/2018	01/05/2021	The debentures bear an annual interest rate of 0.7%. Simple interest is accrued and paid annually. The principal will be repaid in full at maturity.	"	1,000,000	1,000,000
2018-2	08/20/2018	08/20/2028	The debentures bear an annual interest rate of 1.45%. Simple interest is accrued and paid annually. The principal will be repaid in full at maturity.	"	5,450,000	5,450,000
2019-1A	03/21/2019	03/21/2026	The debentures bear an annual interest rate of 1.20%. Simple interest is accrued and paid annually. The principal will be repaid in full at maturity.	"	1,000,000	-
2019-1B	03/21/2019	03/21/2029	The debentures bear an annual interest rate of 1.30%. Simple interest is accrued and paid annually. The principal will be repaid in full at maturity.	"	4,800,000	-
					<u>\$ 53,250,000</u>	<u>47,450,000</u>

The Bank issued \$120,000 thousands and \$180,000 thousands dollar-denominated debentures with call option that can be executed on strike price after five years from the issued date. Without executing call options during the periods of debentures, the principal will be repaid in full at maturity. In order to avoid interest risk, the Bank buys interest rate swap contracts that are classified as financial assets at fair value through profit or loss. To eliminate the measurement or recognition inconsistency between IRSs and debentures, the Bank classified the debentures into financial liabilities at fair value through profit or loss. The debentures are as follows:

Bonds	Terms of Transactions			Bond Issued		
	Issue date	Maturity date	Interest Rate & repayment	Type	Amount	
					December 31, 2019	December 31, 2018
2017-3	10/27/2017	10/27/2047	The zero-coupon debentures with call options can be executed on strike price after five years from the issued date. Without executing call options during the periods of debentures, the principal will be repaid in full at maturity.	Unsecured dollar-denominated senior financial debentures	\$ 3,598,800	3,688,200
2018-3	09/27/2018	09/27/2048	The zero-coupon debentures with call options can be executed on strike price after five years from the issued date. Without executing call options during the periods of debentures, the principal will be repaid in full at maturity.	"	5,398,200	5,532,300
				Valuation adjustment	(47,818)	(57,659)
					<u>\$ 8,949,182</u>	<u>9,162,841</u>



(T) Other financial liabilities

	December 31, 2019	December 31, 2018
Lease payable	\$ -	21,021
Cumulative earnings on appropriated loans fund	6,835,084	7,486,694
Total	<u>\$ 6,835,084</u>	<u>7,507,715</u>

Cumulative earnings on appropriated loan fund is the project contract signed by National Development Fund, Executive Yuan, Small and Medium Enterprise Administration, Ministry of Economic Affairs, and the Bank. The Bank appropriates the fund to the companies which meet the conditions for loans. The fund is classified as principal account, interest yielding account, loaned account and un-loaned account. These accounts are used for transferring accounts and paying the deposit interests for each project contract.

(U) Provisions

	December 31, 2019	December 31, 2018
Provision for guarantee liabilities	\$ 200,948	215,383
Provision for loan commitments	31,498	73,753
Provision for employee benefits	2,925,557	3,276,591
Total	<u>\$ 3,158,003</u>	<u>3,565,727</u>

Change of provision

	January 1, 2019	Increase	Decrease	Use	Foreign exchange	December 31, 2019
Provision for guarantee liabilities	\$ 215,383	-	14,340	-	(95)	200,948
Provision for loan commitments	73,753	-	42,171	-	(84)	31,498
Provision for employee benefits	3,276,591	217,584	490,438	78,180	-	2,925,557
Total	<u>\$ 3,565,727</u>	<u>217,584</u>	<u>546,949</u>	<u>78,180</u>	<u>(179)</u>	<u>3,158,003</u>

	January 1, 2018	IFRS 9 Adjustment	Increase	Decrease	Use	Foreign exchange	December 31, 2018
Provision for guarantee liabilities	\$ 156,523	-	58,710	-	-	150	215,383
Provision for loan commitments	-	47,265	26,637	-	-	(149)	73,753
Provision for employee benefits	3,358,828	-	444,090	453,021	73,306	-	3,276,591
Total	<u>\$ 3,515,351</u>	<u>47,265</u>	<u>529,437</u>	<u>453,021</u>	<u>73,306</u>	<u>1</u>	<u>3,565,727</u>

Please refer to Note 6(Z) for the information with regard to provision for employee benefits shown above.

(V) Lease liabilities

The carrying amount of lease liabilities were as follows:

	December 31, 2019
Less than one year	<u>\$ 356,015</u>
More than one year	<u>\$ 670,652</u>

For the maturity analysis, please refer to Note 6(AP) Financial Risk Information.

The amounts recognized in profit or loss were as follows:

	For the year ended December 31, 2019
Interest on lease liabilities	\$ 14,437
Expenses relating to short term leases	\$ 5,430
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ 13,462

The amounts recognized in the statement of cash flows was as follows:

	For the year ended December 31, 2019
Total cash outflow for leases	\$ 440,784

(a) Real estate leases

As of December 31, 2019, the Bank leases buildings for its office space. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

Some leases provide for additional rent payments that are based on changes in local price indices. Some also require the Bank to make payments that relate to the property taxes levied on the lessor and insurance payments made by the lessor; these amounts are generally determined monthly.

(b) Other leases

The Bank leases machinery and transportation equipment with lease terms of one to four years. In some cases, the Bank has options to purchase the assets at the end of the contract term; in other cases, it guarantees the residual value of the leased assets at the end of the contract term.

The Bank has elected not to recognize right-of-use assets and lease liabilities for leases of low value assets and short term.

(c) The lease liabilities were classified as finance lease liabilities on December 31, 2018.

(W) Other liabilities

	December 31, 2019	December 31, 2018
Advance interest receipts	\$ 5,231	10,717
Unearned revenue	178,112	154,386
Other advance receipts	81,934	150,376
Guarantee deposits received	1,244,857	766,567
Temporary receipts and suspense accounts	1,704,140	-
Others	3,727	4,209
Total	\$ 3,218,001	1,086,255

(X) Equity

(a) Common stock

As of December 31, 2019 and 2018, the Bank's authorized capital were \$80,000,000 and the paid-in capital for common shares of the Bank were \$71,319,842 and \$63,938,802, the face value of each share is NTD \$10. The outstanding shares were 7,131,985 and 6,393,881 thousand shares, respectively.

A resolution was passed during the regular shareholders' meetings held on June 14, 2019 for the issuance of ordinary shares for cash within a year under private placement, with the number of shares issued to not exceed 1,000,000 thousand. Subsequently, a resolution was passed during the board meeting held on August 19, 2019 for the issuance of 418,410 thousand ordinary shares under private placement at \$11.95 per share, amounting to \$5,000,000, August 30, 2019 as the record date of cash capital increase. The relevant statutory registration procedures have been completed.

The aforementioned private placement of ordinary shares and the transfer of any subsequently issuance bonus shares would be subject to section 43-8 requirements under the Securities and Exchange Act. The

Bank can only list these shares to be traded on the Taiwan Stock Exchange after a three year period has elapsed from the delivery date of the private placement securities (November 1, 2019), and after applying for a public offering with the Financial Supervisory Commission.

Pursuant to the resolution approved by the regular stockholders' meeting of the Bank on June 14, 2019, the Bank increased its capital from the retained earnings by \$3,196,940 and issued 319,694 thousand shares. The capital increase has been approved by Financial Supervisory Commission and came into effect on July 25, 2019. The record date of the capital increase is set on August 20, 2019. The Bank has completed the alteration of the registered capital amount on September 9, 2019.

Pursuant to the resolution approved by the regular stockholders' meeting of the Bank on June 29, 2018, the Bank increased its capital from the retained earnings by \$2,459,185 and issued 245,919 thousand shares. The capital increase has been approved by Financial Supervisory Commission and came into effect on August 10, 2018. The base date of the capital increase is set on September 12, 2018. The Bank has completed the alteration of the registered capital amount on September 21, 2018.

(b) Capital surplus

Sources and statement of the Bank's capital surplus were as follows:

	December 31, 2019	December 31, 2018
Additional paid-in capital	\$ 815,900	-

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends based on the shareholders' initial number of shares. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

(c) Earnings distribution and dividend policy

Under the Bank's Articles of Incorporation, earnings are used initially to pay for income taxes and restore cumulative losses, and 30% of the remaining earnings is set aside as legal reserve. Special reserve is appropriated from or reversed to earnings per other regulations. Add accumulated retained earnings from previous years as distributable dividends and the amount of dividends is resolved by the annual stockholders' meeting according to the proposal submitted by the Board of Directors.

In order to continuously expand scale and increase profitability, the Bank, based on the future capital budget plan, adopts residual dividend policy and primarily distributes stock dividend to ensure the capital is sufficient. When there is surplus of capital, the remaining capital can be distributed by cash dividend. Cash dividend shall not be lower than 10% of the total dividend distributed. If the cash dividend distributed per share is lower than NTD\$ 0.1, except for otherwise resolved by the shareholders' meeting, it is not distributed. If there is any situation conforms to that is regulated in article 44 item 1 of the Banking Act of the Republic of China, the Bank is not allowed to distribute earnings by cash or purchase shares outstanding. The maximum cash earning distribution is not allowed to be over 15% of the total paid in capital unless the legal reserve reaches the total paid-in capital.

In compliance with the Company Act, if the Company incurs no loss, under the consent of the shareholders' meeting, the Company is allowed to distribute new shares or cash dividends from legal reserve to the extent that the legal reserve issued is the surplus exceeding 25% of the paid in capital.

Under the Ruling No. 1010012865 issued on April 6, 2012 by the FSC, special reserve is appropriated from retained earnings based on the equivalent amounts of the contra accounts in equity. This special reserve may not be distributed as dividends to stockholders until the balances of these contra accounts in equity are reversed.

The Bank resolved the earning distribution for the earnings of 2018 and 2017 in the shareholders' meeting on June 14, 2019 and June 29, 2018, respectively. The dividends distributed were as follows:

	2018		2017	
	Distribution rate (NT dollar)	Amount	Distribution rate (NT dollar)	Amount
Dividends to common shareholders				
Stock dividends	\$ 0.50	3,196,940	0.40	2,459,185
Cash dividends	0.30	1,918,164	0.268	1,647,654
Total		<u>\$ 5,115,104</u>		<u>4,106,839</u>

(d) Other equity interest

	Unrealized gains from financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign financial statements	Total
January 1, 2019	\$ 3,447,786	(541,122)	2,906,664
Investment in debt instruments measured at fair value through other comprehensive income			
- Unrealized amount	1,351,243	-	1,351,243
- Realized amount	(205,435)	-	(205,435)
Foreign currency translation difference—Exchange difference	-	(321,744)	(321,744)
Disposal of investments in equity instruments measured at fair value through other comprehensive income	(52,427)	-	(52,427)
December 31, 2019	<u>\$ 4,541,167</u>	<u>(862,866)</u>	<u>3,678,301</u>

	Unrealized gains from financial assets measured at fair value through other comprehensive income	Unrealized gains and losses on available-for-sale financial assets	Exchange differences on translation of foreign financial statements	Total
January 1, 2018	\$ -	529,112	(835,340)	(306,228)
Effects of retrospective application of new standards	3,086,469	(529,112)		2,557,357
Balance at January 1, 2018 after adjustments	3,086,469	-	(835,340)	2,251,129
Investment in debt instruments measured at fair value through other comprehensive income				
- Unrealized amount	490,591	-	-	490,591
- Realized amount	(98,509)	-	-	(98,509)
Foreign currency translation difference—Exchange difference	-	-	294,218	294,218
Disposal of investments in equity instruments measured at fair value through other comprehensive income	(30,765)	-	-	(30,765)
December 31, 2018	<u>\$ 3,447,786</u>	<u>-</u>	<u>(541,122)</u>	<u>2,906,664</u>

(Y) Income taxes

(a) The income tax expenses were as follows:

	For the years ended December 31,	
	2019	2018
Current tax expense		
Current period	\$ 1,061,044	1,798,982
Adjustment for prior period	61,796	35,713
Additional surtax on undistributed retained earnings	17,803	-
	<u>1,140,643</u>	<u>1,834,695</u>
Deferred tax expense (income)		
Origination and reversal of temporary differences	99,262	(388,408)
Income tax expenses	<u>\$ 1,239,905</u>	<u>1,446,287</u>



(b) The income tax expenses (income) recognized under other comprehensive income were as follows:

	For the years ended December 31,	
	2019	2018
Items that will not be reclassified subsequently to profit or loss:		
Remeasurements of defined benefit plans	\$ 5,899	(71,895)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign financial statements	\$ (73,641)	40,857
Unrealized gains (losses) on valuation of financial assets measured at fair value through other comprehensive income	7,698	(580)
	<u>\$ (65,943)</u>	<u>40,277</u>

The reconciliation between the income tax expense and income from continuing operation before tax of the Bank for 2019 and 2018 is as follows:

	For the years ended December 31,	
	2019	2018
Income tax compute on income from continuing operation before tax	\$ 1,594,832	1,817,366
Cessation tax of gains derived from the securities transactions	(14,615)	(5,131)
Net income from offshore banking unit	(244,523)	(212,852)
Revaluation losses on financial assets and liabilities measured at fair value through profit or loss	(66,445)	(14,420)
Cash Dividend	(82,357)	(56,743)
Share of profit (loss) of Associated and joint ventures accounted for using equity method	(62,456)	(76,890)
Non-deductible expense	612	-
Adjustment in tax rate	-	(147,326)
Overseas branch income tax expenses	35,258	106,570
Surtax on undistributed retained earnings	17,803	-
Underestimate prior income tax expense	61,796	35,713
Income tax expense	<u>\$ 1,239,905</u>	<u>1,446,287</u>

(c) Changes in deferred tax assets and liabilities of the Bank are as follows:

	For the year ended December 31, 2019				
	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Others	Ending balance
Temporary difference					
Deferred tax assets resulted from allowance for bad debts exceeding the limit regulated in Tax Law	\$ 726,855	(48,589)	-	-	678,266
Loss on assets impairment	53,562	3,266	-	-	56,828
Reserve for employee benefit liabilities	442,985	(57,352)	-	-	385,633
Land value increment tax	(879,056)	-	-	-	(879,056)
Exchange differences from the translation of financial statements of foreign operations	118,893	-	73,641	-	192,534
Unrealized loss on valuation of financial assets measured at fair value through other comprehensive income	(1,682)	-	(7,698)	-	(9,380)
Actuarial gains and losses	281,076	-	(5,899)	-	275,177
Others	-	3,413	-	-	3,413
Net deferred tax assets (liabilities)	<u>\$ 742,633</u>	<u>(99,262)</u>	<u>60,044</u>	<u>-</u>	<u>703,415</u>
The information stated on the balance sheet is as follows:					
Deferred tax assets	<u>\$ 1,623,371</u>				<u>1,591,851</u>
Deferred tax liabilities	<u>\$ 880,738</u>				<u>888,436</u>

	For the year ended December 31, 2018				
	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Others	Ending balance
Temporary difference					
Deferred tax assets resulted from allowance for bad debts exceeding the limit regulated in Tax Law	\$ 380,249	346,606	-	-	726,855
Loss on assets impairment	40,593	12,823	-	146	53,562
Reserve for employee benefit liabilities	414,006	28,979	-	-	442,985
Land value increment tax	(879,056)	-	-	-	(879,056)
Exchange differences from the translation of financial statements of foreign operations	159,750	-	(40,857)	-	118,893
Unrealized loss on valuation of financial assets measured at fair value through other comprehensive income	(2,262)	-	580	-	(1,682)
Actuarial gains and losses	209,181	-	71,895	-	281,076
Net deferred tax assets (liabilities)	<u>\$ 322,461</u>	<u>388,408</u>	<u>31,618</u>	<u>146</u>	<u>742,633</u>
The information stated on the balance sheet is as follows:					
Deferred tax assets	<u>\$ 1,203,779</u>				<u>1,623,371</u>
Deferred tax liabilities	<u>\$ 881,318</u>				<u>880,738</u>

(d) Uncertainty over income tax treatments.

For tax returns that have not yet been assessed, the Bank has assessed relevant factors, including relevant IFRIC interpretations and historical experience, and believe that sufficient income tax liabilities have been estimated.

(e) The Bank's income tax returns through 2017 have been assessed by the Tax Authority.

(Z) Provision for employee benefit

As of December 31, 2019 and 2018, the balance of provision for employee benefit of the Bank and subsidiaries were as follows:

	December 31, 2019	December 31, 2018
Defined benefit plan	\$ 2,022,067	2,406,353
Employee deposits with favorable rate	903,490	870,238
	<u>\$ 2,925,557</u>	<u>3,276,591</u>

(a) Defined benefit plan

The reconciliation between the present value of defined benefit obligation and the fair value of defined benefit plan assets of the Bank as follows:

	December 31, 2019	December 31, 2018
Present value of defined benefit obligation	\$ 7,177,326	7,385,323
Less: Fair value of defined benefit plan assets	(5,155,259)	(4,978,970)
	<u>\$ 2,022,067</u>	<u>2,406,353</u>

The Bank makes defined benefit plan contributions to the pension fund account at Bank of Taiwan that provides pensions for employees upon retirement. The plans (covered by the Labour Standards Act) entitle a retired employee to receive an annual payment based on years of service and average salary for the six months prior to retirement.

(1) Composition of plan assets

The Bank allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Labour

Pension Fund Supervisory Committee. With regard to the utilization of the funds, minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with interest rates offered by local banks.

The Bank of Taiwan labor pension reserve account balance for the Bank amounted to \$5,155,259 and \$4,978,970 on December 31, 2019 and 2018. For information on the utilization of the labor pension fund assets including the asset allocation and yield rate of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

(2) Changes in the present value of defined benefit obligations

The changes in the present value of defined benefit obligations of the Bank were as follows:

	For the years ended December 31,	
	2019	2018
Defined benefit obligation on January 1	\$ 7,385,323	7,260,197
Current service cost and interest	258,070	268,958
Remeasurements of the net defined benefit liability		
– Actuarial loss on experience adjustment	35,900	261,683
– Actuarial loss on financial assumptions changed	117,062	61,966
Benefits paid by the plan	(619,029)	(467,481)
Defined benefit obligation on December 31	<u>\$ 7,177,326</u>	<u>7,385,323</u>

(3) Changes in the fair value of defined benefit plan assets

The changes in the fair value of defined benefit plan assets of the Bank were as follows:

	For the years ended December 31,	
	2019	2018
Fair value of plan assets on January 1	\$ 4,978,970	4,724,477
Interest income	44,245	46,905
Remeasurements of the net defined benefit liability		
– Return on plan assets (excluded of current interest)	182,455	148,742
Contributions made	568,618	526,327
Benefits paid by the plan	(619,029)	(467,481)
Fair value of plan assets on December 31	<u>\$ 5,155,259</u>	<u>4,978,970</u>

(4) Expenses recognized in profit or loss

The expenses recognized in profit or loss of the Bank were as follows:

	For the years ended December 31,	
	2019	2018
Current service costs	\$ 193,360	198,096
Net interest on the net defined benefit liability	20,465	23,957
	<u>\$ 213,825</u>	<u>222,053</u>

(5) Remeasurements of the net defined benefit liability recognized in other comprehensive income

Remeasurements of the net defined benefit liability recognized in other comprehensive income for the years ended December 31, 2019 and 2018 were as follows:

	For the years ended December 31,	
	2019	2018
Amount on January 1	\$ 1,405,382	1,230,475
Recognized during the period	(29,493)	174,907
Amount on December 31	<u>\$ 1,375,889</u>	<u>1,405,382</u>

(6) Actuarial assumptions

The material actuarial assumptions used to determine present value of a defined benefit obligation on the reporting date as follow:

	For the years ended December 31,	
	2019	2018
Discount rate	0.70%	0.90%
Future salary increase rate	1.50%	1.50%

The expected allocation payment made by the Bank to the defined benefit plans in the one year period after the reporting dates is \$270,000.

The weighted average duration of defined benefit plans is 8 years.

(7) Sensitivity analysis

The effects of changes in major actuarial assumptions adopted in defined benefit obligation on December 31, 2019 and 2018 were as follows:

	Influence of defined benefit plan obligation	
	Increase 0.25%	Decrease 0.25%
December 31, 2019		
Discount rate (Change 0.25%)	(2.03)%	2.10 %
Future salary increase rate (Change 0.25%)	2.01 %	(1.96)%
	Influence of defined benefit plan obligation	
	Increase 0.25%	Decrease 0.25%
December 31, 2018		
Discount rate (Change 0.25%)	(2.08)%	2.15 %
Future salary increase rate (Change 0.25%)	2.06 %	(2.01)%

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets. There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2019 and 2018.

(b) Defined contribution plan

The Bank allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Bank allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation. Employees based abroad are contributed in accordance with the local government's regulations.

The pension costs incurred from the contributions to the Bureau of the Labor Insurance amounted to \$133,369 and \$113,323 for the years ended December 31, 2019 and 2018, respectively.

(c) Employee deposit with favorable rate

	December 31, 2019	December 31, 2018
Present value of defined benefit obligation	\$ 903,490	870,238
Less: Fair value of defined benefit plan assets	-	-
Net defined benefit liability	<u>\$ 903,490</u>	<u>870,238</u>

The Bank conducted the obligation of time deposit with favorable rate for retired and current employees based on the internal regulation "Saving Deposits for Employees".

(1) Changes in the present value of defined benefit obligations

Changes in the present value of defined benefit obligations of the Bank for the years ended December 31, 2019 and 2018, were as follows:



	For the years ended December 31,	
	2019	2018
Defined benefit obligation on January 1	\$ 870,238	823,108
Interest cost	32,938	31,128
Remeasurements of the net defined benefit liability		
-current actuarial gains and losses	190,460	199,223
Benefits paid by the plan	(190,146)	(183,221)
Defined benefit obligation on December 31	<u>\$ 903,490</u>	<u>870,238</u>

(2) Changes in fair value of defined benefit plan assets

The changes in the present value of the defined plan assets of the Bank were as follows:

	For the years ended December 31,	
	2019	2018
Fair value of plan assets on January 1	\$ -	-
Contributions made	190,146	183,221
Benefits paid by the plan	(190,146)	(183,221)
Fair value of plan assets on December 31	<u>\$ -</u>	<u>-</u>

(3) Expenses recognized in profit or loss

The expenses recognized in profit or loss of the Bank were as follows:

	For the years ended December 31,	
	2019	2018
Net interest on the net defined benefit liability	<u>\$ 223,398</u>	<u>230,351</u>

(4) Actuarial assumption

The material actuarial assumptions used to determine present value of a defined benefit obligation on the reporting date were as follow:

	December 31, 2019	December 31, 2018
Discount rate of employee deposit with favorable rate	4.00%	4.00%
Rate of return for capital deposited	2.00%	2.00%
Annual diminishing rate of account balance	1.00%	1.00%
Possibility that employee deposit with favorable rate be modified	50.00%	50.00%

(AA) Earnings per share

	For the years ended December 31,	
	2019	2018
Net income	<u>\$ 6,734,253</u>	<u>7,640,542</u>
Weighted average number of common stock shares outstanding (in thousands) (Note 1)	<u>6,855,719</u>	<u>6,713,575</u>
Basic earnings per shares (in dollars)	<u>\$ 0.98</u>	<u>1.14</u>
Dilutive potential common shares (in thousands) (Note 1,2)	<u>30,527</u>	<u>59,220</u>
Weighted average number of shares outstanding for diluted EPS (in thousands) (Note 1)	<u>6,886,246</u>	<u>6,772,795</u>
Diluted earnings per shares (in dollars)	<u>\$ 0.98</u>	<u>1.13</u>

Note 1: The earnings per share for the year ended December 31, 2018 has applied retrospective adjustments.

Note 2: The shares were calculated based on the stock price on the balance sheet date.

(AB) Employees and directors' remuneration

In accordance with the articles of incorporation the Bank should contribute 1% to 6% of the profit as employee compensation and less than 0.6% as directors' remuneration when there is profit for the year. However, if the Bank has accumulated deficits, the profit should be reserved to offset the deficit.

For the years ended December 31, 2019 and 2018, the estimated employees remuneration were \$384,639 and \$583,736, and the estimated directors' remuneration were \$50,456 and \$58,374, the estimates are based on pre-tax net profit for the period, before deducting employees and directors' remuneration, multiplied by the elaboration of the Bank's Articles of Association of employees and the directors remuneration ratio, and recognized as operating cost. If the board's meeting decides to release stock dividends as employee's bonuses, the total number of employees bonus stocks to be issued shall be determined by the common stock closing price of the day before the meeting date.

The amounts, as stated in the financial statements are identical to those of the actual distributions for 2018. Related information would be available at the Market Observation Post System website.

(AC) Net interest income

	For the years ended December 31,	
	2019	2018
Interest income:		
Loans	\$ 7,614,716	7,129,577
Secured loans	15,546,779	14,787,842
Bills negotiated	5,837	8,407
Bank overdrafts	20,559	19,681
Discounts	40,582	53,987
Time deposit from Central Bank	1,027,935	840,039
Due from the Central Bank	142,115	146,512
Call loans to banks	1,045,536	1,189,729
Bonds	2,914,954	2,389,890
International credit card	54,275	56,566
Overdue loans	141,027	462,029
Bills	81,463	92,561
Due from Banks	443,699	802,589
Others	191,472	177,446
Subtotal	29,270,949	28,156,855
Interest expense:		
Deposits	10,207,040	9,313,624
Deposits from banks	200	32
Call loans from banks	1,030,771	752,941
Financial debentures	1,108,192	1,000,882
Notes and bond issued under repurchase agreement	14,042	8,373
Others	24,318	6,617
Subtotal	12,384,563	11,082,469
Total	\$ 16,886,386	17,074,386

(AD) Net service fee revenue

	For the years ended December 31,	
	2019	2018
Service fee income:		
Remittance service fee	\$ 84,379	92,242
Import bills negotiated service fee	50,220	62,266
Export bills negotiated service fee	15,477	20,612
Letter of credit service fee	8,715	11,608
Certification service fee	2,481	3,043



	For the years ended December 31,	
	2019	2018
Acceptance service fee	\$ 2,022	3,008
Trust service fee	555,679	466,666
Guarantee service fee	211,914	159,768
Agency service fee	94,169	94,217
Interbank service fee	77,895	64,964
Card service fee	145,666	138,025
Commission revenue of insurance premium	1,013,202	1,241,947
Custodian service fee	168,961	165,568
Foreign currency service fee	103,059	102,854
Commission of futures	4,582	7,423
Loan service fee	685,756	579,224
Miscellaneous fees	145,661	129,941
Subtotal	3,369,838	3,343,376
Service fee expense:		
Foreign currency service fee	38,901	34,447
Interbank service fee	146,266	132,635
Trust service fee	1,794	2,012
Agency service fee	2,136	2,446
IC card service fee	71,736	69,856
Check clearing service fee	9,847	10,212
Remittance service fee	4,817	4,661
Custodian service fee	52,219	47,478
Call loans service fee	11,413	3,302
Futures option fee	288	-
Miscellaneous fees	16,925	23,385
Subtotal	356,342	330,434
Total	\$ 3,013,496	3,012,942

(AE) Gain (loss) on financial assets and liabilities measured at fair value through profit or loss

	For the years ended December 31,	
	2019	2018
Valuation gains (losses):		
Government bonds	\$ 5,174	-
Corporate bonds	(3,666)	3,789
Financial debentures	(440,883)	(156,566)
Listed stocks	9,564	(1,353)
Beneficiary certificates	4,579	(3,970)
Private fund	(1,850)	-
Commercial paper	(3,026)	335
Derivative financial instruments	327,073	(21,625)
Subtotal	(103,035)	(179,390)
Disposal gains (losses):		
Government bonds	13,699	240
Corporate bonds	1,589	-
Financial debentures	17,250	-
Listed stocks	13,455	(36,698)
Beneficiary certificates	700	(40,638)
Commercial paper	15	-
Derivative financial instruments	1,219,809	1,253,559
Subtotal	1,266,517	1,176,463
Dividend revenue	3,302	7,377
Interest income	166,271	24,730
Total	\$ 1,333,055	1,029,180

(AF) Realized gain on financial assets at fair value through other comprehensive income

	For the years ended December 31,	
	2019	2018
Gain on disposal of government bonds	\$ 203,348	96,020
Gain on disposal of corporate bonds	2,381	2,224
(Loss) Gain on disposal of financial debentures	(294)	265
Dividend revenue	408,485	276,340
Total	<u>\$ 613,920</u>	<u>374,849</u>

(AG) (Impairment loss on assets) reversal of impairment loss on assets

	For the years ended December 31,	
	2019	2018
Investment in debt instrument measured at fair value through other comprehensive income	\$ (18,676)	(8,363)
Investment in debt instrument measured at amortized cost	2,346	(19,934)
Total	<u>\$ (16,330)</u>	<u>(28,297)</u>

(AH) Share of profit (loss) of associates and joint ventures accounted for using equity method

	For the years ended December 31,	
	2019	2018
Investment income-Taiwan Business Bank Insurance Agency Co., Ltd.	\$ 320,605	384,479
Investment income-Taiwan Business Bank Property Insurance Agency Co., Ltd.	8,943	9,422
Investment income-TBB International Leasing Co., Ltd.	(14,133)	22,722
Investment income-TBB (Cambodia) Microfinance Institution Plc	(2,807)	(28,932)
Investment income-TBB Venture Capital Co., Ltd.	(328)	(3,239)
Total	<u>\$ 312,280</u>	<u>384,452</u>

(AI) Net other revenue other than interest income

	For the years ended December 31,	
	2019	2018
Rental revenue of operating assets	\$ 13,151	12,622
Rental expense of operating assets	(1,869)	(1,836)
Loss on disposal and retirement of property and equipment	(693)	(1,155)
Loss of account error	(78)	(137)
Gold deposit book	2,056	3,392
Other operating expense	(55,756)	(37,432)
Other miscellaneous income	160,522	123,889
Total	<u>\$ 117,333</u>	<u>99,343</u>

(AJ) Other miscellaneous revenue

	For the years ended December 31,	
	2019	2018
Overpaid business tax returned	<u>\$ 138,999</u>	<u>-</u>

**(AK) Bad debts expenses, commitment and guarantee liability provision**

	For the years ended December 31,	
	2019	2018
Discounted and loans	\$ 2,422,135	704,605
Call loans to banks	15,850	9,449
Receivables and other financial assets	(31,994)	(53,631)
Subtotal	2,405,991	660,423
Provision for guarantee liabilities	(14,340)	58,710
Provision for loan commitments	(42,171)	26,637
Total	\$ 2,349,480	745,770

(AL) Employee benefit expenses

	For the years ended December 31,	
	2019	2018
Salary expense	\$ 6,478,608	6,786,477
Labor and health insurance	480,532	441,846
Pension expense	346,440	335,376
Director's remuneration	63,766	66,655
Other employee benefits	596,264	546,264
Total	\$ 7,965,610	8,176,618

(AM) Depreciation and amortization expense

	For the years ended December 31,	
	2019	2018
Depreciation		
Property and equipment	\$ 406,726	370,604
Right-of-use assets	415,346	-
Amortization		
Computer software	124,260	98,141
Other deferred charges	2	20
Total	\$ 946,334	468,765

(AN) Other general and administrative expense

	For the years ended December 31,	
	2019	2018
Compensation loss	\$ 193	704
Utilities fee	94,190	92,134
Postage and telecommunication	173,365	173,983
Transportation fee	43,613	44,771
Printing and advertisement fee	163,374	236,263
Repair and maintenance fee	39,583	47,339
Insurance fee	331,439	372,522
Professional service fee	248,706	326,411
Materials and supplies	145,856	74,239
Rental expenses and repair costs	308,880	715,818
Duties and levies	1,310,032	1,330,640
Membership, donation and partaking	536,858	525,054
Storage, packing and processing	44,055	60,351
Cash transit	93,887	94,094
Others	69,252	74,677
Total	\$ 3,603,283	4,169,000

(AO) Financial Instruments

(a) Fair value information

(1) General description

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The financial instruments are record as fair value when original recognizing, usually refer to the transaction price in many circumstances. Except some amortized cost financial instruments, the financial instruments are measured in fair value. A quoted market price in an active market provides the most reliable evidence of fair value. If financial instruments are without active market, the Bank adopted the value technique, refer to Bloomberg, Reuters or the price at which the asset could be bought or sold in a current transaction between willing parties.

(2) The definition of fair value hierarchy

A. Level 1

The input of this level is quoted prices in active markets for identical financial instruments. The active market is a market in which transactions for the homogenous assets or liabilities take place with sufficient frequency and volume to provide pricing information. The stock of listed company and the beneficiary certificates, government bonds and the derivative financial instruments with public quote inactive market processed by the Bank belong to the Level 1.

B. Level 2

The input of this level is other than quoted market prices included within the Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). The investments with lower trade volume such as government bonds, corporate bonds, financial debentures, convertible corporate bonds and derivative instruments, including financial debentures the Bank issued are belong to the Level 2.

C. Level 3

The input is unobservable for the asset or liability in market or counterparty prices. Unobservable inputs like: Option pricing model using the historical volatility. Because the historical volatility cannot represent the future volatility expected value of whole market participants. The input parameter used to measure the fair value of this level is not based on data that can be obtained in the market but using a combination of complex market prices to estimate their values. The assets have been categorized as a Level 3, due to their fair market value cannot be directly calculated. The equity instruments with no active market which the Bank invested are Level 3.

(3) Based on fair value measurement

A. The fair value hierarchy of information

The financial instruments which are record as fair value measure on an ongoing basis, the fair value hierarchy of information were as follows:



Assets and Liabilities	December 31, 2019			
	Total	Level 1	Level 2	Level 3
Instruments measured at fair value on a recurring basis				
Non-derivative financial assets and liabilities:				
Financial assets at fair value through profit or loss				
Financial assets at fair value through profit or loss, mandatorily measured at fair value				
Security Investments	\$ 178,867	178,867	-	-
Bond Investments	4,230,927	4,230,927	-	-
Others	21,146,055	60,740	21,037,165	48,150
Financial assets designated at fair value through profit or loss	120,240	-	120,240	-
Financial assets at fair value through other comprehensive income				
Security Investments	11,304,129	7,149,992	-	4,154,137
Bond Investments	91,243,211	66,578,857	24,664,354	-
Others	49,804	49,804	-	-
Financial liabilities at fair value through profit or loss				
Financial liabilities designated at fair value through profit or loss	8,949,182	-	8,949,182	-
Derivative financial assets and liabilities				
Assets:				
Financial assets at fair value through profit or loss	\$ 950,796	65,784	885,012	-
Liabilities:				
Financial liabilities at fair value through profit or loss	444,154	-	444,154	-

Assets and Liabilities	December 31, 2018			
	Total	Level 1	Level 2	Level 3
Instruments measured at fair value on a recurring basis				
Non-derivative financial assets and liabilities:				
Financial assets at fair value through profit or loss				
Financial assets at fair value through profit or loss, mandatorily measure at fair value				
Security Investments	\$ 48,910	48,910	-	-
Others	4,648,297	17,080	4,581,217	50,000
Financial assets designated at fair value through profit or loss	1,909,707	-	1,909,707	-
Financial assets at fair value through other comprehensive income				
Security Investments	7,712,641	3,500,614	-	4,212,027
Bond Investments	65,408,058	53,643,189	11,764,869	-
Other	43,502	43,502	-	-
Financial liabilities at fair value through profit or loss				
Financial liabilities designated at fair value through profit or loss	9,162,841	-	9,162,841	-
Derivative financial assets and liabilities				
Assets:				
Financial assets at fair value through profit or loss	\$ 327,690	-	327,690	-
Liabilities:				
Financial liabilities at fair value through profit or loss	176,432	-	176,432	-

B. Valuation techniques used in estimating the fair values of financial instruments

If the financial instruments have quoted price in an active market, the quoted price is regarded as its fair value.

If the financial instruments of quoted price, which are from the Stock Exchange, Brokers, Pricing service agencies or Government institutions, are timely and frequently, and reflects the actual price, then the financial instruments have a quoted price in an active market. If the above conditions are not fulfilled, the market is inactive.

Except for the above financial instruments of quoted price in an active market, there is no quoted price in an active market for the financial asset, its fair value is estimated on the basis of the result of a valuation technique that refers to quoted prices considered the identical financial instrument with same characteristics and essential terms of transaction, Discounted-Cash-Flow model and other valuation techniques including the model using market information to be made of the calculation at the balance sheet date (e.g. Taipei Exchange reference yield curve, Reuters quoted the average commercial paper rate, the Taipei Financial industry call loan rate fixing TAIBOR).

The financial asset's fair value is estimated on the basis of the result of a valuation technique, the Bank adopted that refers to quoted prices provided by financial institutions. Ask (bid) is used to evaluate the selling (buying) position by the Bank if the quoted price include ask and bid price. If there is not a quoted price for the financial asset, transaction price close to the balance sheet date is the fair value.

Fair value of financial derivatives is the amount of cash to be paid or to be received by the Bank, assuming that the contract will be terminated on the balance sheet date. The Bank and subsidiaries adopts mark-to-model prices which are usually adopted among the banking industry, such as Discounted-Cash-Flow model and Black-Scholes model. The Bank adopts the price data from Reuters and Bloomberg to calculate the fair value of the holding position. The aforesaid price data is based upon the middle price and used consistently by the Bank. Furthermore, the fair value of the embedded financial derivatives are calculated based upon the quote from the counterparty, and separately calculated in accordance with the contracts.

C. Adjustment for fair value

a. The restraint of evaluation model and uncertain inputs

The estimates of output-based value using the evaluation model, which may not reflect the Bank's all related factors. Therefore, the estimated value of the evaluation model will be appropriately adjusted according to the extra parameters such as model risk or liquidity risk. Information and price parameters used in the evaluation process after careful assessment, and appropriately adjusted according to the current market situation.

b. Credit risk value adjustment

The Bank's credit risk value adjustment of OTC transaction derivative instruments can be divided to Credit value adjustments (CVA) and debit value adjustments (DVA). To reflect the fair value of the counterparty or the default, and the Bank may not be received or paid full market value of trading possibilities.

The Bank would calculate credit valuation adjustment (CVA) by assessing probability of default (PD) and loss given default (LGD) of the counterparty before multiplying exposure at default (EAD) of the counterparty. On the contrary, debit valuation adjustment (DVA).

The Bank assess the probability of default on the assumption of 60%, but at the risk of the nature and circumstances of available data, we may use other loss given default assumptions.



D. Transfers between Level 1 and Level 2

There were no transfers between Level 1 and Level 2 for the years ended December 31, 2019 and 2018.

E. Changes in financial assets which were classified to Level 3 based on fair value measurement

Changes of financial assets categorized in Level 3:

Name	For the year ended December 31, 2019							
	Beginning balance	Valuation profit and loss		Increase		Decrease		Ending balance
		Recognized in profit or loss	Recognized in other comprehensive income	Purchase or issue	Transfer in of Level 3	Sale Disposition or Settlement	Transfer out of Level 3	
Financial assets at fair value through profit or loss	\$ 50,000	(1,850)	-	-	-	-	-	48,150
Investments in equity instruments measured at fair value through other comprehensive income	4,212,027	-	(57,890)	-	-	-	-	4,154,137

Name	For the year ended December 31, 2018							Ending balance
	Beginning balance	Valuation profit and loss		Increase		Decrease		
		Recognized in profit or loss	Recognized in other comprehensive income	Purchase or issue	Transfer in of Level 3	Sale Disposition or Settlement	Transfer out of Level 3	
Financial assets at fair value through profit or loss	\$ -	-	-	50,000	-	-	-	50,000
Investments in equity instruments measured at fair value through other comprehensive income (Note)	4,416,710	-	(65,522)	38,139	-	177,300	-	4,212,027

Note: The equity instruments amounted to \$4,416,710 previously classified as other financial assets earned at cost were switched from IAS39 to IFRS 9.

F. Profit and loss information of Level 3

Current gain (loss) and other comprehensive income of holding assets are as follow:

	For the years ended December 31,	
	2019	2018
Recognized on profit and loss (reported as unrealized gain (loss) from investments instruments measured at fair value through profit and loss)	(1,850)	-
Recognized on other comprehensive income (reported as unrealized gain (loss) from investments instruments measured at fair value through other comprehensive income)	(57,890)	(65,522)

G. Quantified information of the fair value measurement of significant unobservable inputs (Level 3)

The Bank's financial instruments that use the Level 3 inputs to measure fair value include "financial assets at fair value through profit or loss" and "financial assets at fair value through other comprehensive income". Without active market quotation, the Bank take professional financial information vendors and widely used by market participants for evaluation or counterparty quotation as reference. The unobservable inputs are as follows:

	December 31, 2019				
	fair value	valuation methods	significant unobservable inputs	range	inter-relationship between inputs and fair value measurement
Financial asset at fair value through profit or loss					
Private fund	\$ 48,150	assets approach	net asset	inapplicable	The higher net asset, the higher fair value.
Financial asset at fair value through other comprehensive income					
Unlisted stocks	\$ 4,154,137	market approach assets approach	liquidity discount	4.05%~39.97%	The higher market liquidity discount, the lower fair value.
		income approach	sustainable growth rate	-0.3%~1.34%	The higher sustainable growth rate, the higher fair value.
			cost of equity	5.61%~14.88%	The higher rate of cost of equity, the lower fair value.

	December 31, 2018				
	fair value	valuation methods	significant unobservable inputs	range	inter-relationship between inputs and fair value measurement
Financial asset at fair value through other comprehensive income					
Unlisted stocks	\$ 4,212,027	market approach assets approach	liquidity discount	4.00%~40.05%	The higher market liquidity discount, the lower fair value.
		income approach	sustainable growth rate	-0.30%~1.37%	The higher sustainable growth rate, the higher fair value.
			cost of equity	4.16%~10.16%	The higher rate of cost of equity, the lower fair value.

H. Sensitivity analysis of reasonably possible alternative assumptions for fair value measurement in Level 3.

Valuation techniques used by the Bank for fair value measurements of financial instruments are appropriate. However, the use of different valuation models or inputs could lead to different outcomes of fair value measurements. The following are the impact on the other comprehensive profit and loss if using different assumptions:

a. Asset approach/ Market approach

The evaluation methods of the Level 3 financial instruments of the Bank are mainly based on the market approach or the asset approach. If the liquidity discount changes by 5% upwards or downwards, the impact on the other comprehensive profit and loss is as follows:



	the effects to other comprehensive income	
	Favorable changes(-5%)	Unfavorable changes(5%)
December 31, 2019		
Financial assets at fair value through other comprehensive income		
Unlisted stocks	\$ 242,309	(242,309)

	the effects to other comprehensive income	
	Favorable changes(-5%)	Unfavorable changes(5%)
December 31, 2018		
Financial assets at fair value through other comprehensive income		
Unlisted stocks	\$ 240,675	(240,675)

b. Income approach

Adopting the income approach to evaluate Level 3 financial instruments of the Bank. The evaluation parameters are divided into sustainable growth rate and cost of equity capital. The effects of the two evaluation parameters on the other comprehensive profit and loss are as follows:

1) sustainable growth rate

	the effects to other comprehensive income	
	Favorable changes (0.3%)	Unfavorable changes (-0.3%)
December 31, 2019		
Financial assets at fair value through other comprehensive income		
Unlisted stocks	\$ 5,154	(4,709)

	the effects to other comprehensive income	
	Favorable changes (0.3%)	Unfavorable changes (-0.3%)
December 31, 2018		
Financial assets at fair value through other comprehensive income		
Unlisted stocks	\$ 8,464	(7,720)

2) cost of equity

	the effects to other comprehensive income	
	Favorable changes (-3%)	Unfavorable changes (3%)
December 31, 2019		
Financial assets at fair value through other comprehensive income		
Unlisted stocks	\$ 104,670	(43,331)

	the effects to other comprehensive income	
	Favorable changes (-3%)	Unfavorable changes (3%)
December 31, 2018		
Financial assets at fair value through other comprehensive income		
Unlisted stocks	\$ 196,452	(64,402)

The favorable and unfavorable effects represent the changes in fair value, and fair value is based on a variety of unobservable inputs calculated using a valuation technique. The analysis above only reflects the effects of changes in a single input, and it does not include the interrelationships with another input.

(4) Not based on fair value measurement

A. Fair value information

The following chart presents the financial instruments not based on fair value measurement of the Bank. Except those items, others' fair value is reasonably approximate value, the Bank does not disclosure their fair value.

	December 31, 2019	
	Book value	Fair value
Debt instruments measured at amortized cost	\$ 263,056,842	264,518,564

	December 31, 2018	
	Book value	Fair value
Debt instruments measured at amortized cost	\$ 261,470,496	261,756,260

B. The fair value hierarchy of information

Assets and Liabilities	December 31, 2019			
	Total	Level 1	Level 2	Level 3
Debt instruments measured at amortized cost	\$ 264,518,564	49,044,285	215,474,279	-

Assets and Liabilities	December 31, 2018			
	Total	Level 1	Level 2	Level 3
Debt instruments measured at amortized cost	\$ 261,756,260	54,658,948	207,097,312	-

C. Valuation techniques

Methods and assumptions used by the Bank for fair value evaluation of financial instruments were as follows:

- Cash and cash equivalents, due from Central Bank and call loans to banks, securities purchased under resell agreements, receivables, non-accrual loans transferred from non-loan financial assets, exchange bills negotiated guarantee deposits paid, temporary payments and suspense accounts, proceeds of settlement and credit transaction, deposits from Central Bank and other banks, securities sold under repurchase agreements, payables, other financial liabilities, guarantee deposits received and temporary receipts and suspense accounts: since these instruments have short maturities, the book value is adopted as a reasonable basis in estimating the fair value.
- Discounts and loans (including non-performing loans): the interest rate of bank loans, dependent on the benchmark interest rate which plus or minus the input value (i.e. motorized interest rate), said market rates, therefore, the book value of financial assets is equivalent to their fair value. Among the case of fixed interest rate, the estimated fair value of long-term loans using the discounted value of its expected cash flows, but this is minority, so the book value of financial assets is equivalent to their fair value.
- Investment in debt instruments at amortized cost: the quoted price is regarded as its fair value. If there is no quoted price in an active market for the financial asset, its fair value is estimated on the basis of the result of a valuation technique.
 - Central Government Securities (NTD): using the comment of "Bonds a fair price for each of times" from Taipei Exchange.
 - Corporate bonds and financial bonds (NTD): the present value or fair price of Taipei Exchange determined using the future cash flow of yield curve discounting evaluation.
- Deposits and remittance: to determine the fair value, considered Banking industry characteristics, the market interest rates (i.e. market price) is the fair value. And deposits are mostly due within one year, the carrying amounts is the fair value of reasonable basis. The fixed interest rate of long-term deposits should be estimated by the discounted value of its expected cash flows at fair value, and its maturity date no longer than three years, so its estimated fair value of the carrying amount is considered reasonable.
- Bank debentures payable: The bank debentures payable, issued by the Bank, whose stated rate was equal the effective rate, using discounted cash flow projections to estimate the fair value, equivalent to its book value.



(AP) Financial Risk Information

(a) General description

The goal of the financial risk management of the Bank is to effectively diversify, transfer and avoid risks by taking customer service, financial business operating target, overall risk tolerance and external limitation of laws into consideration and provide benefit to customers, shareholders and employees.

The Bank's Financial Risk Management policy is to establish a risk management mechanism in terms of risk identification, risk measurement, risk monitoring, and risk control and to construct the overall risk management system. It is to facilitate the business model with appropriate risk management and to control the rationality between risks and rewards under the premise of legal capital ratio in order to achieve operating targets and increase the value of the Bank for the shareholders. The scope covers the management of credit risk, market risk, operation risk, banking book interest rate risk, capital liquidity risk, and capital adequacy.

(b) Risk management organization structure

(1) Risk Management Committee

The chairperson of the Risk Management Committee is appointed by the president. The chairpersons include general manager, deputy general manager of the non-regulatory compliance in head office and department directors of head office (excluding the director of audit department in the Board). This Committee is set up for the purpose of establishing a sound risk management system, strengthening risk management and the implementation of the Bank's risk management and monitoring. The meeting will be held once a month in principle. The meeting can be held by the chairman of the Committee when it necessary. The duties are as follows:

- A. Conduct Analysis and response project when significant domestic and foreign economic, financial and industrial risk management occur.
- B. Risk management report of various risk exposure and agenda processing.
- C. The processing of examination of the risk management relevant policy of the Bank and limitations, management indices and the response project when the risk exceeds the limitations.
- D. Supervise the Bank's capital adequacy management.
- E. Conduct or supervise the issues that have to report to Risk Management Committee according to the regulations drawn by the competent authority at home and abroad.
- F. Conduct or supervise other risk management related issues.

Risk Management Department is the assistant unit of the Risk Management Committee. The responsibility of the Risk Management Department is to execute preparing sittings agenda, convening sittings, agenda processing, taking meeting minutes and tracking resolution and regularly report the important resolution and various risk exposure to the board of (executive) directors.

(2) Assets and Liabilities Management Committee

The chairperson of the Assets and Liabilities Management Committee is the general manager, and the members are formed by the vice assistant general manager and the department heads of deposit, loan, financial transaction, capital deployment and risk management units. The responsibility of the Assets and Liabilities Management Committee is to monitor and manage the banking book interest rate risk and capital liquidity risk and convenes meetings regularly, to approve the analyzing and measurement methods of the capital liquidity risk and banking book interest rate risk exposure, to examine the capital liquidity risk and banking book interest rate risk management policy as well as the relevant limitations and management indices, to receive interest rate risk and capital liquidity risk exposure reports and adjust the assets and liabilities interest rate duration structure and capital maturity structure.

(3) Credit Examination Committee

The convener of the Credit Examination Committee is the assistant general manager supervising Risk Management Center. The Committee in principle convenes weekly to examine the modification and establishment of the regulations (including main points, measures and procedures) for significant loans, foreign exchange and guarantee cases.

(4) Overdue Loans Clearing Committee

The convener of the Overdue Loans Clearing Committee is the supervising vice president. The convener holds meetings as needed to discuss measures on reducing non-performing loans and approaches to handle overdue loans.

(5) Cyber Security Management Committee

The Cyber Security Management Committee is convened by the supervising vice president who oversees the implementation and coordination of the Bank's cyber security policies. The committee holds meetings as needed to examine matters related to cyber security.

(c) Credit risk

(1) Source and definition of credit risk

Credit risk refers to the default risk resulted from the inability to fulfill the contract obligations due to deteriorating financial status of trade counterparties, pessimistic external economic situation or other factors. The primary source of the credit risk of the Bank is the loan business, such as loans of various terms, guarantees and letters of credit, loan commitments, etc., in addition, other sources of credit risk include call loans from banks, securities investments, derivative financial instrument transactions, etc.

(2) Credit risk management policy

In order to control the credit risk to a tolerable scope, the Bank continuously conduct below operations:

- A. Fully understand the credit status and ratings of loan customers and trade counterparties as well as the purposes and payments of loans.
- B. Prudently evaluates the credit risk status of loan customers and trade counterparties and consider the adequacy of collaterals and guarantees to assess risk and profit.
- C. Establish credit rating mechanism for loan customers or apply the ratings from outside credit rating institutions as the reference for undertaking credit cases or interest rate determination.
- D. Modify relevant regulations to control the credit risk to a tolerable extent for the Bank.

The credit risk management procedure and measurement methods of the Bank's major business are as follows:

A. Credit Business (Including loan commitments and guarantees)

The categorization and credit quality rating of credit assets are as follows:

a. Categorization of credit assets

The credit assets are classified into 5 categories. Except for normal credit assets which are classified as the first category, others are classified, based on the assurance status and the time overdue, as second category (need attention), third category (possible to recover), fourth category (difficult to retrieve) and the fifth category (unable to retrieve). In order to manage creditor's rights, the Bank established "Regulations Governing the Procedures to Evaluate Assets and Deal with Non-performing/Non-accrual Loans", "Regulations Governing the Reconciliation of Non-performing/Non-accrual Loans" and its operating procedure "Operating procedure Governing the Collection of Non-performing/Non-accrual Loans" and "Code of Conduct to Deal With Non-Performing Loans" to serve as the guidelines for dealing with non-performing credit and overdue loans collection.

b. Categorization of credit quality

Based on historical default data, the Bank established internal credit rating model and completed internal rating system to serve as a reference to credit risk control.



In order to develop an appropriate credit rating model for the Bank to evaluate the credit risk for corporate banking customers and private banking customers, it applied statistical methods, professional expert judgments and relevant customer information to fulfill the requirements. The Bank examined whether the internal credit rating model is in conformity with the actual scenario based on practical default data quarterly and adjusted all parameters to optimize the estimated results.

B. Due from other banks and call loans to banks

The Bank evaluates the credit status of counterparties before transaction and takes the rating information from domestic and foreign credit rating institutions into consideration to determine various credit risk facilities for the counterparties.

C. Debt instrument investments and derivative financial instruments

The Bank manages credit risk of debt instruments through credit rating data of external institutions, credit quality of bonds, geographic situations and counterparties' risk so as to identify credit risk.

The financial institutions which the Bank conducts derivative instruments are mostly investment quality and are controlled based on the trade amount (including loans at call). Counterparties which do not have credit rating or which are of low quality shall be examined individually. For counterparties which are general customers, the Bank controls the credit risk exposure based on the derivative instrument risk facilities and conditions approved by general credit procedures.

(3) Determining the credit risk has increased significantly since initial recognition

At each reporting date, the Bank and subsidiaries shall assess the change in the risk of a default occurring over the expected life of the various credit assets and financial assets to determine whether the credit risk has increased significantly since initial recognition. To make that assessment, the Bank and subsidiaries consider reasonable and supportable information (including forward-looking information) that is indicative of significant increases in credit risk since initial recognition. The main considerations include:

A. credit assets

- a. The borrowers failed to pay the principal and interest overdue for more than 30 days, less than 90 days;
- b. When the Bank conducts review or follow-up review of the relevant management procedures after loan, it knows that the financial report of the borrowers have been issued by the accountant and it has issued opinions of the significant doubt on the ability to continue as a going concern;
- c. The deposits and assets of borrowers are compulsorily executed, besides, the deposits are compulsorily executed because of tax arrears. However, the borrowers that have enough deposit to bear the cost that assessed by the bank are except;
- d. The bank knows (if it has received the notice from court) that the collaterals are compulsory executed by other banks;
- e. Borrowers were notified the refund by the Bank and did not conduct refund notice;
- f. The letter of credit insurance fund notice due to the related company's overdue debt in other bank, the creditor to stop the delivery;
- g. Because the borrowers have been involved in litigation and unfavorable judgments, their ability of credit performance is affected;
- h. The customer is classified as an early warning account by the Bank or has bad credit that aware by others.

B. Debt instrument investments

- a. The latest credit rating on the report date was non-investment grade and fell more than two levels than the original rating, or;
- b. Investment target evaluation loss is up to 30% of investment cost.

(4) The credit risk has not increased significantly or judged as low credit risk on the report date

On each report date, the Bank assessed that there was no significant increase in the risk of default for any credit asset during the expected duration of existence or a low credit risk. The amount of expected credit losses was not taken as the change of credit risk, if the credit risk of the credit asset was low on the report date, it also assumes that the credit risk of the credit asset has not increased significantly since the initial recognition. The credit assets with low credit risk refer to the low default risk and the borrower's ability to perform its contractual cash flow obligations in the near term. No significant increase in risk relates to the borrower. The absence of economic, operational, and adverse changes in financial conditions and other bad debt conditions did not affect their ability to fulfill their contractual cash flow obligations. Financial assets on investment-grade or not on investment-grade but the ratings are not significantly reduced are also considered to be low-risk areas.

(5) Definitions of default and credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired not only the borrower defaults the loan more than 90 days, it also includes observable data as follows:

A. Credit assets

- a. Significant financial difficulty of the issuer or the borrower;
- b. A breach of contract, such as a default or past due event;
- c. The lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- d. It is becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- e. The disappearance of an active market for that financial asset because of financial difficulties;
- f. The purchase or origination of a financial asset at a considerable amount of discount that reflects the incurred credit losses;

B. Debt instrument investments

- a. Significant financial difficulty of the issuer;
- b. The disappearance of an active market for that financial asset because of financial difficulties;
- c. The purchase or origination of a financial asset at a considerable amount of discount that reflects the incurred credit losses.
- d. Counterparty defaulting on agreement of other financial instruments (e.g. transactions settlement failure, a bank decide to execute early termination of transactions, or loans originated from derivatives settlement failure).

(6) Write-off policy

The integral part or the portion of the credit assets that needs to be written-off should first be approved during the board of directors' meeting; particularly, the portion that is deemed uncollectible.

The following are indicators that the financial assets are uncollectible:

- A. The borrowers fail to recover all or part of the debt due to dissolution, escape, settlement, bankruptcy or other reasons.
- B. After the collateral and the assets of the principal and subordinate debtors have been priced low or deducted from the first-order mortgage, they cannot be repaid, the execution costs are close or may exceed the Bank's reimbursable amount, and the implementation is not beneficial.
- C. The collateral and the property of the principal and subordinate debtors were auctioned off at no cost and were not bought by anyone, and there was no one have substantial benefits.



D. Overdue loan and non-accrual loan have exceeded the liquidation period for two years.

The bank, whose written-off claims may still have ongoing recourse, continues to follow laws and regulations to pursue the proceedings.

(7) Modification of contractual cash flow of financial assets

The Bank may revise the contractual cash flow of the credit asset due to the borrower's financial difficulties in negotiating, increasing the recovery rate of the borrowers that have problems, or maintaining the customer relationship. The modification of the contractual terms of the credit asset may include extending the contract period, modifying the payment time of interest, and modifying agreement rate and so on. If the contractual cash flow modification of the credit asset is due to the financial difficulty of the borrower, it is deemed as an impairment of the financial asset. If the contractual cash flow modification is not due to the financial difficulties of the borrower, the existing or projected unfavorable changes in the operating, financial or economic conditions under the borrower's performance or the borrower's ability to make the borrower's ability to perform its debt obligations vary significantly. The cause of anomalies or other bad debts is supplemented by an assessment of whether the credit risk of financial assets has increased significantly.

(8) Measuring the expected credit losses

A. Adoption of methods and assumptions

After considering the attributes of financial assets and credit assets and the adequacy of default experience, internal historical data or the information from external credit rating agency is used to estimate the Probability of default (PD), Loss given default (LGD), Exposure at default (EAD) and other credit risk components.

In order to assess the expected credit losses of credit assets, the Bank is divided into the following combinations depending on the credit risk characteristics such as the identity of borrowers, products, and type of collateral:

Corporate banking	Government and public institution	
	Financial institution (including banks, ticket companies, securities finance companies)	
	Large Enterprise	The guarantee of the credit guarantee mechanism
		Secured
		Non-secured
	Medium and small enterprises	The guarantee of the credit guarantee mechanism
		Secured
		Non-secured
Private banking	Mortgage	
	Microcredit	
	Other-Secured	
	Other-Non-secured	
Entrepreneurship	The guarantee of the credit guarantee mechanism	
	Secured	
	Non-secured	

If the credit risk on a credit asset has not increased significantly since initial recognition or the credit asset has low credit risk at the reporting date, the Bank shall measure the allowance for impairment using the 12-month expected credit losses; if the credit risk on a financial instrument has increased significantly or credit-impaired since initial recognition, the Bank shall measure the allowance for impairment using the lifetime expected credit losses.

In order to measure expected credit losses, the Bank considers the default probability (Probability of default, "PD") of borrowers, and loss given default rate ("LGD") multiplying the exposure at default ("EAD"), taking into account the time value of money as well evaluate 12-month and lifetime loss.

Default probability is the default probability of the borrower (default and credit impairment of financial assets), and the loss given default rate is the rate of loss caused by default by the borrower. The default probability and default loss rate used in the impairment assessment of the credit business are based on internal historical information of each group, and adjusted based on current observable information and forward-looking general economic information.

The Bank measures the EAD based on the book value of loans at reporting date. When estimating the 12-month and lifetime expected credit losses of the loan commitments and financial guarantee contracts, the definition of the credit risk increasing significantly and the credit-impaired assets are based on the rules mentioned above. Additionally, in order to determine the EAD used to calculate expected credit loss of off-balance sheet items, the Bank and subsidiaries adopts the credit conversion factor(CCF) of standardized approach in credit risk which is legislated in the regulation of Proprietary Capital and Risk Capital of Banks.

B. Consideration of forward-looking information

The Bank obtains forward-looking information which it takes into consideration when determining whether the credit risk of financial instruments has increased significantly since initial recognition and assessing the expected credit losses. The Bank identified the relevant macroeconomic factors for credit risk of each portfolio by analyzing the historically data. These macroeconomic factors include Taiwan GDP (not seasonally adjusted), Taiwan's actual industrial production index, Taiwan's annual growth rate of retail sales, Taiwan's real sales price index, unemployment rate (seasonally adjusted), Cathay National Real Estate Index (national), Taiwan's real consumer price index (Not seasonally adjusted) and Taiwan's annual growth in retail sales or other factors. The various economic factors and their impacts on Probability of Default ("PD") are different depending on the type of financial instruments.

In order to determine the credit risk of investment in debt instruments at amortized cost and at fair value through other comprehensive income has increased significantly, the Bank uses the changes of external ratings published by international credit rating agencies as the quantitative indicators, while the assessment of expected credit losses are calculated by using the external ratings, as well as PD and Loss Given Default("LGD"), published by Moody's. Since the international credit rating agencies have already considered the forward-looking information while evaluating the credit ratings, which the Bank considered to be appropriate after its assessment, the credit ratings will be included in the Bank's assessment of related expected credit losses.

(9) Credit risk hedging or diminishing.

A. Collaterals

The Bank adopts a series of policies and procedures to mitigate credit risk and enhance credit risk tolerance. The method applied most is to request customers to provide collaterals. The Bank established collateral accreditation code of conduct in term of collateral management and total loan amount to regulate the scope of collaterals and the accreditation method and regularly inspects the collaterals. When the collaterals devalue or the concern of devaluation occurs, the Bank shall increase collaterals or retrieve part of the loans to ensure the creditor's right is intact.

B. Limit of credit risk and the control of credit risk concentration

- a. In order to avoid the situation that the credit risk of single customer being too high, the credit limit of an individual, a related party or a related enterprise shall be in conformity with "Authorization method for subsection 3 of Article 33 of the Banking Act of the Republic of China" and the credit limit authorization steps are regulated in the Key Points of Credit Engagement Authorization and the Key Points of Credit Engagement Authorization for Overseas Branches of the Bank.



- b. To enhance the risk concentration management, the Bank established regulations in terms of countries, financial institutions, industries and group enterprises. The relevant limits are reviewed and approved annually and the usage of the credit is monitored on a daily basis. In addition, the results are reported regularly.

C. General agreement of net amount settlement

The transactions of the Bank are mostly settled with gross amount. Part of the transactions agreed on net amount settlement. When a default occurs, the Bank terminates all the transactions with the counterparty and settles by net amount to further lower credit risk.

D. Enhancement of other credit

The assessment of credit business applies to credit 5P principles, credit risk is offset by dividing self-liquidating loan commitments as the main, and set the accounts to master the repayment of cash flow. Also in terms of the credit agreement stipulates the offset. (i.e. all kinds of deposits, except prohibition of low or the party's agreement, the Bank can set off all the debts), thus to reduce the loan amount, shorter loan repayment period or are considered part or all of expiration of acceleration clauses. To strengthen the protection of creditor and reduce credit risk, using qualified and effective enhancement, such as the requirement of real property, personal property, demand deposits, time deposits, securities and the guarantee of financial institution or the credit guarantee mechanism approved by government. (e.g. R.O.C SMEG, Agricultural Credit Guarantee Fund, Overseas Credit Guarantee Fund)

- (10) Information on the financial assets of the Bank that have been credit derogated and the collateral for mitigating potential losses are as follows:

December 31, 2019	Carrying amount	Allowance impairment	Exposure (measured at amortized cost)	Value of collateral
Impairment financial assets:				
Receivables				
Accounts receivables	\$ 810	264	546	-
Interest receivable	38,762	10,123	28,639	-
Discounts and loans	19,403,047	5,722,768	13,680,279	20,769,101
Overdue receivable	105,829	53,947	51,882	-
Total impairment financial assets	<u>\$ 19,548,448</u>	<u>5,787,102</u>	<u>13,761,346</u>	<u>20,769,101</u>

December 31, 2018	Carrying amount	Allowance impairment	Exposure (measured at amortized cost)	Value of collateral
Impairment financial assets:				
Receivables				
Interest receivable	\$ 28,290	8,370	19,920	-
Discounts and loans	16,553,430	4,659,004	11,894,426	15,595,114
Overdue receivable	105,200	54,231	50,969	-
Total impairment financial assets	<u>\$ 16,686,920</u>	<u>4,721,605</u>	<u>11,965,315</u>	<u>15,595,114</u>

Note: The value of collateral is the real estate appraisal information and credit guarantee agency guarantee amount levied by the Bank's credit assets.

- (11) Credit risk concentration

The Bank does not conduct significant transaction with single customer or single trade counterparty. The total amount of discounts and loans, overdue loans in terms of individual customer or individual trade counterparty is not significant. The information of credit risk concentration of the Bank's discounts and loans and overdue loans are divided by industries, geographic areas and collaterals and listed as follows:

A. By industry

Distribution of discounts and loans, overdue loans based on industries.

Industry	December 31, 2019		December 31, 2018	
	Amount	%	Amount	%
Private business	\$ 698,913,482	60.98%	646,562,103	59.43%
Public business	4	-%	39,994,081	3.68%
Government institution	75,701,806	6.61%	42,745,443	3.93%
Nonprofit organization	2,984,867	0.26%	3,235,117	0.30%
Individual	293,998,770	25.65%	290,379,990	26.68%
Foreign financial institution	3,992,809	0.35%	4,200,432	0.39%
Foreign non-financial institution	66,451,574	5.80%	56,236,535	5.17%
Foreign individual	4,047,438	0.35%	4,569,243	0.42%
Total	<u>\$ 1,146,090,750</u>	<u>100.00%</u>	<u>1,087,922,944</u>	<u>100.00%</u>

B. By geographic area

Distribution of discounts and loans, overdue loans based on geographic area.

Area	December 31, 2019		December 31, 2018	
	Amount	%	Amount	%
Domestic	\$ 1,071,598,929	93.50%	1,022,916,734	94.02%
Foreign	74,491,821	6.50%	65,006,210	5.98%
Total	<u>\$ 1,146,090,750</u>	<u>100.00%</u>	<u>1,087,922,944</u>	<u>100.00%</u>

C. By collateral

Distribution of discounts and loans, overdue loans based on collateral.

Collateral	December 31, 2019		December 31, 2018	
	Amount	%	Amount	%
Unsecured	\$ 242,592,802	21.17%	248,476,152	22.84%
Stocks	8,425,118	0.73%	9,232,197	0.85%
Bonds	19,411,907	1.69%	19,051,511	1.75%
Real estate	721,629,891	62.96%	672,375,170	61.80%
Chattel	17,950,096	1.57%	12,702,253	1.17%
Notes receivable	3,962,549	0.35%	3,100,812	0.28%
Guarantees	120,774,302	10.54%	113,770,575	10.46%
Others	11,344,085	0.99%	9,214,274	0.85%
Total	<u>\$ 1,146,090,750</u>	<u>100.00%</u>	<u>1,087,922,944</u>	<u>100.00%</u>

Note: Secured credit are categorized in its respective item per the type of the collaterals. Non-secured credit (no collateral provided) is classified in fiduciary credit. If the credit amount is higher than the accreditation value, the credit amount within the accreditation is classified in the respective item, the credit amount exceeds the accreditation value is classified in fiduciary credit. The accreditation value is the value calculated per the accreditation regulations of the Bank, not the discounted value of the signed contract.

(12) Maximum credit risk exposure

A. The maximum credit exposure of the assets in the financial statement is approximately the book value when not considering collaterals or other credit enhancement instruments. The maximum credit exposure off the balance sheet (when not considering collaterals or other credit enhancement instruments and not revocable) was as follows:

Off balance sheet items	Maximum credit risk exposure	
	December 31, 2019	December 31, 2018
Issued and irrevocable loan commitments	\$ 55,259,927	104,313,061
Irrevocable credit card loan commitments	20,072,907	29,329,058
Letter of credit issued yet unused	7,156,747	8,830,536
Various guarantee proceeds	18,400,367	18,362,275
Total	<u>\$ 100,889,948</u>	<u>160,834,930</u>

The Management of the Bank evaluated the credit risk exposure and believed that it is able to continuously control and minimize the off-balance-sheet credit risk exposure due to its strict appraisal process and regular subsequent examination.

B. The credit quality analyses of the financial assets

a. Credit quality analysis of discounts and loans \ receivables \ guarantee and commitments

December 31, 2019	12-month ECL							Lifetime ECL – not impaired							Lifetime ECL – impaired	Allowance impairment	Total
	Excellent	Good	Medium	Acceptable	Understandard	No rating	Subtotal	Excellent	Good	Medium	Acceptable	Understandard	No rating	Subtotal	High risk		
Receivable																	
Credit card	\$ 565,022	133,458	233,637	31,938	3,428	321,592	1,289,075	1,965	1,826	3,426	807	389	234	8,647	-	3,341	1,294,381
Acceptances receivable	196,869	496,036	105,120	32,197	-	89,328	919,550	-	-	-	-	-	-	-	-	9,195	910,355
Accounts receivable factoring	-	-	-	-	-	19,089	19,089	-	-	-	-	-	-	-	-	191	18,898
Other receivables	274,150	407,958	311,286	43,556	6,867	2,250,042	3,293,859	310	969	5,485	500	2,655	41	9,960	39,572	49,041	3,294,350
Discounts and loans																	
Private banking	114,510,252	100,852,540	68,682,021	4,831,469	1,126,572	2,982,316	292,965,170	42,853	229,741	276,231	61,477	133,295	112	743,709	4,337,330	3,469,485	294,576,724
Corporate banking	172,479,816	260,682,892	218,425,945	36,941,972	4,249,047	133,618,335	826,398,007	402,500	36,161	3,443,874	191,431	2,457,788	49,063	6,580,817	15,065,717	9,871,883	838,172,658
Other financial assets																	
Overdue receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	105,829	85,901	19,928
Total	\$ 288,026,109	362,572,884	287,738,009	41,881,132	5,385,914	139,280,702	1,124,884,750	447,628	268,697	3,729,016	254,215	2,594,127	49,450	7,343,133	19,548,448	13,489,037	1,138,287,294
Guarantee and commitments	\$ 29,738,327	9,577,042	3,310,453	878,885	50,764	57,139,021	100,694,492	68,030	38,417	523	33	148	1,422	108,573	86,883	232,446	100,657,502

December 31, 2018	12-month ECL							Lifetime ECL – not impaired							Lifetime ECL – impaired	Allowance impairment	Total
	Excellent	Good	Medium	Acceptable	Understandard	No rating	Subtotal	Excellent	Good	Medium	Acceptable	Understandard	No rating	Subtotal	High risk		
Receivable																	
Credit card	\$ 546,365	130,485	268,846	39,017	8,732	298,288	1,291,733	1,972	613	3,183	1,026	2,080	-	8,874	-	3,439	1,297,168
Acceptances receivable	536,265	431,071	248,116	67,306	-	122,030	1,404,788	-	513	6,578	-	-	-	7,091	-	14,214	1,397,665
Accounts receivable factoring	-	-	-	-	-	566,451	566,451	-	-	-	-	-	-	-	-	5,665	560,786
Other receivables	293,606	470,863	311,620	53,250	9,029	1,926,119	3,064,487	351	491	1,727	1,515	2,404	19	6,507	28,290	45,117	3,054,167
Discounts and loans																	
Private banking	109,714,063	102,082,939	70,484,120	4,278,416	1,585,150	2,614,256	290,738,944	85,992	110,913	308,885	162,536	229,961	6,195	904,482	3,305,807	3,400,597	291,548,636
Corporate banking	173,049,850	271,957,972	191,589,607	49,334,606	4,071,360	88,236,547	778,239,942	13,919	37,688	172,299	336,415	925,825	-	1,486,146	13,247,623	9,633,554	783,340,157
Other financial assets																	
Exchange bills	-	-	-	-	-	20	20	-	-	-	-	-	-	-	-	-	20
Overdue receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	105,200	87,249	17,951
Total	\$ 284,140,149	375,073,330	262,882,309	53,772,585	5,674,271	93,763,711	1,075,306,365	102,234	150,218	492,672	501,492	1,160,270	6,214	2,413,100	16,686,920	13,189,835	1,081,216,550
Guarantee and commitments	\$ 24,354,317	10,928,309	10,963,731	1,610,303	365,707	112,194,037	160,416,404	44,469	18,621	88,434	23,137	47,438	-	222,099	196,427	289,136	160,545,794



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b. Debt instruments

December 31, 2019	12-month ECL					Lifetime ECL – not impaired					Lifetime ECL – impaired	Total	Accumulated impairment (Note)
	Investment	Sub investment	High risk	No rating	Subtotal	Investment	Sub investment	High risk	No rating	Subtotal	High risk		
Investment in debt instruments measured at fair value through other comprehensive income													
Overseas bonds	\$ 24,664,354	-	-	-	24,664,354	-	-	-	-	-	-	24,664,354	6,045
NT bonds	66,578,857	-	-	-	66,578,857	-	-	-	-	-	-	66,578,857	46,254
Investment in debt instruments at amortized cost													
Overseas bonds	39,453,717	299,924	-	-	39,753,641	-	-	-	-	-	-	39,753,641	15,963
NT bonds	48,150,744	-	-	-	48,150,744	-	-	-	-	-	-	48,150,744	22,691
Certificates of deposit with the Central Bank	174,880,000	-	-	-	174,880,000	-	-	-	-	-	-	174,880,000	51,645
Negotiable certificates of deposit	362,868	-	-	-	362,868	-	-	-	-	-	-	362,868	112
Total	\$ 354,090,540	299,924	-	-	354,390,464	-	-	-	-	-	-	354,390,464	142,710

December 31, 2018	12-month ECL					Lifetime ECL – not impaired					Lifetime ECL – impaired	Total	Accumulated impairment (Note)
	Investment	Sub investment	High risk	No rating	Subtotal	Investment	Sub investment	High risk	No rating	Subtotal	High risk		
Investment in debt instruments measured at fair value through other comprehensive income													
Overseas bonds	\$ 11,764,869	-	-	-	11,764,869	-	-	-	-	-	-	11,764,869	1,910
NT bonds	53,643,189	-	-	-	53,643,189	-	-	-	-	-	-	53,643,189	31,855
Investment in debt instruments at amortized cost													
Overseas bonds	41,889,974	-	-	-	41,889,974	-	-	-	-	-	-	41,889,974	18,115
NT bonds	54,151,974	-	-	-	54,151,974	-	-	-	-	-	-	54,151,974	26,126
Certificates of deposit with the Central Bank	165,150,000	-	-	-	165,150,000	-	-	-	-	-	-	165,150,000	48,771
Negotiable certificates of deposit	371,676	-	-	-	371,676	-	-	-	-	-	-	371,676	116
Total	\$ 326,971,682	-	-	-	326,971,682	-	-	-	-	-	-	326,971,682	126,893

Note: The cumulative impairment of the bond which measured at fair value through other comprehensive profit or loss is recognized as other equity.

C. The Maximum credit risk exposure for financial instruments are not subject to Impairment regulations are as follows:

December 31, 2019	Maximum credit risk exposure	Collateral	Enhancement of other credit
Financial assets at fair value through profit or loss			
– Debt investments	\$ 4,351,167	-	-
– Commercial papers	21,037,165	-	-
– Listed stocks	178,867	-	-
– Beneficiary certificates	108,890	-	-
– Derivative instruments	950,796	484,712	468,795



December 31, 2018	Maximum credit risk exposure	Collateral	Enhancement of other credit
Financial assets at fair value through profit or loss			
– Linked deposits	\$ 1,506,135	-	-
– Debt investments	403,572	-	-
– Commercial paper	4,581,217	-	-
– Listed stocks	48,910	-	-
– Beneficiary certificates	67,080	-	-
– Derivative instruments	327,690	176,599	627,412

(13) Changes in the expected credit losses of the Bank

A. Receivables

	For the year ended December 31, 2019					
	12-month ECL	Lifetime ECL-not impaired	Lifetime ECL-impaired	Impaired (IFRS9)	Impairment difference of "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing and Non-Accrual Loans "	Total
Beginning balance	\$ 14,420	2,391	8,370	25,181	43,254	68,435
Changes in financial instruments that have been identified at the beginning of the period:						
– Transfer to 12-months ECL	136	(48)	(88)	-	-	-
– Transfer to lifetime ECL	(25)	44	(19)	-	-	-
– Transfer to the credit-impaired financial assets	(27)	(63)	90	-	-	-
– The financial assets that have been derecognized	(10,110)	(1,224)	(4,188)	(15,522)	-	(15,522)
New financial assets originated or purchased	6,452	154	6,411	13,017	-	13,017
Other changes	(597)	115	(189)	(671)	-	(671)
Impairment difference of "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing and Non-Accrual Loans "	-	-	-	-	(3,491)	(3,491)
Ending balance	\$ 10,249	1,369	10,387	22,005	39,763	61,768

	For the year ended December 31, 2018					
	12-month ECL	Lifetime ECL-not impaired	Lifetime ECL-impaired	Impaired (IFRS9)	Impairment difference of "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing and Non-Accrual Loans "	Total
Beginning balance	\$ 16,870	416	15,572	32,858	43,792	76,650
Changes in financial instruments that have been identified at the beginning of the period:						
– Transfer to 12-months ECL	139	(114)	(25)	-	-	-
– Transfer to lifetime ECL	(1,958)	2,010	(52)	-	-	-
– Transfer to the credit-impaired financial assets	(23)	(43)	(94)	(160)	-	(160)
– The financial assets that have been derecognized	(8,859)	(27)	(11,328)	(20,214)	-	(20,214)
New financial assets originated or purchased	4,890	127	5,099	10,116	-	10,116
Other changes	3,361	22	(802)	2,581	-	2,581
Impairment difference of "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing and Non-Accrual Loans "	-	-	-	-	(538)	(538)
Ending balance	\$ 14,420	2,391	8,370	25,181	43,254	68,435

B. Discounts and loans

	For the year ended December 31, 2019					
	12-month ECL	Lifetime ECL-not impaired	Lifetime ECL-impaired	Impaired (IFRS9)	Impairment difference of "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing and Non-Accrual Loans "	Total
Beginning balance	\$ 2,774,377	66,416	4,659,004	7,499,797	5,534,354	13,034,151
Changes in financial instruments that have been identified at the beginning of the period:						
– Transfer to 12-months ECL	68,543	(11,251)	(57,292)	-		-
– Transfer to lifetime ECL	(15,688)	18,916	(3,228)	-		-
– Transfer to the credit-impaired financial assets	(19,820)	(15,298)	35,118	-		-
– The financial assets that have been derecognized	(1,413,191)	(18,785)	(979,822)	(2,411,798)		(2,411,798)
New financial assets originated or purchased	1,312,987	29,338	707,320	2,049,645		2,049,645
Write-off	-	-	(469,404)	(469,404)		(469,404)
Other changes	(510,142)	128,137	1,831,072	1,449,067		1,449,067
Impairment difference of "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing and Non-Accrual Loans "	-	-	-	-	(310,293)	(310,293)
Ending balance	\$ 2,197,066	197,473	5,722,768	8,117,307	5,224,061	13,341,368

	For the year ended December 31, 2018					
	12-month ECL	Lifetime ECL-not impaired	Lifetime ECL-impaired	Impaired (IFRS9)	Impairment difference of "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing and Non-Accrual Loans "	Total
Beginning balance	\$ 2,277,834	32,442	3,323,101	5,633,377	6,469,695	12,103,072
Changes in financial instruments that have been identified at the beginning of the period:						
– Transfer to 12-months ECL	12,113	(2,007)	(10,106)	-		-
– Transfer to lifetime ECL	(2,330)	12,155	(9,825)	-		-
– Transfer to the credit-impaired financial assets	(15,454)	(12,239)	27,693	-		-
– The financial assets that have been derecognized	(1,319,687)	(6,169)	(556,996)	(1,882,852)		(1,882,852)
New financial assets originated or purchased	1,398,612	4,163	1,222,628	2,625,403		2,625,403
Write-off	-	-	(2,596,896)	(2,596,896)		(2,596,896)
Other changes	423,289	38,071	3,259,405	3,720,765		3,720,765
Impairment difference of "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing and Non-Accrual Loans "	-	-	-	-	(935,341)	(935,341)
Ending balance	\$ 2,774,377	66,416	4,659,004	7,499,797	5,534,354	13,034,151

C. Other financial assets

	For the year ended December 31, 2019					
	12-month ECL	Lifetime ECL-not impaired	Lifetime ECL-impaired	Impaired (IFRS9)	Impairment difference of "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing and Non-Accrual Loans "	Total
Beginning balance	\$ -	-	54,231	54,231	33,018	87,249
Changes in financial instruments that have been identified at the beginning of the period:						
— The financial assets that have been derecognized	-	-	(59)	(59)		(59)
New financial assets originated or purchased	-	-	21,784	21,784		21,784
Write-off	-	-	(22,009)	(22,009)		(22,009)
Impairment difference of "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing and Non-Accrual Loans "	-	-	-	-	(1,064)	(1,064)
Ending balance	\$ -	-	53,947	53,947	31,954	85,901

	For the year ended December 31, 2018					
	12-month ECL	Lifetime ECL-not impaired	Lifetime ECL-impaired	Impaired (IFRS9)	Impairment difference of "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing and Non-Accrual Loans "	Total
Beginning balance	\$ -	-	55,668	55,668	33,457	89,125
Changes in financial instruments that have been identified at the beginning of the period:						
— Transfer to the credit-impaired financial assets	-	-	160	160		160
— The financial assets that have been derecognized	-	-	(13)	(13)		(13)
New financial assets originated or purchased	-	-	37,683	37,683		37,683
Write-off	-	-	(39,267)	(39,267)		(39,267)
Impairment difference of "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing and Non-Accrual Loans "	-	-	-	-	(439)	(439)
Ending balance	\$ -	-	54,231	54,231	33,018	87,249



D. Guarantee and commitments

	For the year ended December 31, 2019					
	12-month ECL	Lifetime ECL-not impaired	Lifetime ECL-impaired	Impaired (IFRS9)	Impairment difference of "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing and Non-Accrual Loans "	Total
Beginning balance	\$ 106,141	418	28,523	135,082	154,054	289,136
Changes in financial instruments that have been identified at the beginning of the period:						
– Transfer to lifetime ECL	(67)	67	-	-		-
– Transfer to the credit-impaired financial assets	(28)	(27)	55	-		-
– The financial assets that have been derecognized	(49,068)	(161)	(27,395)	(76,624)		(76,624)
New financial assets originated or purchased	26,117	24	14,718	40,859		40,859
Other changes	(24,050)	17	1,319	(22,714)		(22,714)
Impairment difference of "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing and Non-Accrual Loans "	-	-	-	-	1,789	1,789
Ending balance	\$ 59,045	338	17,220	76,603	155,843	232,446

	For the year ended December 31, 2018					
	12-month ECL	Lifetime ECL-not impaired	Lifetime ECL-impaired	Impaired (IFRS9)	Impairment difference of "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing and Non-Accrual Loans "	Total
Beginning balance	\$ 80,439	105	37,541	118,085	85,703	203,788
Changes in financial instruments that have been identified at the beginning of the period:						
– Transfer to 12-months ECL	36	(36)	-	-		-
– Transfer to lifetime ECL	(304)	304	-	-		-
– Transfer to the credit-impaired financial assets	(20)	(3)	23	-		-
– The financial assets that have been derecognized	(25,702)	(39)	(283)	(26,024)		(26,024)
New financial assets originated or purchased	46,732	77	712	47,521		47,521
Other changes	4,960	10	(9,470)	(4,500)		(4,500)
Impairment difference of "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing and Non-Accrual Loans "	-	-	-	-	68,351	68,351
Ending balance	\$ 106,141	418	28,523	135,082	154,054	289,136



E. Debts investments

	For the year ended December 31, 2019			
	12-month ECL	Lifetime ECL-not impaired	Lifetime ECL-impaired	Total
Beginning balance	\$ 126,893	-	-	126,893
Additions	67,834	-	-	67,834
Derecognition	(50,664)	-	-	(50,664)
Other changes	(1,353)	-	-	(1,353)
Ending balance	<u>\$ 142,710</u>	<u>-</u>	<u>-</u>	<u>142,710</u>

	For the year ended December 31, 2018			
	12-month ECL	Lifetime ECL-not impaired	Lifetime ECL-impaired	Total
Beginning balance	\$ 98,052	-	-	98,052
Additions	84,844	-	-	84,844
Derecognition	(51,475)	-	-	(51,475)
Other changes	(4,528)	-	-	(4,528)
Ending balance	<u>\$ 126,893</u>	<u>-</u>	<u>-</u>	<u>126,893</u>

(14) Collateral management policy

A. Collaterals are recognized under the account of other assets per the rules of "Regulations Governing the Preparation of Financial Reports by Public Banks".

B. Details were as follows:

Collaterals refer to the collaterals provided by clients as guarantee which are undertaken through public auction when the debtor is not able to fulfill its obligation. The collaterals assumed are recognized using the prices undertaken per the rules of "Regulations Governing the Preparation of Financial Reports by Public Banks" and measured by the book value or the fair value deducted by cost of sale, whichever is lower, at the end of the period. Collaterals will be sold when they are available to be sold and the proceeds received will be used to reduce the book amount of collaterals.

(d) Liquidity risk

(1) The origin and definition of liquidity risk

Liquidity risk refers to the potential financial loss results from the inability to liquidate assets or obtain finance to fulfill the financial obligation which is going to mature with sufficient fund, such as early rescind of time deposits, the channels and terms to call loan from other bank are deteriorated due to the influence of specific markets and the default of loan customers worsen and it is harder for the Bank to receive payments and liquidate financial instruments. The abovementioned situations may diminish the source of cash for the Bank to undertake loan business, trades and investment activities. Under some extreme circumstances, the lack of liquidity may increase the potential possibility of reduction of the overall position of financial statement, sale of assets and inability to fulfill loan obligation. Liquidity risk is an inherent risk of bank operations and is influenced by specific or overall events in various markets. Those events include but not limited to: Credit event, merger or buyout, systematic strike and natural disaster.

(2) The management policy, process and measurement of liquidity risk

A. Policy

- In accordance with the target and limit for liquidity risk management approved by the board of directors and monitor all liquidity risk positions.

- b. Established "Directions Governing the Capital Liquidity Risk Management of Taiwan Business Bank" and "Remarks Governing the Capital Liquidity Risk Management of Taiwan Business Bank" to serve as guidance to effectively control capital liquidity risk.
- c. Overseas branches shall regulate the code of conduct for liquidity risk management based on business characteristics and the regulations of local authorities. After being approved by the general manager, the Risk Management Department will be in charge of monitoring liquidity risk.

B. Process

- a. Finance Department is in charge of daily capital deployment to ensure that the capital is sufficient to cope with various demands for capital.
- b. Risk Management Department is in charge of the identification, measurement, supervision and control of capital liquidity risk to establish a firm operation process and structure.
- c. Risk Management Department reports the result of capital liquidity risk measurement to the Assets and Liabilities Management Committee on a monthly basis and reports the results of capital liquidity risk and pressure test to the board of directors quarterly.

C. Measurement

- a. Maturity gap: To place the inflows and outflows of capital into various time zones accordingly based on the remaining days to maturity and calculate the gap of capital of each time zone in order to measure the capital deficiency of each time zone.
- b. Loan-deposit ratio: To calculate the deposits the Bank received which are used to conduct loan business. In other words, the percentage of the total loan amount accounts for the total deposit amount.
- c. Capital concentration and stability: In order to prevent the Bank from over-relying on single trade counterparty, product or market, the Bank observes several aspects such as the changes in large time deposit customers, the percentage of demand deposits and the continuity of deposits.
- d. Pressure test: Except for monitoring the capital demand under normal circumstances, the Bank conducts pressure test regularly in order to evaluate the capital liquidity under abnormal circumstances and ensure that the Bank is equipped with sufficient capital.

(3) Financial assets possessed for managing liquidity risk and maturity analysis for non-derivative financial liability

A. Financial assets possessed for managing liquidity risk

The Bank possesses cash and other high liquidity interest yielding assets to cope with payment obligations and potential emergent capital demands in the market. The assets possessed for managing liquidity risk include cash and cash equivalent, due from the Central Bank and call loans to banks, financial assets at fair value through profit or loss, discounts and loans, financial assets measured at fair value through other comprehensive income and investment in debt instruments at amortized cost.

B. Maturity analysis for non-derivative financial liabilities

The table below shows the cash outflows from the non-derivative financial liabilities which are possessed by the Bank based on the remaining days from the financial statement date to the contract maturity date. The amount disclosed is based on the cash flows of the contracts.



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	December 31, 2019					
	0-30 days	31-90 days	91days-1 year	1-5 years	Over 5 years	Total
Major matured cash outflow	\$ 904,715,129	193,235,955	422,931,903	63,452,023	29,806,197	1,614,141,207
Deposits from the Central Bank and banks	268,330	-	-	-	-	268,330
Overdrafts on banks	1,118,477	-	-	-	-	1,118,477
Call loans from the Central Bank and banks	24,703,175	8,444,072	1,847,147	-	-	34,994,394
Financial liabilities designated at fair value through profit or loss	-	-	-	-	8,949,182	8,949,182
Notes and bonds issued under repurchase agreement	60,390	172,381	635,810	-	-	868,581
Interest payable	448,482	803,258	1,291,095	79,568	8	2,622,411
Deposits transferred from Chunghwa Post Co., Ltd.	11,200,000	24,312,411	32,900,000	-	-	68,412,411
Demand deposits	756,048,930	-	-	-	-	756,048,930
Time deposits	110,515,249	154,439,507	370,847,890	43,619,659	18,237	679,440,542
Remittance	306,198	-	-	-	-	306,198
Bank notes payable	-	5,000,000	15,000,000	16,790,000	16,460,000	53,250,000
Cumulative earnings on appropriated loan fund	2,500	-	161,670	2,412,080	4,258,834	6,835,084
Lease liabilities	43,398	64,326	248,291	550,716	119,936	1,026,667

	December 31, 2018					
	0-30 days	31-90 days	91days-1 year	1-5 years	Over 5 years	Total
Major matured cash outflow	\$ 831,101,452	182,312,031	357,707,996	75,490,416	24,580,641	1,471,192,536
Deposits from the Central Bank and banks	316,275	-	-	-	-	316,275
Overdrafts on banks	812,952	-	-	-	-	812,952
Call loans from the Central Bank and banks	22,460,469	11,591,288	307,350	-	-	34,359,107
Financial liabilities designated at fair value through profit or loss	-	-	-	-	9,162,841	9,162,841
Notes and bonds issued under repurchase agreement	369,337	626,644	661,725	-	-	1,657,706
Interest payable	325,088	638,988	1,155,732	63,348	51	2,183,207
Deposits transferred from Chunghwa Post Co., Ltd.	7,500,000	15,108,258	33,217,951	-	-	55,826,209
Demand deposits	695,036,776	-	-	-	-	695,036,776
Time deposits	103,697,596	154,339,193	322,145,818	36,124,148	20,635	616,327,390
Remittance	573,379	-	-	-	-	573,379
Bank notes payable	-	-	-	36,400,000	11,050,000	47,450,000
Cumulative earnings on appropriated loan fund	9,580	7,660	219,420	2,902,920	4,347,114	7,486,694

(4) Derivative financial liabilities maturity analysis

A. Derivative financial instruments settled by net amount

The derivative instruments of the Bank whose possession are settled by net amount include foreign derivative instruments, such as non-delivery forward contracts. After evaluation the Bank concluded that the maturity date is the basic element to comprehend all the derivative financial instruments listed in the financial statement. The amount disclosed is based on the cash flows of the contracts and thus part of the amount disclosed may not correspond to the amount disclosed in the financial statement. As of December 31, 2018, the Bank had no derivative financial instruments settled by net amount. As of December 31, 2019, maturity analysis for the derivative financial liabilities settled by net amount is as follows:

	December 31, 2019					
	0-30 days	31-90 days	91-180 days	181 days to 1 year	Over 1 year	Total
Derivative financial liabilities at fair value through profit or loss						
Foreign exchange derivative instrument	\$ -	-	-	560	-	560

B. Derivative financial instruments settled by gross amount

The derivative instruments of the Bank's possession settled by gross amount include the following:

- Foreign exchange derivative financial instrument: Foreign exchange options settled by gross amount, foreign exchange forward contracts and currency swap contracts.
- Interest rate derivative financial instruments: interest rate swap contracts.

The table below shows the derivative financial instruments of the Bank whose possession are settled by gross amount based on the remaining days from the financial statement date to the contract maturity date. The amount disclosed is based on the cash flow of the contracts and thus part of the amount disclosed may not correspond to the amount disclosed in the financial statement. The maturity analysis for derivative financial liabilities settled by gross amount is as follows:

December 31, 2019	0-30 days	31-90 days	91-180 days	181 days to 1 year	Over 1 year	Total
Derivative financial instruments at fair value through profit or loss						
Foreign exchange derivative instruments						
Cash outflow	\$ 54,733,698	32,548,928	71,226,616	56,264,496	1,799,400	216,573,138
Cash inflow	55,106,820	32,263,313	70,476,718	56,270,898	1,802,371	215,920,120
Interest rate derivative instrument						
Cash outflow	-	15,820	22,689	35,707	52,623	126,839
Cash inflow	6,336	3,951	26,496	38,679	44,908	120,370
Total cash outflow	54,733,698	32,564,748	71,249,305	56,300,203	1,852,023	216,699,977
Total cash inflow	55,113,156	32,267,264	70,503,214	56,309,577	1,847,279	216,040,490
Net cash flow	\$ (379,458)	297,484	746,091	(9,374)	4,744	659,487

December 31, 2018	0-30 days	31-90 days	91-180 days	181 days to 1 year	Over 1 year	Total
Derivative financial instruments at fair value through profit or loss						
Foreign exchange derivative instruments						
Cash outflow	\$ 26,416,112	36,190,587	2,891,375	3,868,099	-	69,366,173
Cash inflow	26,087,200	36,209,231	2,865,909	3,781,737	-	68,944,077
Total cash outflow	26,416,112	36,190,587	2,891,375	3,868,099	-	69,366,173
Total cash inflow	26,087,200	36,209,231	2,865,909	3,781,737	-	68,944,077
Net cash flow	\$ 328,912	(18,644)	25,466	86,362	-	422,096



(5) Maturity analysis of off-balance sheet items

The table below shows the maturity analysis of the off-balance-sheet items of the Bank based on the remaining days from the financial statement date to the contract maturity date. For the financial guarantee contracts issued, the maximum amount of the guarantee is listed in the earliest time zone that the guarantee may be executed. The amount disclosed is based on the cash flows of the contracts and thus part of the amount disclosed may not correspond to the amount disclosed in the financial statement.

December 31, 2019	0-30 days	31-90 days	91-180 days	181 days to 1 year	Over 1 year	Total
Issued and irrevocable loan commitments	\$ 80,600	470,300	240,778	4,151,688	50,316,561	55,259,927
Irrevocable credit card loan commitments	426	8,850	244,874	1,383,874	18,434,883	20,072,907
Letters of credit issued yet unused	2,331,015	3,904,555	668,520	218,697	33,960	7,156,747
Other guarantees	1,013,082	2,595,282	1,160,466	1,590,609	12,040,928	18,400,367
Total	\$ 3,425,123	6,978,987	2,314,638	7,344,868	80,826,332	100,889,948

December 31, 2018	0-30 days	31-90 days	91-180 days	181 days to 1 year	Over 1 year	Total
Issued and irrevocable loan commitments	\$ 156,603	5,403,482	40,354,160	11,521,819	46,876,997	104,313,061
Irrevocable credit card loan commitments	3,491	8,674	15,695	59,713	29,241,485	29,329,058
Letters of credit issued yet unused	3,100,804	4,493,508	754,936	431,297	49,991	8,830,536
Other guarantees	1,418,212	1,138,643	2,276,614	3,006,484	10,522,322	18,362,275
Total	\$ 4,619,110	11,044,307	43,401,405	15,019,313	86,690,795	160,834,930

(6) Maturity analysis of lease contract commitments

The Bank only has operating lease contract, operating lease commitment refers to, when the Bank is the lessor or lessee and under the irrevocable operating lease conditions, the minimum total future rent payment. Below tables show the maturity analysis of the Bank operating lease contract commitments:

December 31, 2019	Below 1 year	1-5 years	Over 5 years	Total
Operating lease income (lessor)	\$ 2,270	449	-	2,719

December 31, 2018	Below 1 year	1-5 years	Over 5 years	Total
Operating lease expense (lessee)	\$ 320,061	465,986	65,366	851,413
Operating lease income (lessor)	1,312	1,069	-	2,381

The capital expenditure commitment of the Bank refers to the contract signed to obtain buildings and equipment. The maturity analysis of the capital expenditure commitment of the Bank is as follows:

December 31, 2019	Below 1 year	1-5 years	Over 5 years	Total
Machinery and equipment	\$ 1,226,830	-	-	1,226,830
Transportation equipment	130	-	-	130
Right-of-use assets	7,358	5,435	-	12,793
Miscellaneous equipment	8,899	-	-	8,899
Total	\$ 1,243,217	5,435	-	1,248,652

December 31, 2018	Below 1 year	1-5 years	Over 5 years	Total
Machinery and equipment	\$2,000,216	-	-	2,000,216
Transportation equipment	16	-	-	16
Lease assets	10,111	10,910	-	21,021
Miscellaneous equipment	24	-	-	24
Total	\$ 2,010,367	10,910	-	2,021,277

(e) Market risk

(1) Definition of market risk

Market risk refers to the possible loss of the Bank's business in or off the balance sheet results from the disadvantageous fluctuation in market price in terms of interest rates, stock prices, foreign exchange rates and commodity prices.

(2) Policies and procedures of market risk management

A. Strategy

- a. To carry out market risk management, achieve operation target and maintain healthy capital adequacy by following "Directions Governing the Market Risk Management of Taiwan Business Bank" and other relevant regulations.
- b. Under the risk tolerance approved by the board of directors or board of executive, the Bank directors, applies various risk control mechanism to effectively deploy and manage capital in order to maintain the market risk exposure within the tolerable extent and achieve earning target.

B. Policies and procedures

In order to establish the market risk management mechanism and ensure that the market risk is within the tolerable extent, the Bank set up directions governing the market risk management, remarks governing the limit of market risk and financial product valuation procedures as the primary management guidance. Other than what is stated above, the Bank also establish limit control mechanism in terms of trade positions, stop-limit, suspensions and lines of alert based on the operation notices and procedures of different financial instruments including fixed income, equity securities, foreign exchange transaction and derivative financial instruments.

(3) Process for market risk management

A. Risk identification

In accordance with the rules of "Directions Governing the Market Risk Management of Taiwan Business Bank", the Bank shall conduct appropriate market risk evaluation and document the process for later review before financial instruments are promoted. The content of evaluation includes risk factors identification, evaluation methods, cost-benefit analysis, market liquidity, risk strategy, adequacy of risk management mechanism and the influence on the Bank for undertaking market risk.

B. Risk measurement

- a. Annually based on the business development of transaction units and submit to the board of directors, board of executive directors for approval. For the units which the positions and limits remain unchanged after evaluation, they can put the positions and limits into practice after receiving the approval from the general manager.
- b. The risk measurements (or evaluations) of the financial instruments of the Bank are conducted through different information systems. For the market data and parameters of the models applied for evaluation, they shall be random inspected regularly to determine the rationality.

C. Risk monitoring

- a. Valuation reports of various financial instruments are prepared regularly for executives to review and serve as the guidance for daily risk management operation.
- b. All financial transactions are equipped with different regulations in terms of limit of loss and stop-limit. Provided that the valuation loss amount is over the limit, a stop-limit, suspension and subsequent risk control will be executed.

D. Risk report

Risk management department report current market risk management status of the Bank to directors executive directors and executives to facilitate them to control the risk exposure status and adjust management procedures properly.

(4) Scope and method of market risk management

A. Foreign exchange risk management

a. Definition of foreign exchange risk management

Foreign exchange risk refers to the potential profit or loss of the foreign currency financial instruments which results from the transition among fluctuating currencies.

b. Applicable scope

All the financial instruments which apply to trading book position and banking book position and involve in foreign currencies.

c. Purpose for foreign exchange risk management

To avoid loss of earnings or deterioration of financial status due to intensive fluctuation of foreign exchange and to increase capital deployment efficiency and business operation integrity.

d. Procedures of foreign exchange risk management

- 1) In order to control foreign exchange transaction risk, the Bank established trade position authorization standard for financial transaction operations, trade units and traders in current regulations. In addition, for non-commercial business foreign exchange operation, all trade units submit the required amounts of position annually based on operation status. Risk management department will evaluate the requirement and submit to the board of directors' (executive directors) for approval. The demand will be executed after the board of directors approved. For the units which the positions remain unchanged after evaluation, they can put the positions into practice after receiving the approval from the general manager.
- 2) The trade units conduct various foreign financial product business, they shall fully understand the content of commodities, the risk tolerance and trade purpose. Trade units shall establish financial products trading strategies based on market status in the meeting every morning and submit the risk-benefit evaluation in the meeting minutes for the department heads to review. The trading shall follow the relevant authorization rules of the Bank and the stop-limit of all trade positions shall be executed reliably.

e. Process of foreign exchange risk management

1) Identification and measurement

- A) Risk Management department established risk factor chart based on different financial transactions to effectively identify risk factors and market risk resources. In addition, the financial transactions which the Bank conducts deal with simple type financial products. For complex financial instruments, the Bank conducts back-to-back hedge covering to effectively avoid market risk.
- B) Risk Management department uses Greeks to measure the influence level of exchange rate for held-for-trading spot exchange and exchange rate derivative and setup Greek's sensitivity allowance according to the yearly demand of trade units, the state of utilization, and monitor the load of fluctuation of exchange rate in each acceptable range.
- C) Positions of the trading book shall be evaluated daily where the positions of the banking book shall be evaluated monthly. When there are public quotes for financial instruments, the quotes shall be the prior evaluation prices. If the financial instruments are evaluated by models, then they shall be evaluated by mathematic models prudently and the assumptions and parameters of the models shall be reviewed regularly.

2) Monitoring and report

- A) When the evaluation loss of non-commercial foreign exchange transactions is over the limit; the trade units shall execute a stop-limit per the regulations. If the loss amount reaches the suspension warning line or suspension limit of the financial transaction, risk management units shall report to the general manager. Provided that the loss amount reaches the annual suspension line, risk management department shall report to the board of directors or executive directors.



B) Reports of operation results shall be prepared and submitted to the department heads for approval on a daily basis.

B. Equity security risk management

a. Definition of equity security risk

The market risks of the equity securities possessed by the Bank include the individual risk results from the market price fluctuation of individual equity security and the general market risk results from overall market price fluctuation.

b. Applicable scope

Financial instruments similar to equity security in all trading books.

c. Purpose of equity security risk management

To avoid loss of earnings or deterioration of financial status due to intensive fluctuation of equity securities and to increase capital deployment efficiency and business operation integrity.

d. Procedures of equity security risk management

- 1) All trade units submit the required amounts of position annually base on operation status. Risk management department will evaluate the requirement and submit to the board of directors or executive directors. The demand will be executed after approved by the board of directors.
- 2) The trade units shall predict the possible trend of domestic stock market based on the information of foreign and domestic security markets so as to set up the operation strategies and directions. The traders shall pay close attention to the market trend when the market opens so as to conduct security transactions and the operations as well as the meeting minutes shall be submitted to the department heads to review.

e. Process of equity security risk management

1) Identification and measurement

A) The risk management department apply Value at Risk models to measure the market risk of equity security investment. Furthermore, based on the trade units' operation demand and the risk limit established by the Bank's risk tolerance, the risk management units effectively control the variation of risk factors under an acceptable extent.

B) Trading book position shall be evaluated daily. When there is a public quote in the market, the quote shall be adopted as the prior evaluation price. If the transaction is in secondary market and the liquidity is high, the closing price can be adopted as the evaluation price. If the financial instruments are evaluated by models, then they shall be evaluated by mathematic models prudently and the assumptions and parameters of the models shall be reviewed regularly.

2) Monitoring and report

A) When the evaluation loss of equity security investment is over the limit, the trade units shall execute a stop-limit per regulations. If the loss amount reaches the suspension warning line or suspension limit of the financial transaction, risk management units shall report to the general manager. Provided that the loss amount reaches the annual suspension line, risk management department shall report to the board of directors executive directors.

B) Transaction reports shall be prepared and submitted to the department heads for approval on a daily basis. And the investment gains or losses shall report to the board of directors or executive directors regularly for future reference.

C. Interest rate risk management

a. Definition of interest rate risk

Interest rate risk refers to the price decline of the Bank's financial products which contain interest risk factors due to the disadvantageous changes in interest rate.

b. Applicable scope

Financial instruments which contain interest rate factors in all trading books.



c. Purpose of interest rate risk management

To avoid loss of earnings or deterioration of financial status due to intensive fluctuation of interest rate and to increase capital deployment efficiency and business operation integrity.

d. Procedures of interest rate risk management

- 1) In order to control interest rate risk, the Bank established trade position authorization standard for financial transaction operations, trade units and trade counterparties in current regulations. In addition, for the positions held for trading, all trade units submit the required amounts of position annually based on operation status. Risk management department will evaluate the requirement and submit to the board of directors or executive directors for approval. The demand will be executed after the board of directors approved.
- 2) The trade units shall consider safety, liquidity and profitability and gather market information to assess the potential risk and benefit. In additional, the trade units shall choose investment target prudently through analyzing the issuers' credit, financial status, country risks and interest rate trends.

e. Process of interest rate risk management

1) Identification and measurement

- A) The risk management department establish risk factor charts base on different financial transaction to effectively identify risk factors and market risk resources. In addition, the financial transactions which the Bank conducts deal with simple type financial products. For complex financial products, the Bank conducts back-to-back hedge covering to effectively avoid market risk.
- B) Position of the trading book shall be evaluated daily. When there are public quotes for financial instruments, the quotes shall be the prior evaluation prices. If the financial instruments are evaluated by models, then they shall be evaluated by mathematic models prudently and the assumptions and parameters of the models shall be reviewed regularly.

2) Monitoring and report

- A) The risk management department apply DV01 to measure to what extent the trading book bond positions are influenced by the interest rate risk and set up interest rate sensitivity limit base on the requirements of the trade units and the risk tolerance of the Bank annually.
- B) The trade units shall prepare the income assessment tables of trade positions and traders for the department heads to review. In addition, when the evaluation loss of the position is over the limit, the trade units shall execute a stop-limit per the regulations. If the loss amount reaches the suspension warning line or suspension limit of the financial transaction, risk management department shall report to the general manager. Provided that the loss amount reaches the annual suspension line, risk management units shall report to the board of directors or executive directors.

D. Concentration management

- a. The trade counterparties of the Bank are mostly financial institutions. To avoid the risk being over concentrated and enhance credit risk management, the Bank established financial institution credit risk limit based on the world ranking of Level 1 capital and credit ratings from The Banker. The trade units shall also pay attention to the changes of the credit status of individual financial institution as well as the changes of the national credit rating to conduct the transaction prudently.
- b. For equity security investments, the Bank set up limits for single institution and single related party.

(5) Interest rate risk management of the banking book

A. The definition and management purpose for the interest rate risk of the banking book

- a. The interest rate risk of the banking book refers to the negative effect towards the future net interest income or economic value of equity results from the fluctuation of interest rate. Net Interest Income (hereafter NII) is the total amount of interest revenue deducted by the total amount of interest expense; Economic Value of Equity (hereafter EVE) is the total discounted future cash inflow from assets deducted by the total discounted future cash outflow from liabilities.

- b. The management purpose of the interest rate risk management of the banking book is to control the negative effect from the interest rate risk fluctuation towards NII or EVE within the approved limit extent.

B. The process for the interest rate risk management of the banking book

a. Identification and measurement

When the Bank conducts interest rate related products, it identifies the reprising risk, yield curve risk, basis risk and option characteristic risk and measures the possible influence on the earnings and economic value results from interest rate fluctuation.

b. Monitoring and report

The Bank established limits of the ratio between interest-rate-sensitivity assets and interest-rate-sensitivity liabilities, the effect to NII in 1 year when the market interest rate parallel changes 1 BP and the effect to EVE when the market interest rate parallel changes 200 BP to control the banking book interest rate risk. The results of interest rate risk measurement are reported to the Assets and Liabilities Management Committee monthly and to the board of directors or executive directors quarterly. When the measurement result is over the limit, relevant units shall be convened to establish responding plan and the plan shall be submitted to the Assets and Liabilities Management Committee for discussion. After the plan is approved by the general manager, it shall be executed by the relevant business units and report to the board of directors or executive directors.

(6) Value at Risk

A. Description of Value at Risk

Value at Risk (VaR) is a statistical amount used to evaluate the maximum possible loss of portfolio results from the changes of market risk factors within a certain period of time and a fixed confidence interval.

B. Value at Risk models and assumptions

In order to enhance the market risk control operation, the Bank established quantified indices of market risk for the equity security position of the trading book. Based on the historical information of the last 1 year and applies Historical Simulation Method (with the confidence interval being 99% and the duration of possession being 1 day), the Bank calculates and monitors the trend of Value at Risk.

C. The limit of Value at Risk model

Value at Risk is a tool to measure market risk under normal circumstance. The limits of the model are listed below:

- a. Value at Risk cannot reflect the losses result from other type of risks, such as credit risk and liquidity risk.
- b. Value at Risk measures the possible loss of the position on hand at the end of the transaction day, but it cannot reflect the distribution of the part which actual loss exceeds Value at Risk.
- c. Value at Risk model is based on historical data to evaluate the amount, and therefore it may not be able to predict the future changes of risk factors, especially for those exceptions result from significant market fluctuation.

(7) Foreign exchange risk disclosure and sensitivity analysis

A. Foreign exchange risk exposure

a. Significant net positions of foreign currencies (Market risk)

Significant net positions of foreign currencies (Market risk)		
December 31, 2019		
Currency	Foreign currency amount	NT\$ amount
USD	\$ 411,606	12,344,064
JPY	4,142,819	1,143,832
EUR	10,906	366,878
AUD	16,808	353,220
ZAR	70,508	149,477



Significant net positions of foreign currencies (Market risk)		
December 31, 2018		
Currency	Foreign currency amount	NT\$ amount
USD	\$ 470,443	14,459,066
JPY	2,965,336	822,584
CNY	135,296	604,638
AUD	16,208	350,984
EUR	3,495	122,954

Note 1 Main foreign currencies are the top five foreign currencies ranked in NTD value.

Note 2 Net foreign currency is the absolute value of the net positions of each foreign currency.

b. Assets and liabilities of foreign currency

December 31, 2019						
Currency	Monetary financial assets			Monetary financial liabilities		
	Foreign currency amount (in thousands)	Spot rate	NTD amount	Foreign currency amount (in thousands)	Spot rate	NTD amount
USD	\$ 14,942,409	29.9900	448,122,846	14,403,203	29.9900	431,952,058
CNY	36,289,937	4.2950	155,865,279	36,291,374	4.2950	155,871,451
AUD	4,212,685	21.0150	88,529,575	4,146,043	21.0150	87,129,094
HKD	6,170,963	3.8510	23,764,379	5,791,786	3.8510	22,304,168
JPY	53,452,970	0.2761	14,758,365	52,141,895	0.2761	14,396,377
EUR	394,078	33.6400	13,256,784	394,201	33.6400	13,260,922
ZAR	4,442,764	2.1200	9,418,660	4,443,233	2.1200	9,419,654
GBP	30,508	39.3800	1,201,405	30,488	39.3800	1,200,617
NZD	58,418	20.2000	1,180,044	58,414	20.2000	1,179,963
CAD	32,029	22.9800	736,026	32,075	22.9800	737,084
THB	172,762	1.0081	174,161	176,909	1.0081	178,342
SGD	6,067	22.2600	135,051	6,156	22.2600	137,033
SEK	36,065	3.2200	116,129	35,768	3.2200	115,173
CHF	-	-	-	4,030	30.9750	124,829
Others (Note)	-	-	62,198	-	-	-
Non-monetary financial assets				Non-monetary financial liabilities		
USD	2,025	29.9900	60,730	-	-	-

Note: Consolidated disclosure is applied for other currencies not over \$100,000.

December 31, 2018						
Currency	Monetary financial assets			Monetary financial liabilities		
	Foreign currency amount (in thousands)	Spot rate	NTD amount	Foreign currency amount (in thousands)	Spot rate	NTD amount
USD	\$ 10,364,989	30.7350	318,567,937	9,815,797	30.7350	301,688,521
AUD	4,113,296	21.6550	89,073,425	4,061,406	21.6550	87,949,747
CNY	8,709,563	4.4690	38,923,037	8,716,012	4.4690	38,951,858
HKD	5,947,321	3.9230	23,331,340	5,666,020	3.9230	22,227,796
JPY	41,701,989	0.2774	11,568,132	40,269,290	0.2774	11,170,701
EUR	303,587	35.1800	10,680,191	303,677	35.1800	10,683,357
ZAR	4,782,950	2.1200	10,139,854	4,784,213	2.1200	10,142,532
GBP	40,606	38.9000	1,579,573	40,654	38.9000	1,581,441
NZD	61,409	20.6300	1,266,868	62,555	20.6300	1,290,510
CAD	45,171	22.5800	1,019,961	45,227	22.5800	1,021,226
CHF	6,529	31.1650	203,476	6,595	31.1650	205,533
SGD	5,427	22.4400	121,782	5,492	22.4400	123,240
Others (Note)	-	-	84,570	-	-	91,209
Non-monetary financial assets				Non-monetary financial liabilities		
USD	556	30.7350	17,089	-	-	-

Note: Consolidated disclosure is applied for other currencies not over \$100,000.

B. Foreign exchange risk sensitivity analysis (Change by 1%)

Foreign exchange risk sensitivity analysis is the analysis that given other conditions remain the same, the influence on profit or loss and equity when each respective currency depreciate or appreciate by 1%.

Currency	December 31, 2019			
	Depreciate by 1%		Appreciate by 1%	
	Income	Equity	Income	Equity
USD	\$ (1,676)	(55,313)	1,676	55,313
AUD	7,410	(18,231)	(7,410)	18,231
HKD	2,979	(17,543)	(2,979)	17,543
JPY	5,572	(3,766)	(5,572)	3,766
GBP	125	-	(125)	-
SGD	20	-	(20)	-
ZAR	7	-	(7)	-
SEK	(10)	-	10	-
CHF	626	-	(626)	-
CAD	42	-	(42)	-
THB	42	-	(42)	-
EUR	(119)	-	119	-
NZD	(8)	-	8	-
CNY	(2,189)	-	2,189	-
Total	\$ 12,821	(94,853)	(12,821)	94,853

Currency	December 31, 2018			
	Depreciate by 1%		Appreciate by 1%	
	Income	Equity	Income	Equity
USD	\$ 23,357	(53,055)	(23,357)	53,055
AUD	7,318	(15,365)	(7,318)	15,365
HKD	3,050	(14,263)	(3,050)	14,263
JPY	5,690	(4,431)	(5,690)	4,431
GBP	100	-	(100)	-
SGD	14	-	(14)	-
ZAR	24	-	(24)	-
SEK	22	-	(22)	-
CHF	21	-	(21)	-
CAD	40	-	(40)	-
THB	44	-	(44)	-
EUR	(153)	-	153	-
NZD	229	-	(229)	-
CNY	(1,334)	-	1,334	-
Total	\$ 38,422	(87,114)	(38,422)	87,114

(8) Interest rate risk disclosure and sensitivity analysis

A. Interest rate sensitivity analysis

The assumption of interest rate sensitivity analysis is, under the circumstance that other conditions remain the same, the yield of the market increase or decrease by 1 basis point (1 bp).

Currency	December 31, 2019			
	Interest rate increases by 1 bp		Interest rate decreases by 1 bp	
	Income	Equity	Income	Equity
Trading book				
TWD	\$ (660)	(5,211)	660	5,211
Banking book				
TWD	-	(49,215)	-	49,215
USD	9	(13,057)	(9)	13,057
AUD	-	(647)	-	647
HKD	-	(78)	-	78
CNY	-	(1,423)	-	1,423
ZAR	-	(80)	-	80
Total	<u>\$ (651)</u>	<u>(69,711)</u>	<u>651</u>	<u>69,711</u>

Currency	December 31, 2018			
	Interest rate increases by 1 bp		Interest rate decreases by 1 bp	
	Income	Equity	Income	Equity
Trading book				
TWD	\$ -	(4,175)	-	4,175
Banking book				
TWD	-	(50,411)	-	50,411
USD	34	(12,593)	(34)	12,593
AUD	-	(682)	-	682
HKD	-	(20)	-	20
CNY	-	(495)	-	495
ZAR	-	(191)	-	191
Total	<u>\$ 34</u>	<u>(68,567)</u>	<u>(34)</u>	<u>68,567</u>

B. Sensitivity analysis of expected net revenue/Sensitivity of equity in terms of interest rate fluctuation

Scenario	December 31, 2019			
	Effect on NII in 1 year		Effect on EVE	
	TWD	USD	TWD	USD
Interest rate increases by 100 bp	3,000,869	(21,189)	(2,668,734)	(59,485)
Interest rate decreases by 100 bp	(5,575,295)	8,698	4,298,253	65,845

Scenario	December 31, 2018			
	Effect on NII in 1 year		Effect on EVE	
	TWD	USD	TWD	USD
Interest rate increases by 100 bp	2,721,539	(17,175)	(1,309,829)	(30,545)
Interest rate decreases by 100 bp	(5,609,550)	6,550	1,726,999	34,423



(9) Equity security risk disclosure and sensitivity analysis

A. Equity security sensitivity analysis (Changes by 1%)

The assumption of equity security sensitivity analysis is, under the circumstance that other conditions remain the same, the price of equity security increased or decreased by 1%.

Change	Currency	December 31, 2019	
		Income	Equity
Equity security price increases by 1 %	TWD	1,789	-
	USD	20	-
Equity security price decreases by 1 %	TWD	(1,789)	-
	USD	(20)	-

Change	Currency	December 31, 2018	
		Income	Equity
Equity security price increases by 1 %	TWD	489	-
	USD	6	-
Equity security price decreases by 1 %	TWD	(489)	-
	USD	(6)	-

B. Value at Risk of equity security

Value at Risk	From the year ended December 31, 2019		
	Average	Maximum	Minimum
Equity security risk	3,255	7,623	94

Value at Risk	For the year ended December 31, 2018		
	Average	Maximum	Minimum
Equity security risk	13,763	5,130	25

(f) Transferred financial assets that are not fully derecognized

The transactions, relating to transferred financial assets not qualifying for full derecognition, the Bank conduct during daily operation mostly involve securities lending in accordance to repurchase agreements. Since the right to receive contractual cash flow has been transferred to others and the Bank's obligation to repurchase the transferred assets for a fixed price at a future date is recognized under liability, for these transactions, the Bank cannot use, sell or pledge those transferred financial assets in availability period, the Bank have interest rate risk and credit risk, the said transferred assets are not fully derecognized.

As of December 31, 2019 and 2018, there were not any financial assets of the Bank that are not fully derecognized.

(g) Offsetting financial assets and financial liabilities

The Bank has an exercisable master netting arrangement or similar agreement in place with counterparties. When both parties reach a consensus regarding net settlement, the aforesaid exercisable master netting arrangement or similar agreement can be net settled by offsetting financial assets and financial liabilities. If not, the transaction can be settled at total amount. In the event of default involving one of the parties, the other party can have the transaction net settled.

The following tables present the aforementioned offsetting financial assets and financial liabilities:

December 31, 2019						
Financial assets under offsetting or general agreement of net amount settlement or similar norm						
Item	Gross amounts of recognized financial assets (a)	Gross amounts of financial liabilities offset in the balance sheet (b)	Net amount of financial assets presented in the balance sheet (c)=(a)-(b)	Amounts not set off in the balance sheet(d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash collateral received	
Derivative financial instruments	\$ 370,369	-	370,369	468,795	484,712	(583,138)



December 31, 2019						
Financial liabilities under offsetting or general agreement of net amount settlement or similar norm						
Item	Gross amounts of recognized financial liabilities (a)	Gross amounts of financial assets offset in the balance sheet (b)	Net amount of financial liabilities presented in the balance sheet (c)=(a)-(b)	Amounts not set off in the balance sheet(d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash collateral pledged	
Derivative financial instruments	\$ 131,733	-	131,733	-	969,900	(838,167)

December 31, 2018						
Financial assets under offsetting or general agreement of net amount settlement or similar norm						
Item	Gross amounts of recognized financial assets (a)	Gross amounts of financial liabilities offset in the balance sheet (b)	Net amount of financial assets presented in the balance sheet (c)=(a)-(b)	Amounts not set off in the balance sheet(d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash collateral received	
Derivative financial instruments	\$ 121,120	-	121,120	627,412	176,599	(682,891)

December 31, 2018						
Financial liabilities under offsetting or general agreement of net amount settlement or similar norm						
Item	Gross amounts of recognized financial liabilities (a)	Gross amounts of financial assets offset in the balance sheet (b)	Net amount of financial liabilities presented in the balance sheet (c)=(a)-(b)	Amounts not set off in the balance sheet(d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash collateral pledged	
Derivative financial instruments	\$ 95,769	-	95,769	-	608,768	(512,999)

Note: Master netting arrangements and non-cash financial collaterals are included.

(AQ) Capital Management

- The Bank takes business development and risk control into consideration and calculates capital adequacy per "Regulations Governing the Capital Adequacy Ratio and Capital Category of Banks" and "Calculation Methods and Forms of Proprietary Capital and Risk Capital of Banks". The ratio between proprietary capital and risk capital shall remain above the regulated minimum ratio.
- In order to maintain adequate capital and reach a balance between risk control and business development, the Bank established "Directions Governing Capital Adequacy" as the guidance for controlling capital adequacy. The scope of the directions includes, except for the least capital requirements for credit risk, market risk and operation risk, significant risk such as banking book interest rate risk, liquidity risk and concentration risk. In addition, in order to link business strategies, capital and risk management, the Bank sets up capital management plan annually for the president's approval and reports to Risk Management Committee and the board of directors quarterly about relevant risks and capital control status.
- The Bank identifies, measures, monitors and reports various risks based on the directions, notices and relevant rules of competent authority regarding credit risk, market risk, operation risk, interest rate risk of the banking book, and liquidity risk so as to be familiar with current business environment and monitors and adjusts capital adequacy effectively.
- To cope with the implementation of new Basel Accord, the Bank set up complete risk management system, risk management operation tracking procedures to provide the management with appropriate risk management information for making decisions. Therefore, the Bank is able to maintain adequate capital within the tolerable extent and to ensure the provision of proprietary capital of the Bank corresponds with the overall operating risk characteristics of the Bank.

(1) Tier 1 capital

- A. Common stock equity: The item includes common stock deducted by treasury stock, goodwill and other intangible assets, deferred tax assets based on future profit status of the Bank, unrealized gain on financial assets measured at fair value through other comprehensive income, operating reserve and deficiency of allowance for bad debts, real estate retained earning increment arising from applying the fair value or the revaluation reserve as the deemed cost when first adopting IFRSs, and 25% of the investment on financial related business which is classified in banking book.
- B. Other tier 1 capital: 25% of the perpetual non-accumulated subordinated financial debentures deducted by the investment on financial related business which is classified in banking book.

(2) Tier 2 capital

The item includes perpetual accumulated subordinated financial debentures, long term subordinated debenture, real estate retained earning increment arising from applying the fair value or the revaluation reserve as the deemed cost when first adopting IFRSs, 45% of unrealized gain on financial assets measured at fair value through other comprehensive income, and 50% of the investment on financial related business which is classified in banking book.

Item			December 31, 2019	December 31, 2018
Eligible capital	Common stock equity		88,212,592	78,947,036
	Other tier 1 capital		12,708,443	13,386,998
	Tier 2 capital		32,082,995	29,797,442
	Eligible Capital		133,004,030	122,131,476
Risk-weighted assets	Credit risk	Standardized approach	992,799,980	912,764,211
		Internal ratings-based approach	-	-
		Securitization	-	-
	Operational risk	Basic indicator approach	-	-
		Standardized approach/ selective standardized approach	38,286,712	36,971,711
		Advanced measurement approach	-	-
	Market risk	Standardized approach	19,565,088	11,844,063
		Internal model approach	-	-
	Total risk-weighted assets		1,050,651,780	961,579,985
	Capital adequacy ratio			12.66%
Common stock equity/ Risk weighted assets ratio			8.40%	8.21%
Tier 1 capital / Risk weighted assets ratio			9.61%	9.60%
Leverage ratio			5.53%	5.40%

The formulas of the table are listed as follows:

- A. The eligible capital, risk-weighted assets and exposure are calculated per "Regulations Governing the Capital Adequacy and Capital Category of Banks" and "The Calculation and Forms of Eligible Capital and Risk Assets of Banks".
- B. The Bank shall fill out the capital adequacy of this period and last period. For the semi-annual report, the Bank shall disclose the capital adequacy of this period and last period and additionally disclose the capital adequacy of the previous period ended December 31.
- C. Note 1. Eligible Capital = Common stock equity + Other Tier 1 Capital + Tier 2 Capital
 Note 2. Total risk-weighted assets = Credit risk weighted assets + (operational risk charge + market risk charge) × 12.5
 Note 3. Capital adequacy ratio = Eligible Capital ÷ Risk weighted assets.
 Note 4. Common stock equity / Risk-weighted assets ratio = Common stock equity / total risk weighted assets
 Note 5. Tier 1 capital / Risk-weighted assets ratio = (Common stock equity + other tier 1 capital) / Risk-weighted assets
 Note 6. Leverage ratio = Net Tier 1 capital / Total risk exposure.
- D. Above table is not required to be disclosed when preparing the financial reports of the first quarter and third quarter.



(AR) Investing and financing activities not affecting current cash flow

The Bank's investing and financing activities which did not affect the current cash flow for the years ended December 31, 2019 and 2018 were carried out to acquire right-of-use assets under leases. Please refer to Note 6(L).

Reconciliation of liabilities arising from financing activities were as follows:

	January 1, 2019	Cash flow	Non-cash changes			December 31, 2019
			Exchange rate movement	Fair value changes	Other changes	
Financial liabilities at fair value through profit or loss	\$ 9,162,841	-	(223,500)	9,841	-	8,949,182
Bank notes payable	47,450,000	5,800,000	-	-	-	53,250,000
Lease liabilities	897,299	(421,892)	77	-	551,183	1,026,667
Total liabilities from financing activities	<u>\$ 57,510,140</u>	<u>5,378,108</u>	<u>(223,423)</u>	<u>9,841</u>	<u>551,183</u>	<u>63,225,849</u>

	January 1, 2018	Cash flow	Non-cash changes			December 31, 2018
			Exchange rate movement	Fair value changes	Other changes	
Financial liabilities at fair value through profit or loss	\$ 3,565,337	5,532,300	126,600	(61,396)	-	9,162,841
Bank notes payable	41,000,000	6,450,000	-	-	-	47,450,000
Total liabilities from financing activities	<u>\$ 44,565,337</u>	<u>11,982,300</u>	<u>126,600</u>	<u>(61,396)</u>	<u>-</u>	<u>56,612,841</u>

(AS) Structured entities that not included in financial reports

- (a) The table below presents the types of structured entities that the Bank do not include in financial reports but in which they hold an interest:

Types of structured entities	Nature and purpose	Interests held by the Bank
Private fund	Investing in funds that cannot be freely traded on the open market	Investing in units or limited partnership interests issued by these funds.
Asset securitization product	Investing in commercial real estate assets securitization products	Investment in asset-backed securities issued by unconsolidated structured entities

- (b) The scales of structures entities not included in financial reports were as follow:

	December 31, 2019	December 31, 2018
Private fund	\$ 48,150	50,000
Asset securitization product	49,804	43,502
Total	<u>\$ 97,954</u>	<u>93,502</u>

- (c) The carrying amounts of interests held by the Bank in these structured entities were as follows:

Assets held by the Bank	December 31, 2019	December 31, 2018
Financial assets at fair value through profit or loss	\$ 48,150	50,000
Financial assets at fair value through other comprehensive income	49,804	43,502
Total	<u>\$ 97,954</u>	<u>93,502</u>

The maximum amount of risk exposure the Bank endure to a loss incurred from special purpose entities that are not included in the financial reports is the carrying amount of interests held by the Bank.

- (d) As of December 31, 2019 and 2018, the Bank has not provided any financial support to their special purpose entities that are not included in the financial reports.

7. RELATED PARTY TRANSACTIONS

(A) Names of related parties and relationship

Name of related party	Relationship with the Bank and subsidiaries
Bank of Taiwan	Corporate director of the Bank
Ministry of Finance, R.O.C	Corporate director of the Bank
Land Bank of Taiwan	Corporate director of the Bank
Taiwan Business Bank Insurance Agency Co., Ltd.	Investee company of the Bank
Taiwan Business Bank Property Insurance Agency Co., Ltd.	Investee company of the Bank
TBB International Leasing Co., Ltd.	Investee company of the Bank
TBB (Cambodia) Microfinance Institution Plc	Investee company of the Bank
TBB Venture Capital Co., Ltd.	Investee company of the Bank
Taiwan Business Bank International Leasing Co., Ltd.	Investee company measured by using equity method
Taiwan Business Bank Guild	Corporate director of the Bank
Others	Management and other related parties of the Bank

(B) Significant related party transactions

(a) Due from banks

	December 31, 2019	
	Amount	%
Bank of Taiwan	\$ 207,228	1.18
Land Bank of Taiwan	4,952	0.03
Total	<u>\$ 212,180</u>	<u>1.21</u>

	December 31, 2018	
	Amount	%
Bank of Taiwan	\$ 129,756	0.58
Land Bank of Taiwan	6,036	0.03
Total	<u>\$ 135,792</u>	<u>0.61</u>

Interest rates are the same as those with regular clients.

(b) Deposits from banks

	December 31, 2019	
	Amount	%
Land Bank of Taiwan	<u>\$ 1,813</u>	<u>1.94</u>

	December 31, 2018	
	Amount	%
Land Bank of Taiwan	<u>\$ 732</u>	<u>1.13</u>

Interest rates are the same as those with regular clients.

(c) Call loans to banks

For the years ended December 31, 2019	Highest balance	December 31, 2019	Interest income	Annual interest rate
Bank of Taiwan	\$ 8,404,583	429,500	8,671	0.174%~3.403%
Land Bank of Taiwan	4,667,730	-	8,259	1.4%~3.7%
Total	<u>\$ 13,072,313</u>	<u>429,500</u>	<u>16,930</u>	

For the years ended December 31, 2018	Highest balance	December 31, 2018	Interest income	Annual interest rate
Bank of Taiwan	\$ 11,800,740	153,675	8,507	0.17%~3.0%
Land Bank of Taiwan	4,948,798	-	6,037	1.45%~2.77%
Total	<u>\$ 16,749,538</u>	<u>153,675</u>	<u>14,544</u>	

Interest rates are the same as those with regular clients.



(d) Call loans from banks

For the years ended December 31, 2019	Highest balance	December 31, 2019	Interest Expense	Annual interest rate
Bank of Taiwan	\$ 11,554,385	1,157,025	22,902	0.07%~3.35%
Land Bank of Taiwan	10,744,942	1,214,735	26,016	0.15%~3.5%
Total	<u>\$ 22,299,327</u>	<u>2,371,760</u>	<u>48,918</u>	

For the year ended December 31, 2018	Highest balance	December 31, 2018	Interest Expense	Annual interest rate
Bank of Taiwan	\$ 5,210,241	-	2,978	0.05%~3.3%
Land Bank of Taiwan	10,067,317	-	19,615	0.18%~3.9%
Total	<u>\$ 15,277,558</u>	<u>-</u>	<u>22,593</u>	

Interest rates are the same as those with regular clients.

(e) Receivables

	December 31, 2019	
	Amount	%
Taiwan Business Bank Insurance Agency Co., Ltd.	\$ 50,901	0.20
Taiwan Business Bank Property Insurance Agency Co., Ltd.	2,795	0.01
Total	<u>\$ 53,696</u>	<u>0.21</u>

	December 31, 2018	
	Amount	%
Taiwan Business Bank Insurance Agency Co., Ltd.	\$ 64,344	0.15
Taiwan Business Bank Property Insurance Agency Co., Ltd.	4,137	0.01
Total	<u>\$ 68,481</u>	<u>0.16</u>

(f) Deposits

	December 31, 2019	
	Amount	%
Taiwan Business Bank Insurance Agency Co., Ltd.	\$ 443,529	0.03
Taiwan Business Bank Property Insurance Agency Co., Ltd.	20,047	-
TBB International Leasing Co., Ltd.	10,371	-
Taiwan Business Bank International Leasing Co., Ltd.	220,050	0.02
TBB Venture Capital Co., Ltd.	52,126	-
Others	1,067,540	0.08
Total	<u>\$ 1,813,663</u>	<u>0.13</u>

	December 31, 2018	
	Amount	%
Taiwan Business Bank Insurance Agency Co., Ltd.	\$ 448,863	0.03
Taiwan Business Bank Property Insurance Agency Co., Ltd.	15,337	-
TBB International Leasing Co., Ltd.	153,548	0.01
Taiwan Business Bank International Leasing Co., Ltd.	82,732	0.01
TBB Venture Capital Co., Ltd.	195,962	0.02
Others	1,149,229	0.09
Total	<u>\$ 2,045,671</u>	<u>0.16</u>

Interest rates are the same as those with regular clients.

(g) Credit

December 31, 2019							
Category	Number of clients or name of related party	Highest balance	Ending balance	Performing situations		Collaterals	Transaction terms are the same as those with regular clients
				Performing loan	Non-performing Loans		
Employee consumer loans	149	438,488	404,626	404,626	-	none/real estate	none
Self-use residence mortgages loans	113	501,692	461,965	461,965	-	real estate	none
Others	Du ○ ○	7,614	7,358	7,358	-	real estate	none
	Wu ○ ○	6,597	5,503	5,503	-	real estate	none
	Hong ○ ○	2,266	1,715	1,715	-	real estate	none
	Cho ○ ○	1,215	1,155	1,155	-	real estate	none
	Chang ○ ○	1,118	1,118	1,118	-	real estate	none
December 31, 2018							
Category	Number of clients or name of related party	Highest balance	Ending balance	Performing situations		Collaterals	Transaction terms are the same as those with regular clients
				Performing loan	Non-performing Loans		
Employee consumer loans	151	808,222	384,533	384,533	-	none/real estate	none
Self-use residence mortgages loans	123	1,141,682	461,328	461,328	-	real estate	none
Others	Si ○ ○	726	726	726	-	real estate	none
	Du ○ ○	7,792	7,705	7,705	-	real estate	none
	Wu ○ ○	7,179	7,179	7,179	-	real estate	none
	Cho ○ ○	1,246	1,246	1,246	-	real estate	none
	Chang ○ ○	1,168	1,142	1,142	-	real estate	none
	Chuang ○ ○	1,565	1,565	1,565	-	real estate	none
	Huang ○ ○	5,699	5,699	5,699	-	real estate	none

(h) Guarantees: None.

(i) Service fee:

The Bank received from Taiwan Business Bank Insurance Agency Co., Ltd. cross-selling service fees of \$992,134 and \$1,208,460 for the years ended December 31, 2019 and 2018, respectively; The Bank received from Taiwan Business Bank Property Insurance Agency Co., Ltd. service fee of \$32,134 and \$34,101 for the years ended December 31, 2019 and 2018, respectively.

(j) Rental revenue:

	For the years ended December 31,	
	2019	2018
Taiwan Business Bank Insurance Agency Co., Ltd.	\$ 2,203	2,203
Taiwan Business Bank Property Insurance Agency Co., Ltd	245	245
TBB International Leasing Co., Ltd.	691	691
TBB Venture Capital Co., Ltd.	354	59
Total	\$ 3,493	3,198

(k) Derivatives financial instrument transactions: None.

(l) Sales of Non-Performing Loans Transactions: None.

**(C) Major management salary information**

	For the years ended December 31,	
	2019	2018
Salary and other short-term employee benefits	\$ 97,524	108,512
Post-employment benefits	2,633	2,647
Total	<u>\$ 100,157</u>	<u>111,159</u>

8. PLEDGED ASSETS: Please refer to note 6(H) for more details.**9. COMMITMENTS AND CONTINGENCIES****(A) Significant commitments and contingencies were as follows:**

	December 31, 2019	December 31, 2018
Marketable securities held for custody	\$ 12,065,026	14,045,346
Bills collected for others	44,164,781	47,768,037
Bills lent for others	30,006,439	28,686,169
Guarantees and letters of credit	25,557,114	27,192,811
Collaterals received	426	426
Trust liabilities	167,127,065	152,551,326
Travelers' check in custody for sale	50,163	59,725
Items held for custody	3,995,489	4,433,125
Registered government bonds for sale	66,587,300	65,842,800
Registered short-term bills for sale	1,584,150	1,471,796
Guarantee notes payable	26,383,110	26,069,360

(B) Unrecognized contractual commitments:

As of December 31, 2019 and 2018 major constructions in progress and purchases amounted to \$1,097,821 and \$1,095,465 respectively, of which \$546,673 and \$851,250 respectively, remained unpaid.

(C) The Bank's trust department plans, manages, and operates trust services in accordance with the Banking Law and Trust Law. Special purpose funds are used to invest in marketable securities and the Bank also manages trust funds. The trust information as of December 31, 2019 and 2018 is as follows:**Trust Balance Sheet**

December 31, 2019 and 2018

Trust assets	December 31, 2019	December 31, 2018
Cash in Bank	\$ 2,834,268	3,469,268
Stocks	358,857	169,514
Funds	53,466,368	54,862,191
Bonds	1,306,250	233,392
Real estate	18,005,658	14,044,203
Securities custody	90,554,050	79,136,066
Other assets	601,614	636,692
Total trust assets	<u>\$ 167,127,065</u>	<u>152,551,326</u>

Trust Liabilities	December 31, 2019	December 31, 2018
Payables	\$ 12	62
Securities held for custody	90,554,050	79,136,066
Trust capital	76,519,480	73,366,293
Accumulated profit and loss	(1,758,213)	(1,775,757)
Net income	1,811,736	1,824,662
Total trust liabilities	<u>\$ 167,127,065</u>	<u>152,551,326</u>

Trust Property Accounts

December 31, 2019 and 2018

Investment items	December 31, 2019	December 31, 2018
Cash in bank	\$ 2,834,268	3,469,268
Stocks	358,857	169,514
Funds	53,466,368	54,862,191
Bonds	1,306,250	233,392
Real estate		
Land	13,465,100	10,601,163
Buildings	47,869	49,612
Construction in progress	4,492,689	3,393,428
Securities in custody	90,554,050	79,136,066
Other assets	601,614	636,692
Total	<u>\$ 167,127,065</u>	<u>152,551,326</u>

Note: As of December 31, 2019 and 2018, the amounts above included OBU transaction on "foreign currency designated trust funds investment in foreign negotiable securities business" amounting to \$1,088,678 and \$945,302, respectively.

Trust Income Statement

For the years ended December 31, 2019 and 2018

Investment items	For the years ended December 31,	
	2019	2018
Trust Revenue		
Interest income	\$39,595	6,164
Realized gain-stocks	5,196	2,520
Realized gain-bonds	14,928	-
Dividend revenue	2,120,878	2,174,988
Gains on property transaction	816,160	945,568
Other revenues	1,976	220
Sub-total	<u>2,998,733</u>	<u>3,129,460</u>
Trust Expense		
Administrative expenses	55,189	54,540
Postage and telecommunication expense	276	9
Duties	46	36
Realized loss-funds	1,045	-
Realized loss-bonds	218	316
Losses on disposal of property	1,129,157	1,249,737
Other expenses	1,032	135
Sub-total	<u>1,186,963</u>	<u>1,304,773</u>
Income before income tax	1,811,770	1,824,687
Income tax expense	(34)	(25)
Net income	<u>\$ 1,811,736</u>	<u>1,824,662</u>



(D) In 1996, the Bank's World Trade Center Branch was sued for handling a letter of credit export collection from Chin Seen Industrial Co., which allegedly used a forged export document and failed to ship the goods to the importer, the International Comagnie de Commercialization et d'Investissement (I.C.C.I.) of the Republic of Zaire, suffered a loss thereon. In November 1998, I.C.C.I. initiated a case with the Court of Commerce of Brussels in Belgium, requested the L/C opening bank (Banque Bruxelles Lambert, or BBL) and the Bank to jointly pay compensation of USD\$7,830 thousand plus interest, losses, and expenses for the L/C. On August 31, 2005, the Court of Commerce of Brussels rendered its judgment which the Bank has to make compensation of USD\$7,674 thousand plus interest to I.C.C.I.. The Bank has engaged a local attorney in Belgium to formally file an appeal. In February 2011, Court of Appeal in Brussels had made an intermediate adjudication which I.C.C.I. and the Bank are both responsible for the offense. Furthermore, on November 16, 2011, the judgment of the court indicated that the Bank should be responsible for 90% of the negligence proportion. In terms of the judgment of the court of the second instance, the Bank has filed an appeal on November 3, 2011. On February 6, 2013, the court overruled the Bank's appeal and the Bank lost the case. In October 2016, I.C.C.I. initiated a case with the Court of Frankfurt in Germany, applied for seizing the bank account in Germany, and the bank lodged guaranty money of EUR \$13,200 thousand to the court to rescind the order for attachment. In July 2017, I.C.C.I. applied for compulsory execution to the guaranty money, the court has transferred the guaranty money to I.C.C.I.. The Bank then filed a lawsuit objecting to the debt through the attorney. The case was dismissed by the Court of Frankfurt in November 2018, and remanded back to trial court in November 2019 after the Bank's appeal was granted by the High Court of Frankfurt. In October and November 2019, the Bank received subpoenas from the court of the Democratic Republic of Congo by a third person Star Marine, who demanded I.C.C.I. to pay USD\$1,130 thousand in compensation and held the Bank as jointly liable, and by I.C.C.I., which demanded the Bank to pay USD\$20,060 thousand less its reimbursed amount to make a security deposit of EUR\$14,000 thousand. The Bank has engaged local attorneys to represent itself in court. As of December 31, 2019, the Bank has accrued the compensation of \$183,923 and EUR\$8,000 thousand.

(E) Among the private equity fund contracts signed by the Bank, the maximum amount of committed investment that has not been invested is

	December 31, 2019	December 31, 2018
New Taiwan Dollar	\$ 50,000	50,000

Note: The committed investment amount that has not been invested does not include the portion of the notified transaction that has not yet been delivered.

10. LOSSES DUE TO MAJOR DISASTERS: None.

11. SUBSEQUENT EVENTS

A resolution was passed during the board meeting held on December 19, 2018 for the merger of the Bank's subsidiaries, Taiwan Business Bank Insurance Agency Co., Ltd. and Taiwan Business Bank Property Insurance Agency Co., Ltd., with January 2, 2020 as the effective date. The relevant statutory registration procedures have since been approved by the Ministry of Economic Affairs on February 25, 2020.

A resolution was passed during the subsidiary TBB Venture Capital Co., Ltd.'s board meeting held on December 26, 2019 for the issuance of 30,000 thousand ordinary shares, amounting to \$300,000 and were subscribed by the Bank with January 7, 2020 as the date of capital increase.

12. OTHER

(A) Information on loan quality, concentration of credit extensions, interest rate sensitivity, profitability and maturity analysis

(a) Loan quality:

Unit: In Thousands of New Taiwan Dollars, %

Month/Year			December 31, 2019				
Items			Non-performing loans	Total loans	Non-performing loan ratio	Allowance for credit losses	Coverage ratio
Corporate finance	Secured		1,796,696	541,634,128	0.33%	6,116,645	340.44%
	Unsecured		765,400	316,615,157	0.24%	3,901,681	509.76%
Consumer finance	Residence mortgages(Note 4)		339,607	144,607,596	0.23%	1,630,514	480.12%
	Cash cards		-	13	-%	-	-%
	Small-scale credit loan(Note 5)		18,908	656,886	2.88%	18,524	97.97%
	Others (Note 6)	Secured	656,766	134,365,005	0.49%	1,542,832	234.91%
		Unsecured	50,301	8,211,965	0.61%	131,172	260.77%
total loan business			3,627,678	1,146,090,750	0.32%	13,341,368	367.77%
			Overdue receivables	Total receivables	Delinquency ratio	Allowance for credit losses	Coverage ratio
Credit cards business			2,557	1,336,358	0.19%	25,851	1,010.99%
Accounts receivable factoring-without recourse (Note 7)			-	19,089	-%	191	-%

Month/Year			December 31, 2018				
Items			Non-performing loans	Total loans	Non-performing loan ratio	Allowance for credit losses	Coverage ratio
Corporate finance	Secured		1,535,013	489,854,376	0.31%	5,777,173	376.36%
	Unsecured		507,030	312,809,178	0.16%	3,856,381	760.58%
Consumer finance	Residence mortgages(Note 4)		533,982	148,166,073	0.36%	1,762,103	329.99%
	Cash cards		-	30	-%	-	-%
	Small-scale credit loan(Note 5)		14,358	835,206	1.72%	17,130	119.31%
	Others (Note 6)	Secured	686,075	126,434,434	0.54%	1,496,212	218.08%
		Unsecured	31,053	9,823,647	0.32%	125,152	403.03%
total loan business			3,307,511	1,087,922,944	0.30%	13,034,151	394.08%
			Overdue receivables	Total receivables	Delinquency ratio	Allowance for credit losses	Coverage ratio
Credit cards business			1,701	1,342,892	0.13%	27,773	1,632.75%
Accounts receivable factoring-without recourse (Note 7)			-	566,451	-%	5,665	-%

Note 1 Non-performing loans represent the amount of overdue loans as reported in accordance with the "Regulations on the Procedures for Banking Institutions to Evaluate Assets and Deal with Past Due/Non-performing Loans". The credit card overdue loans represent the amount of overdue loans as reported in accordance with Jin-Kuan-Yin-(4)-Zi No. 0944000378, dated July 6, 2005.

Note 2 Non-performing loan ratio = Non-performing loans ÷ total loans; Credit card delinquency ratio = Overdue receivables ÷ receivables

Note 3 Coverage ratio for loans = allowance for credit losses ÷ non-performing loans; Coverage ratio for credit card business = allowance for credit losses ÷ overdue receivables.

Note 4 For residential mortgage loans, a borrower provides his/her (or spouse's or minor child's) house as collateral in full and pledges it to the financial institution for the purpose of obtaining funds to purchase property and to construct or repair a house.

Note 5 Microcredit loans are defined by Jin-Kuan-Yin-(4)-Zi No. 09440010950, dated December 19, 2005, and do not include credit cards or cash cards.

Note 6 Others in consumer finance are secured and unsecured consumer loans other than residential mortgage loans, cash card loans, and microcredit loans, and do not include credit cards.

Note 7 In accordance with Jin-Kuan-Yin-(5)-Zi No. 0944000494, dated July 19, 2005, the amounts of without-recourse factoring will be classified as overdue receivables within three months from the date that suppliers or insurance companies resolve not to compensate the loss.



Overdue loans and receivables exempted from reporting

	December 31, 2019		December 31, 2018	
	Loans may be exempted from reporting as a non-performing loan	Receivables may be exempted from reporting as overdue receivables	Loans may be exempted from reporting as a non-performing loan	Receivables may be exempted from reporting as overdue receivables
Pursuant to a contract under a debt negotiation plan	\$ 833	2,906	1,305	4,139
Pursuant to a contract under a debt liquidation plan and a debt relief plan	66,053	33,173	76,801	36,408
Total	\$ 66,886	36,079	78,106	40,547

Note 1: In accordance with Jin-Kuan-Yin-(1)-Zi No. 09510001270, dated April 25, 2006, a bank is required to make supplemental disclosure of credit information which was approved under the debt coordination mechanism of unsecured consumer debts by the Bankers Association of the R.O.C.

Note 2: In accordance with Jin-Kuan-Yin-(1)-Zi No. 09700318940, dated September 15, 2008, a bank is required to make supplemental disclosure of credit information once debtors apply for pre-negotiation, relief and liquidation under the "Consumer Debt Clearance Act."

(b) Concentration of credit extensions

Unit: In Thousands of New Taiwan Dollars, %

December 31, 2019			
Ranking	Group enterprise	Credit amount	Credit amount to equity ratio (%)
1	A company. (Railway transportation)	26,912,468	28.18%
2	B group. (Steel rolling and extruding)	9,036,247	9.46%
3	C group. (Real estate development)	8,752,192	9.16%
4	D group. (Other holding)	7,897,098	8.27%
5	E group. (Real estate for sale and rental with own or leased property)	6,865,922	7.19%
6	F group. (Air transportation)	6,370,151	6.67%
7	G group. (Computers manufacturing)	6,158,068	6.45%
8	H group. (Real estate development)	5,576,407	5.84%
9	I group. (Chemical raw materials manufacturing)	4,843,526	5.07%
10	J group. (Real estate development)	4,775,225	5.00%

December 31, 2018			
Ranking	Group enterprise	Credit amount	Credit amount to equity ratio (%)
1	A company. (Railway transportation)	26,900,374	31.70%
2	B group. (Steel rolling and extruding)	8,830,249	10.41%
3	E group. (Real estate for sale and rental with own or leased property)	8,327,022	9.81%
4	G group. (Computers manufacturing)	6,796,732	8.01%
5	C group. (Real estate development)	6,645,072	7.83%
6	D group. (Other holding)	5,918,472	6.97%
7	I group. (Chemical raw materials manufacturing)	5,379,013	6.34%
8	K group. (Real estate development)	4,311,031	5.08%
9	L group. (Real estate for sale and rental with own or leased property)	4,173,592	4.92%
10	M group. (Steel smelting)	4,153,903	4.90%

Note 1 The top ten enterprise groups other than government or stated-owned enterprises are ranked according to their total outstanding credit amount. If the borrowers belong to an enterprise group, the aggregate credit balance of the enterprise should be calculated and disclosed as a code number for each such borrower together with an indication of the borrowers' line of business. In addition, if the borrowers are enterprise groups, the enterprise group's industry sector with the maximum exposure to credit risk in its main industry sector should be disclosed, along with the "class" of the industry, in compliance with the Standard Industrial Classification System of the R.O.C. posted by the Directorate-General of Budget, Accounting and Statistics, Executive Yuan, R.O.C.

Note 2 Enterprise group is as defined in Article 6 of the "Supplementary Provisions to the Taiwan Stock Exchange Corporation Rules for Review of Securities Listings".

Note 3 Consists of loans (import/export bills negotiated, bills and notes discounted, overdrafts, short-term loans, short-term secured loans, margin loans receivable, medium-term loans, medium-term secured loans, long-term loans, long-term secured loans, overdue loans), exchange bills negotiated, accounts receivable factoring without recourse, bankers' acceptances receivable, guarantees proceeds.

Note 4 In the calculation of Credit amount to equity ratio, the domestic bank should be calculated in the net value of head office. The Foreign bank should be calculated in the net value of Taiwan branch.

(c) Interest rate-sensitivity information

(1) Analysis of interest rate-sensitive assets and liabilities (New Taiwan dollars)

Unit: In Thousands of New Taiwan Dollars, %

December 31, 2019					
Item	1~90 days	91~180 days	181days~1year	over 1 year	total
Interest rate-sensitive assets	\$ 1,173,468,027	48,183,340	32,004,069	127,788,145	1,381,443,581
Interest rate-sensitive liabilities	1,083,476,198	86,252,494	111,628,016	38,899,834	1,320,256,542
Interest rate sensitivity gap	89,991,829	(38,069,154)	(79,623,947)	88,888,311	61,187,039
Net worth					95,516,766
Ratio of interest rate-sensitive assets to liabilities (%)					104.63
Ratio of interest rate-sensitive gap to net worth (%)					64.06

December 31, 2018					
Item	1~90 days	91~180 days	181days~1year	over 1 year	total
Interest rate-sensitive assets	\$ 1,094,648,453	7,655,531	23,923,254	157,779,086	1,284,006,324
Interest rate-sensitive liabilities	980,971,467	64,335,404	89,739,637	47,342,431	1,182,388,939
Interest rate sensitivity gap	113,676,986	(56,679,873)	(65,816,383)	110,436,655	101,617,385
Net worth					84,853,019
Ratio of interest rate-sensitive assets to liabilities (%)					108.59
Ratio of interest rate-sensitive gap to net worth (%)					119.76

Note 1 Listed amount refers to the Bank's amount of N.T. dollars and does not include contingent assets or liabilities.

Note 2 Interest rate-sensitive assets and liabilities refer to revenues or costs of interest-yielding assets and interest-bearing liabilities, which are affected by interest rate fluctuations.

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

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

(2) Analysis of the interest-sensitive assets and liabilities (US dollars)

Unit: In Thousands of US Dollars, %

December 31, 2019					
Item	1~90 days	91~180 days	181days~1year	over 1 year	total
Interest rate-sensitive assets	\$ 4,947,261	485,765	388,815	634,245	6,456,086
Interest rate-sensitive liabilities	4,908,555	740,209	949,016	-	6,597,780
Interest rate sensitivity gap	38,706	(254,444)	(560,201)	634,245	(141,694)
Net worth					3,184,954
Ratio of interest rate-sensitive assets to liabilities (%)					97.85
Ratio of interest rate-sensitive gap to net worth (%)					(4.45)

December 31, 2018					
Item	1~90 days	91~180 days	181days~1year	over 1 year	total
Interest rate-sensitive assets	\$ 3,871,699	444,219	174,371	724,152	5,214,441
Interest rate-sensitive liabilities	5,091,691	569,099	421,251	-	6,082,041
Interest rate sensitivity gap	(1,219,992)	(124,880)	(246,880)	724,152	(867,600)
Net worth					2,760,795
Ratio of interest rate-sensitive assets to liabilities (%)					85.74
Ratio of interest rate-sensitive gap to net worth (%)					(31.43)

Note 1 Listed amount refers to the Bank's amount of US dollars and does not include contingent assets or liabilities.

Note 2 Interest rate-sensitive assets and interest rate-sensitive liabilities refer to revenues or costs of the interest-yielding assets and interest-bearing liabilities, which are affected by interest rate fluctuation.

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

Note 4 Ratio of interest rate-sensitive assets to liabilities=Interest rate-sensitive assets ÷ Interest rate-sensitive liabilities (US dollars interest-rate-sensitive assets and US dollars interest-rate-sensitive liabilities).

(d) Profitability

Unit: %

Item		December 31, 2019	December 31, 2018
The ratio of return on assets	Before income tax	0.47	0.57
	After income tax	0.40	0.48
The ratio of return on equity	Before income tax	8.84	11.31
	After income tax	7.47	9.51
Net income ratio		29.49	33.74

Note 1 The ratio of return on assets = Income before (after) income tax expense ÷ average assets.

Note 2 The ratio of return on equity = Income before (after) income tax expense ÷ average equity.

Note 3 Net income ratio = Net income after income tax expense ÷ Net revenue.

Note 4 Income before (after) income tax expense refers to income accumulated from January of the current year to the current period end.

(e) Maturity analysis for assets and liabilities

(1) Maturity analysis in New Taiwan dollars

Unit: In Thousands of New Taiwan Dollars

December 31, 2019							
	Total	Amount during the maturity period from the balance sheet date to due date					
		0-10days	11-30days	31-90days	91-180days	181days-1year	Over 1 year
Major maturity capital inflow	\$ 1,501,890,612	179,367,254	151,213,247	134,502,252	184,976,030	129,089,921	722,741,908
Major maturity capital outflow	1,874,702,427	55,886,586	112,153,255	218,860,212	230,190,070	355,711,629	901,900,675
Gap	(372,811,815)	123,480,668	39,059,992	(84,357,960)	(45,214,040)	(226,621,708)	(179,158,767)

Note: Listed amounts are denominated in New Taiwan dollars of the Bank, including loan commitments of credit agreement and estimates to outflow \$364,510,276.

December 31, 2018							
	Total	Amount during the maturity period from the balance sheet date to due date					
		0-10days	11-30days	31-90days	91-180days	181days-1year	Over 1 year
Major maturity capital inflow	\$ 1,386,992,267	142,043,052	117,357,985	158,442,815	154,433,257	103,970,117	710,745,041
Major maturity capital outflow	1,739,903,414	114,961,489	96,567,905	187,352,640	207,077,947	318,556,969	815,386,464
Gap	(352,911,147)	27,081,563	20,790,080	(28,909,825)	(52,644,690)	(214,586,852)	(104,641,423)

Note: Listed amounts are denominated in New Taiwan dollars of the Bank, including loan commitments of credit agreement and estimates to outflow \$344,259,726.

(2) Maturity analysis in US dollars

Unit: In Thousands of US Dollars

December 31, 2019						
	Total	Amount during the maturity period from the balance sheet date to due date				
		0-30days	31-90days	91-180days	181days-1year	Over 1 year
Major maturity capital inflow	\$ 15,355,895	3,358,162	2,608,973	3,107,881	2,619,737	3,661,142
Major maturity capital outflow	16,092,017	3,851,126	2,573,777	3,475,166	3,026,241	3,165,707
Gap	(736,122)	(492,964)	35,196	(367,285)	(406,504)	495,435

Note: Listed amounts are denominated in US dollars of the Bank, including loan commitments of credit agreement and estimates to outflow US \$948,394.



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December 31, 2018						
	Total	Amount during the maturity period from the balance sheet date to due date				
		0-30days	31-90days	91-180days	181days-1year	Over 1 year
Major maturity capital inflow	\$ 10,656,284	4,816,832	1,872,015	527,466	400,721	3,039,250
Major maturity capital outflow	11,623,232	3,692,617	2,791,061	1,010,782	1,107,184	3,021,588
Gap	(966,948)	1,124,215	(919,046)	(483,316)	(706,463)	17,662

Note: Listed amounts are denominated in US dollars of the Bank, including loan commitments of credit agreement and estimates to outflow US \$1,152,522.

(B) Merger of Taiwan Business Bank Insurance Agency Co., Ltd. and Taiwan Business Bank Property Insurance Agency Co., Ltd.

As of January 2, 2020, the Bank merged its wholly owned subsidiaries, Taiwan Business Bank Insurance Agency Co., Ltd and Taiwan Business Bank Property Insurance Agency Co., Ltd, without consideration involved. The increase in assets arising from the merger will be used for the Bank's future operation and no major assets have been planned to be disposed of.

In addition, if the Bank merged its wholly owned subsidiaries at the beginning of the year 2019, the pro forma operating results were as follows:

	For the year ended December 31, 2019	
	Amount	%
Interest income	\$ 29,270,949	127
Less: Interest expenses	(12,384,142)	(54)
Net interest revenue	16,886,807	73
Net revenue other than interest		
Net service fee revenue	3,523,450	15
Gain on financial assets or liabilities measured at fair value through profit or loss	1,333,055	6
Realized gain on financial assets at fair value through other comprehensive income	613,920	3
Gains arising from derecognition of financial assets measured at amortized cost	980	-
Foreign exchange gain	228,669	1
(Impairment loss on assets) reversal of impairment loss on assets	(16,330)	-
Share of profit of associates and joint ventures accounted for using equity method	(17,268)	-
Net other revenue other than interest income	114,886	-
Net securities brokering revenue	210,077	1
Other miscellaneous revenue	138,999	1
Net revenue	23,017,245	100
Bad debts expense, commitment and guarantee liability provision	(2,349,480)	(10)
Operating expenses:		
Employee benefits expense	(8,024,695)	(35)
Depreciation and amortization expense	(947,756)	(4)
Other general and administrative expense	(3,638,767)	(16)
Total operating expenses	(12,611,218)	(55)
Income from continuing operation before tax	8,056,547	35
Less: Income tax expense	1,322,294	6
Net income	6,734,253	29



	For the year ended December 31, 2019	
	Amount	%
Other comprehensive income:		
Components of other comprehensive income that will not be reclassified profit or loss		
Remeasurements of defined benefit plans	\$ 29,493	-
Revaluation gains on investments in equity instruments measured at fair value through other comprehensive income	851,684	4
Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	5,899	-
Components of other comprehensive income that will not be reclassified to profit or loss	875,278	4
Components of other comprehensive income that will be reclassified to profit or loss		
Exchange difference on translation	(395,385)	(2)
Gains (losses) from investments in debt instruments measured at fair value through other comprehensive income	301,822	2
Less: Income tax related to components of other comprehensive income that will be reclassified to profit or loss	(65,943)	-
Components of other comprehensive income that will be reclassified to profit or loss	(27,620)	-
Other comprehensive income	847,658	4
Total comprehensive income	\$ 7,581,911	33
Earnings per share (in NT dollar)		
Basic earnings per share (in NT dollar)	\$	0.98
Diluted earnings per share (in NT dollar)	\$	0.98

13. OTHER DISCLOSURES

(A) Information on significant transactions:

- Cumulative purchase or sale of the same investee's capital stock up to \$300,000 or 10% of paid-in capital: None.
- Acquisition of real estate amounting to over \$300,000 or 10% of paid-in capital: None.
- Disposal of real estate amounting to over \$300,000 or 10% of paid-in capital: None.
- Discount of commissions fees with related parties amounting to over \$5,000: None.
- Receivables from related parties amounting to over \$300,000 or 10% of paid-in capital: None.
- Sale of non-performing loans information: None.
- Types of securitization instruments and related information approved by financial assets securitization rules or real estate securitization rules: None.
- Business relationship and significant transactions with the subsidiaries: None °
- Other significant transactions that might have influence over the decision making process of the financial statements users: None.

(B) Information of investees:

(a) The following is the information on investees (excluding investment in mainland China):

(Unit : In Thousands of New Taiwan Dollars : thousand shares)

Name of investee	Location	Main business scope	Shareholding ratio	Book value	Investment gain (loss)	The cross holding of the Bank and its related parties				Note
						Number of shares	Number of proforma shares	Total		
								Number of shares	Shareholding ratio	
Taiwan Business Bank Insurance Agency Co., Ltd.	2F, No.158, Songjiang Rd Taipei, TAIWAN R.O.C	Agent of personal insurance	100.00%	330,606	320,605	500	-	500	100.00%	
Taiwan Business Bank Property Insurance Agency Co., Ltd.	2F, No.158, Songjiang Rd Taipei, TAIWAN R.O.C	Agent of property insurance	100.00%	15,885	8,943	500	-	500	100.00%	
TBB International Leasing Co., Ltd.	5F., No.151, Sec. 4, Nanjing E. Rd., Taipei, TAIWAN R.O.C	Leasing business	100.00%	1,365,039	(14,133)	150,000	-	150,000	100.00%	
TBB (Cambodia) Microfinance Institution Plc	Cambodia	SMEs and personal finance business	100.00%	554,905	(2,807)	20	-	20	100.00%	
TBB Venture Capital Co., Ltd.	11F, No.30, Ta Chang Street, Taipei, Taiwan, R.O.C.	Investing business	100.00%	296,433	(328)	30,000	-	30,000	100.00%	

(b) Loans to others:

(Unit: In Thousands of New Taiwan Dollars)

NO.	Creditor	Debtor	Interaction Account	Related party	Highest Amount	Ending balance	Actual drawdown amount	Range of interest rate	Nature of the loan	Dealing amount	The necessary reason for short-term loans	Allowance for bad debts	Guarantee		Limited amount for individual object	Total limited amount for loan
													Name	Value		
1	Taiwan Business Bank International Leasing Co., Ltd.	Shanghai-Buynow Electronic-Information Co., Ltd.	Entrusted loan	No	51,577	31,366	77,310	6.5%-6.8%	1	77,310	None	172	land, building 1~4F, underground parking lot B1~B2	820,345	341,257	1,365,030
2	TBB International Leasing Co., Ltd.	Ideation Industrial Co., Ltd.	Financial receivables	No	8,000	-	8,000	5.0%-6.9%	2	-	To the lender for buying goods	-	None	-	341,257	1,365,030
2	TBB International Leasing Co., Ltd.	Kuang Ming Shipping Corp.	Financial receivables	No	100,000	98,424	100,000	4.00%	2	-	To the lender for buying goods	2,916	None	-	341,257	1,365,030
2	TBB International Leasing Co., Ltd.	Qi Jian Square Enterprise Co., Ltd	Financial receivables	No	40,500	38,475	40,500	4.10%	2	-	To the lender for buying goods	1,140	None	-	341,257	1,365,030
2	TBB International Leasing Co., Ltd.	Xi Quan Restaurant Co., Ltd	Financial receivables	No	23,500	22,325	23,500	4.10%	2	-	To the lender for buying goods	662	None	-	341,257	1,365,030
2	TBB International Leasing Co., Ltd.	Chao-Yang International Co., Ltd	Financial receivables	No	35,000	17,731	35,000	5.5%-7%	2	-	To the lender for buying goods	540	None	-	341,257	1,365,030
2	TBB International Leasing Co., Ltd.	Wang Tong Food Co., Ltd	Financial receivables	No	30,000	17,615	30,000	3.1%-4.0%	2	-	To the lender for buying goods	512	None	-	341,257	1,365,030



NO.	Creditor	Debtor	Interaction Account	Related party	Highest Amount	Ending balance	Actual drawdown amount	Range of interest rate	Nature of the loan	Dealing amount	The necessary reason for short-term loans	Allowance for bad debts	Guarantee		Limited amount for individual object	Total limited amount for loan
													Name	Value		
2	TBB International Leasing Co., Ltd.	Hsin Chuan Construction Co., Ltd	Financial receivables	No	50,000	33,508	50,000	3.1%-5.3%	2	-	To the lender for buying goods	976	None	-	341,257	1,365,030
2	TBB International Leasing Co., Ltd.	Sian Shang Frozen Food Co., Ltd	Financial receivables	No	25,000	18,876	25,000	5.6%-7.2%	2	-	To the lender for buying goods	579	None	-	341,257	1,365,030
2	TBB International Leasing Co., Ltd.	ANLI LINES CORP.	Financial receivables	No	12,000	12,000	12,000	4.25%	2	-	To the lender for buying goods	365	None	-	341,257	1,365,030

Note1: The meaning of the number is as follows.

- (1) Zero stands for issuer.
- (2) Investee companies are numbered in a sequence of Arabic numerals from 1 based on company category.

Note2: The amount of loans is still valid up to now.

Note3: The nature of the loan nature is as follows.

- (1) 1 stands for business relation.
- (2) 2 stands for the necessity for short-term loans.

Note4: Limited amount for individual object:25% net worth of the latest TBB International Leasing Co., Ltd.'s audited financial statements.

Note5: Total limited amount for loan: 100% net worth of the latest TBB International Leasing Co., Ltd.'s audited financial statements.

(c) Endorsements and guarantee for others: None.

(d) Acquisition of securities:

Company acquired	Type and name of the security	Relationship with the security issuer	Account	At the end of the period				Note
				Number of shares	Carrying amount	Share proportion (Note 2)	Market price (Note 1)	
Taiwan Business Bank International Leasing Co., Ltd.	Unlisted	The investee under the equity method of the subsidiary TBB International Leasing Co., Ltd.	Investment under equity method	-	838,761	100.00%	838,761	

Note 1: Listed companies apply the market price to calculate the net worth of the shares possessed. Unlisted companies apply the proportion of shares calculate the net worth of the shares possessed. The net worth of preferred stock is calculated based on the liquidation price plus dividends in arrears.

Note 2: The proportion of shares the preferred stock is calculated based on the shares the Bank possessed divided by the shares issued.

(e) Accumulative purchases or sales of the same investee companies amounting to over \$300,000 or 10% of paid-in capital: None.

(f) Acquisition of real estate amounting to over \$300,000 or 10% of paid-in capital: None.

(g) Disposition of real estate amounting to over \$300,000 or 10% of paid-in capital: None.

(h) Discount of commissions and handling fees with related parties amounting to over \$5,000: None.

(i) Receivables from related parties amounting to over \$300,000 or 10% of paid-in capital: None.

(j) Transactions of financial derivatives: None.

(k) Sale of non-performing loans information: None.

(l) Types of securitization instruments and related information approved by financial assets securitization rules or real estate securitization rules: None.

(m) Other significant transactions that might have substantial influence over the decision making of the financial statement users: None.

(C) Information on investments in Mainland China:

(a) Name and major business item of the investee in China:

(Unit: In Thousands of New Taiwan Dollars)

Name of investee company in Mainland China	Major business	Paid-in capital	Investment method (Note 1)	Accumulated amount transferred from Taiwan, beginning of the period	Investment transferred out or recovered		Accumulated amount transferred from Taiwan, end of the period	The current profit or loss of the investee (Note 2)	Shares directly or indirectly possessed by the Bank	Profit or loss recognized investment income for the period (Note 2)	Ending carrying value of investment	Accumulated inward remittance of earnings as of the end of period
					Transferred out	Recovered						
Taiwan Business Bank, Ltd. Shanghai branch	Banking business	3,910,537 (CNY800 million) (Operating capital)	(c)	3,910,537 (CNY800 million)	-	-	3,910,537 (CNY800 million)	-	Shanghai branch of the Bank, not an investee company	-	4,097,936	None
Taiwan Business Bank, Ltd. Wuhan branch	Banking business	3,942,815 (CNY800 million) (Operating capital)	(c)	3,942,815 (CNY800 million)	-	-	3,942,815 (CNY800 million)	-	Wuhan branch of the Bank, not an investee company	-	3,896,949	"
Taiwan Business Bank International Leasing Co., Ltd.	Leasing business	838,305 (CNY170 million) (Operating capital)	(a)	838,305 (CNY170 million)	-	-	838,305 (CNY170 million)	23,895 2(a)	100%	23,895 2(a)	838,761	"

Note1: Investment method is divided into three categories and are listed as follows:

- Directly invest in Mainland China.
- Investment in Mainland China companies through a third region.
- Others: establishment of overseas branches.

Note2: The column of "Investment gains (losses)":

- If the company is still in the preparation process and does not have any investment gain or loss, please specify.
- The bases for recognition of investment income or loss have three methods, please specify.
 - The audited financial reports that are issued by an international accounting firm which is connected to an accounting firm in Taiwan.
 - The audited financial reports that are issued by the Taiwan parent company's designated accounting firm.
 - Others.
- Please specify if information regarding current gains or losses of an investee is not retrievable.

Note3: The number is expressed in New Taiwan Dollars.

(b) Limit of investment in China:

(Unit: In Thousands of New Taiwan Dollars)

Name of Company	Accumulated outflow of investment from Taiwan to Mainland China, as of the end of period	Investment amount authorized by Investment Commission, MOEA	Upper limit on investment authorized by Investment Commission, MOEA
Taiwan Business Bank Co., Ltd. (Note)	8,691,657 (CNY 1,770 million)	8,691,657 (CNY 1,770 million)	57,310,060

Note: The investment amount in China of the subsidiary TBB International Leasing Co, Ltd is included.

Taiwan Business Bank, Ltd.

Chairman: Bor-Yi Huang



President: Chih-Chien Chang

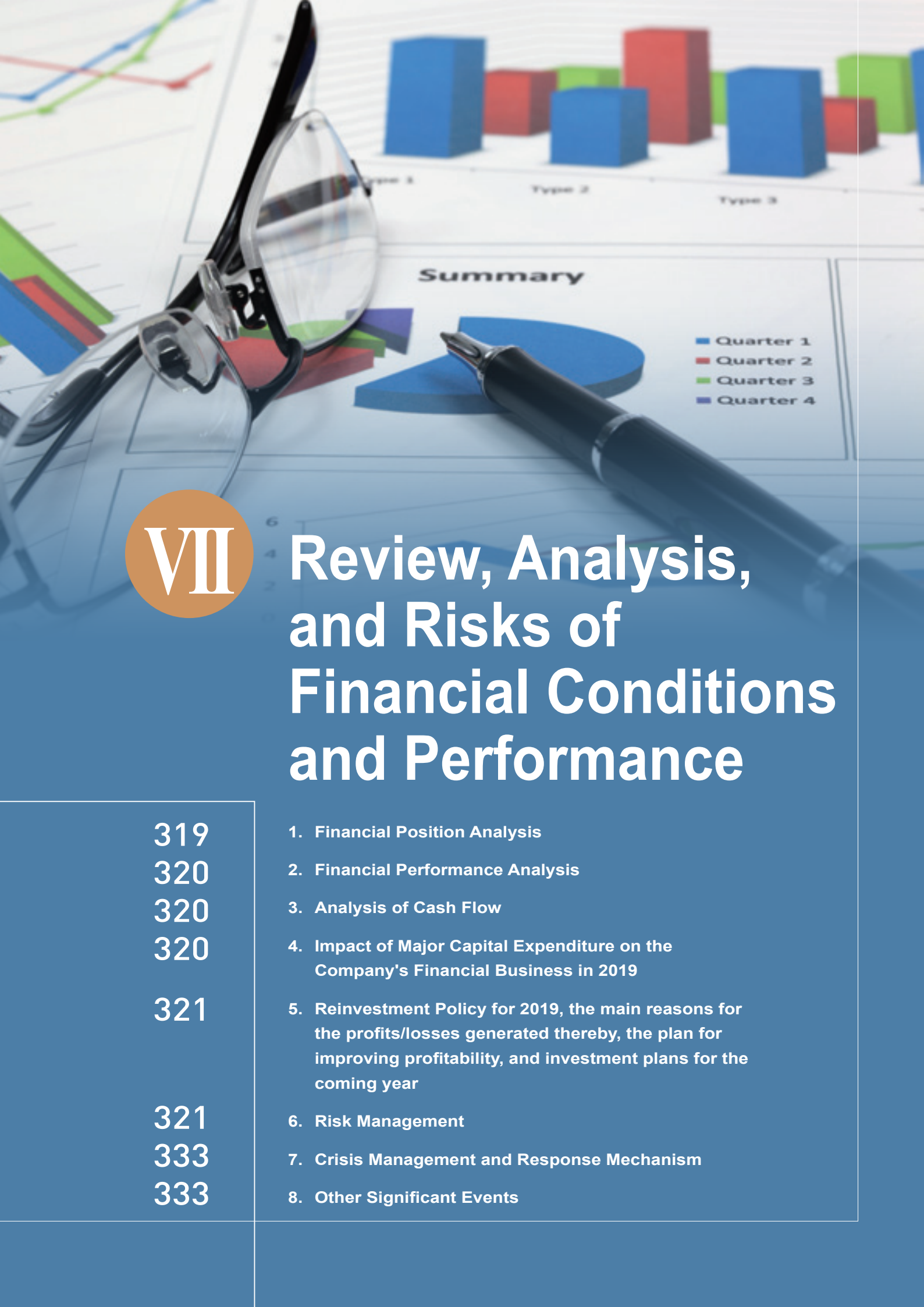


SVP&GM,
Accounting Dept.: Yu-Chuan Chou



9. Financial Difficulties Confronted by the Bank or Its Subsidiaries and the Related Impacts: None.



The background of the page features a collage of financial data visualizations. In the upper left, there are line graphs with red, green, and blue lines. To the right, a 3D bar chart displays bars in blue, red, and green, labeled 'Type 1', 'Type 2', and 'Type 3'. Below these, a 3D pie chart is shown with a legend indicating 'Quarter 1' (blue), 'Quarter 2' (red), 'Quarter 3' (green), and 'Quarter 4' (purple). A pair of black-rimmed glasses and a black fountain pen are resting on the charts. The word 'Summary' is printed above the pie chart.

VII

Review, Analysis, and Risks of Financial Conditions and Performance

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1. Financial Position Analysis
2. Financial Performance Analysis
3. Analysis of Cash Flow
4. Impact of Major Capital Expenditure on the Company's Financial Business in 2019
5. Reinvestment Policy for 2019, the main reasons for the profits/losses generated thereby, the plan for improving profitability, and investment plans for the coming year
6. Risk Management
7. Crisis Management and Response Mechanism
8. Other Significant Events

1. Financial Position Analysis

Consolidated comparative analysis of financial conditions

Unit: NT\$1,000; %

Item	Year	Difference		
	2019	2018	Amount	%
Cash and cash equivalents, Due from the Central Bank and call loans to banks	156,827,077	133,016,947	23,810,130	17.90
Financial assets at fair value through profit or loss	26,972,786	7,134,604	19,838,182	278.06
Financial assets measured at fair value through other comprehensive income	102,597,144	73,164,201	29,432,943	40.23
Investments in debt instruments at amortized costs	263,056,842	261,470,496	1,586,346	0.61
Securities purchased under resell agreements	13,399,113	2,386,518	11,012,595	461.45
Receivables - net	27,736,905	45,652,981	(17,916,076)	(39.24)
Current income tax assets	810	64,880	(64,070)	(98.75)
Discounts and loans - net	1,132,462,936	1,074,627,748	57,835,188	5.38
Other financial assets - net	19,928	17,971	1,957	10.89
Premises and equipment - net	14,498,237	14,309,738	188,499	1.32
Right-of-use asset-net	1,051,559	0	1,051,559	100.00
Intangible assets-net	352,376	286,054	66,322	23.19
Deferred income tax assets	1,624,651	1,646,991	(22,340)	(1.36)
Other assets-net	5,552,450	5,261,326	291,124	5.53
Total assets	1,746,152,814	1,619,040,455	127,112,359	7.85
Deposits from the Central Bank and other banks	104,793,612	91,314,543	13,479,069	14.76
Due to the Central Bank and other banks	752,145	591,988	160,157	27.05
Financial liabilities at fair value through profit or loss	9,393,336	9,339,273	54,063	0.58
Securities sold under repurchase agreements	868,581	1,657,706	(789,125)	(47.60)
Payables	31,057,684	58,674,131	(27,616,447)	(47.07)
Current income tax liabilities	258,956	1,017,575	(758,619)	(74.55)
Deposits and remittances	1,435,049,547	1,311,041,103	124,008,444	9.46
Financial debentures	53,250,000	47,450,000	5,800,000	12.22
Other financial liabilities	6,835,084	7,507,715	(672,631)	(8.96)
Provisions for liabilities	3,158,003	3,565,727	(407,724)	(11.43)
Lease liabilities	1,041,183	0	1,041,183	100.00
Deferred income tax liabilities	888,436	880,738	7,698	0.87
Other Liabilities	3,289,481	1,146,937	2,142,544	186.81
Total liabilities	1,650,636,048	1,534,187,436	116,448,612	7.59
Equity attributable to owners of parent company	95,516,766	84,853,019	10,663,747	12.57
Common stock	71,319,842	63,938,802	7,381,040	11.54
Capital reserve	815,900	0	815,900	100.00
Retained earnings	19,702,723	18,007,553	1,659,170	9.41
Other items in equity	3,678,301	2,906,664	771,637	26.55
Total equity	95,516,766	84,853,019	10,663,747	12.57



VII

REVIEW, ANALYSIS, AND RISKS
OF FINANCIAL CONDITIONS AND
PERFORMANCE

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2. Financial Performance Analysis

Consolidated operational performance analysis

Unit: NT\$1,000; %

Item	Year	2019	2018	Amount increased (decreased)	Ratio of changes (%)
Net interest income		17,031,113	17,197,876	(166,763)	(0.97)
Non-interest net income		6,178,829	5,829,071	349,758	6.00
Bad debts expense, commitment and guarantee liability provision		(2,417,677)	(794,134)	1,623,543	204.44
Operating expenses		(12,726,585)	(13,034,396)	(307,811)	(2.36)
Income before income tax		8,065,680	9,198,417	(1,132,737)	(12.31)
Income tax expense (gain)		(1,331,427)	(1,557,875)	(226,448)	(14.54)
Income after income tax		6,734,253	7,640,542	(906,289)	(11.86)
Net income		6,734,253	7,640,542	(906,289)	(11.86)

Analysis on increase/decrease in ratio:

Net income for 2019 decreased by NT\$0.906 billion; this was mainly due to the increase of allowances for bad debts.

3. Analysis of Cash Flow

(1) Analysis of liquidity for the past two years

Item	Year	2019	2018	Increase (Decrease)
Cash flow ratio		3.86%	31.91%	(28.05%)
Cash flow adequacy ratio		1,507.14%	3,177.03%	(1,669.89%)
Cash flow satisfaction ratio				

Analysis of increase/decrease in ratios:

1. The changes in cash flow ratio and cash flow adequacy ratio were primarily caused by reduced net cash inflow from business activities in 2018 when compared to that of 2019.
2. No analysis is presented for the cash flow adequacy ratio as negative net cash flow from investment activities was recorded for 2019 and 2018.

(2) Analysis of cash liquidity for the coming year

Unit: NT\$1,000

Initial cash balance ①	Expected net cash flow resulting from the year's business activities ②	Expected net cash flow throughout the year ③	Expected sum of cash surplus (inadequacy) ①+②+③	Remedial measures for cash inadequacy	
				Investment planning	Financial planning
31,193,304	(2,079,055)	(3,935,773)	25,178,476	-	-

4. Impact of Major Capital Expenditure on the Company's Financial Business in 2019

(1) The use of major capital expenditures and source of capital

Unit: NT\$1,000

Planning items	Actual or expected source of capital	Actual or expected date of completion	Total capital required	Use of actual or expected capital				
				2016	2017	2018	2019	2020
Purchase of machinery and equipment - computer equipment	Own funds	2020/12/31	1,800,174	292,771	373,781	640,157	201,818	291,647
Purchase of premise of the Banks' headquarter	Own funds	2020/12/31	2,398,919	0	98,799	0	120	2,300,000
Maintenance and renovation work for the premise of the headquarter	Own funds	2020/12/31	833,196	101,602	65,245	22,276	37,573	606,500



(2) Expected potential benefits

To improve the corporate image of the Bank, service quality, stabilize the operating branches, and expand our service network.

5. Reinvestment Policy for 2019, the main reasons for the profits/losses generated thereby, the plan for improving profitability, and investment plans for the coming year.

During 2019, the primary profiting sources for the reinvestment business are the cash dividends income and the operating performance returns from the reinvestment companies. In the future, shall there be appropriate investment targets or investments made according to factors of government policies, the Bank will carry out relevant procedures after due assessment.

6. Risk Management

(1) Structure of the Bank's risk management organization and the policy

A. Structure of the risk management organization

a. Risk Management Committee

The Chairman shall assign the chairman of the Risk Management Committee, and the committee member includes the President, Executive Vice President who is not the legal compliance officer of the Bank's headquarters, and the General Managers of departments under the Bank's headquarter (excluding the General Manager of the Auditing Department). The Committee is established to provide a sound risks management system, strengthen the efficacy of risk management, and execute the risk management and monitoring for the Bank. In principle, a meeting shall be convened per month, and the chairman of the committee may convene an extraordinary meeting when necessary. Its duties are as follow:

- 1) Analyze significant local and foreign economic, financial, and industrial risks, and review on responding plans.
- 2) Risk exposures in the risk management report and review on resolutions.
- 3) The review shall be based on the rules and regulations, limitation, management indicator, and responding solutions for exceeding the limitation in relation to risk management approved by the Board of Directors (Managing Directors)
- 4) Supervise the capital adequacy management of the Bank.
- 5) Review or supervise relevant matters that shall be reported to the Risk Management Committee according to the requirements from the local and foreign competent authority.
- 6) Review or supervise other matters related to risk management.

Risk Management Department is a staff unit of the Committee, responsible for meeting agenda preparation, convening notice, meeting process, meeting minutes, and resolutions tracking and management, and it shall report the material resolutions from the Risk Management Committee and risk exposures to the Board of Directors (Managing Directors) regularly.

b. ALM Committee

The ALM Committee of the Bank is chaired by the President, and the committee member includes Executive Vice President, General Managers from departments in charge of deposits, loans, financial trading, funding allocation, and risk management. The Committee is responsible for the monitoring and management of interest rate risk in banking book (IRRBB) and funding liquidity risks. It convenes regular meetings to evaluate the analysis and measurement method for funding liquidity risks and IRRBB, review on the management policy for funding liquidity risks and IRRBB, relevant limitation, and management indicators, listen to exposure reports for interest risks and funding liquidity risks and adjust the debt-asset ratio period structure and the funding maturity structure of the Bank.

c. Loan Supervision Committee

The Loan Supervision Committee of the Bank is convened by the Executive Vice President. In principle, the Committee is convened once a week to review credit loans projects of large denomination loans, foreign currencies, and guarantees.

d. NPL Management Committee

The NPL Management Committee of the Bank is convened by the Executive Vice President. The convener may invite members to convene the meeting of the Committee according to the business requirement at any time, and discuss on the measures for preventing non-performing loans and solutions for over-due loans.

B. Risk management policy

Establish a risk management mechanism for risk identification, measurement, supervision, and control, construct an integrated risk management system, adopt risk management oriented operating model, and control the reasonability of risk and return according to the statutory funding ratio, to achieve the operating goal and improve the shareholders' equity. It covers credit risk, market risk, operating risk, IRRBB, and funding liquidity risk management, and funding adequacy management.

(2) Information on the Nature and Amount of All Types of Risk

A. Credit Risk Management System and Capital Charges

Credit Risk Management System

2019

Item	Content
1. Credit Risk Management Strategies, Goals, Policies and Procedures	I. Credit risk strategies (I) Establish proper credit risk control environment, including credit verification procedures, credit management, measurement, and supervision procedures, as well as credit risk control. (II) Credit risks regarding counterparties (including counterparties, borrower, and debtor), such as default risk and delivery risk, are included in the scope of control. (III) Periodically develop advanced credit risk measuring methods to measure credit risk, and gradually introduce such methods into our business procedures. II. Credit risk management goals Within the scope of acceptable credit risk to the Bank, maintain adequate capital to achieve a reasonable state between risk and returns. III. Credit risk management policies (I) Fully understand the credit status of borrowers or counterparties and the usage of borrowings and repayment sources of the borrowers. (II) Prudently assess the credit risk condition of borrowers or counterparties and attach attention to the adequacy of the collateral and the guarantee to measure risks and interests. (III) Establish a credit rating system regarding the credit status of the borrowers or consider the ratings of the customers from external credit rating institutions as the reference for accepting credit loan cases and setting interests rate. IV. Credit risk management procedures (I) Establish a comprehensive credit approval procedure, including mechanisms such as credit investigation, credit loans, post-loan management, and claims management, to manage credit risks in an appropriate manner. (II) Regularly carry out control for the concentration of corporate risk regarding nations, financial industries, industries, or conglomerates. (III) Regularly report to the senior management and the Risk Management Committee regarding the credit risk limitation utilization. Shall there be abnormal losses, establish the responding countermeasures immediately and report to the senior management to minimize the potential losses.
2. Credit risk management organization and framework	I. Board: The Board is the highest decision-making level for credit risk management, which supervises the effective operation for credit risk management. Credit risk management policies and standards are regularly reviewed by the Board meeting to ensure the efficacy of risk management and the optimized allocation of the resources. II. Risk Management Committee: Responsible for the review of relevant information and issues about credit risk. III. Loan Supervision Department: Responsible for credit loan management and credit loan review. IV. Credit Investigation Department: Responsible for the credit investigation business and its management and planning, industrial analysis. V. Overdue Loan & Control Department: Responsible for matters in relation to post-loan management, non-performing loans, non-accrual loans, and bad debt claims. VI. Risk Management Department: Responsible for the measurement, evaluation, monitoring, management, disclosure, and reporting of credit risks.



Item	Content
3. Scope and features of the credit risk reporting and measurement system	I. Credit risk reporting Convene meetings of the Risk Management Committee every month, report to the senior management regarding the alert for counterparties, and the concentration control for the industry, group, country, and financial industry, and discuss the relevant information concerning the credit risk exposures of the Bank. II. Credit risk measurement system (I) The Bank currently adopts the credit risk standard method to calculate the capital charges; the risk management system generates the statement for reporting to the competent authorities automatically by month, and report to the senior management and the Risk Management Committee. (II) The Bank has established multiple limitation control mechanisms (including, country, financial industry, industry, group, counterparty of derivative) and monitored the above risk limitation on a daily basis. In the case of exceeding the alert value or above 90% of the limitation, the Bank will establish the relevant countermeasures. (III) The Bank has established an internal credit rating system and verified the rating results regularly. Currently, the rating results are included as part of the review regulations and the Bank is planning to expand the applicable scope for such business gradually.
4. Credit Risk Avoidance or Mitigation Policies, and Monitoring the Continued Effectiveness of Risk Avoidance and Mitigation Tools	I. Credit Risk Hedging or Mitigation Policies: (I) Reduce the credit risk for the Bank through credit deduction methods of transferring credit trust fund guarantee, collecting collateral and asked for guarantors. (II) Establish the management limitation for credit risk concentration, such as limitation for the country, financial industry, industry, group, individual corporate, to prevent over-centralized risks. II. Monitoring the Continued Effectiveness of Risk Hedging and Mitigation Tools: (I) Through post-loan management and review mechanism, understand the usage of collateral and carry out the interim management inspection for the credit trust fund guarantee, so as to continue monitoring the credit risk undertaken by the Bank. (II) Regularly monitor the credit risk concentration limitation, exposures distribution, and asset quality changes of the Bank to correspond to the changes of the financial states, review the credit risk control measures in due time, and regularly report to the senior management and the Risk Management Committee.
5. Approach Adopted for Statutory Capital Charges	Standard Law.

Exposure After Risk Mitigation and Capital Charges via Credit Risk Standardized Approach

December 31, 2019

(Unit: NT\$1,000)

Types of Exposure	Exposure After Risk Mitigation	Capital Charge
Sovereign States	315,835,698	51,101
Non-central Government Public Sectors	81,572,210	1,324,572
Banks (including multilateral development banks)	145,958,865	4,672,814
Corporations (including securities and insurance companies)	686,352,717	48,478,752
Retail Claims	292,588,971	16,175,355
Residential Real Estate	155,689,226	5,715,510
Equity Investments	6,422,115	513,769
Other assets	59,520,139	2,307,007
Total	1,743,939,941	79,238,880

Note 1: Please fill in according to the information as of the quarter before the date printing the annual report.

Note 2: Capital Charges = Exposure After Risk Mitigation x Statutory Minimum Capital Adequacy Ratio.

B. Securitization Risk Management System, Exposure and Capital Charges

Securitization Risk Management System

2019

Item	Explanation
1. Securitization Management Strategies and Procedures	I. Securitization Management Strategies Currently, the Bank does not engage in business related to founding banks, and it may only invest in securitized products with certain ratings approved by Taiwan Rating, S&P, Moody's, and FITCH according to the requirements under the "Directions for New Taiwan Dollar Capital Utilization Management of TBB" and "Directions for Investments in Foreign Currency Marketable Securities Management of TBB" approved by the Board of the Bank. II. Securitization Management Procedures (I) Before investing in marketable securitized securities, such investment shall be passed by the review team and shall be approved by the report within the authorized limits of each level. (II) Subsequent evaluation, limitation monitoring, and stop-loss mechanism shall be controlled according to the relevant regulations.
2. Securitization Management Organization and Framework	I. Board: Approve the authorized limitation for all levels. II. Trading department: Engage in investment for securitized products within the prescribed limitation according to the relevant regulations of the Bank. III. Risk Management Department: Perform the control according to evaluation, limitation monitoring, and stop-loss mechanism of the investment position according to the abovementioned regulations. IV. Operating department: Carry out subsequent operations of settlement.
3. Scope and Features of Securitization Risk Reporting and Measurement Systems	The Risk Management Department shall be responsible for the calculation of the limitation of investment position and capital charges and shall report to the President by month.
4. Securitization Risk Hedging or Mitigation Policies, and Monitoring the Continued Effectiveness of Risk Avoidance and Mitigation Tools	Invest in securitized products with certain ratings approved by Taiwan Rating, S&P, Moody's, and FITCH.
5. Approach adopted for statutory capital charges	Perform according to the Standard Law of Securitized Seal according to the third part of "Calculation Method Description and Forms regarding the Equity Capital and Risk Assets of the Bank."
6. Overall requirements for qualitative disclosure, including: (1) Purpose of securitization activities and types of risk that the bank undertakes and retains in re-securitization activities (2) Other Risks Inherent in Securitized Assets (e.g. Liquidity Risk) (3) Roles Played by the Bank in Processes of Securitization and Degrees of the Bank's Participation in Each Process (4) Monitoring Procedures for Changes in Credit and Market Risks Involved in Securitization Risk Exposure (5) Credit Risk Mitigation Management Policies Used by the Bank to Mitigate Risks Retained by Securitization and Re-securitization	Currently, the Bank does not engage in founding bank business.
7. Policies for Securitization	Currently, the Bank does not engage in founding bank business.
8. The Names of External Credit Assessment Institutions (ECAI) Used in Securitization in Banking Books and the Usage of Each Type of Securitization Risk Exposure	Currently, the Bank does not engage in founding bank business.
9. Significant Changes in Quantitative Information since the Last Reporting (e.g. Asset Movements between Banking Books and Trading Books)	None

Securitization Risk Exposure and Capital Charge

December 31, 2019

(Unit: NT\$1,000)

		Asset Type	Traditional Style					Portfolio Style		Total		
			Exposure				Capital Charge (2)	Exposure	Capital Charge (4)	Exposure (5)=(1)+(3)	Capital Charge (6)=(2)+(4)	Pre-securitization Capital Charges
			Existing or Purchased Securitized Product	Providing Liquidity Facility	Providing Credit Enhancement	Subtotal (1)		Existing or Purchased Securitized Product (3)				
Non-founding Bank	Banking Book	Real Estate Mortgage Securities	1,480,626			1,480,626	23,690			1,480,626	23,690	
	Trading Book											
	Subtotal		1,480,626			1,480,626	23,690			1,480,626	23,690	
Founding Banking	Banking Book											
	Trading Book											
	Subtotal											
Total			1,480,626			1,480,626	23,690			1,480,626	23,690	

Information on Securitized Product

1. Statement for investment in securitized products

December 31, 2019

Unit: NT\$ 1,000

Item (Note 1)	Accounting Category	Original Cost	Total Fair Value Profit/Loss	Accumulated Impairment	Carrying Amount
Collateralized mortgage obligations (CMO)	Investments in debt instruments measured at amortized costs - corporate bond	440,987.17	9,341.72	0.00	368,727.33
Collateralized mortgage obligations (CMO)	Investments in debt instruments measured at amortized costs - corporate bond	430,725.09	12,936.43	0.00	377,473.99
Collateralized mortgage obligations (CMO)	Investments in debt instruments measured at fair value through other comprehensive income - corporate bond	419,152.57	6,044.72	0.00	295,898.89
Collateralized mortgage obligations (CMO)	Investments in debt instruments measured at fair value through other comprehensive income - corporate bond	443,506.41	8,554.71	0.00	423,925.90

Note 1: The table includes domestic and overseas securitized products, and the items are accounted for according to the following accounting categories:

- (1) Mortgage-backed securities (MBS): Including residential mortgage-backed securities (RMBS), commercial mortgage-backed securities (CMBS), collateralized mortgage obligations (CMO), and other mortgage-backed securities.
- (2) Beneficiary Asset-backed securitization (ABS): Including collateralized loan obligations (CLO), collateralized bond obligations (CBO), credit card receivables securitization, auto loan securitization, consumption loan/cash card securitization, lease securitization, other securitizations.
- (3) Asset-backed commercial papers (ABCP).
- (4) Collateralized debt obligations (CDO).
- (5) Mortgage securitization: Refer to real estate asset trust (collectively, "REAT").
- (6) Bonds issued under structured investment vehicles (SIV).
- (7) Other securitized products.

Note 2: The table includes beneficiary securities or asset-backed securities with banks as founding institutions.



VII

REVIEW, ANALYSIS, AND RISKS OF FINANCIAL CONDITIONS AND PERFORMANCE

2. (1) Disclosure of investments in securitized products with an original value over NT\$300 million (excluding those held by the Bank in the capacity as the founding institution with a view to strengthened credit):

Unit: NT\$ 1,000

Name of securities (Note 2)	Accounting Category	Currency	Issuer and Location	Date of Purchase	Maturity date	Coupon Rate (%)	Credit Ratings	Method of Interest Payment and Principal Repayment	Original Cost	Total Fair Value Profit/Loss	Accumulated Impairment	Carrying Amount	Attachment Point	Content of Asset Pool
US3137FGJD84	Investments in debt instruments measured at amortized costs - corporate bond	USD	US	2018/10/17	2045/10/15	3.50	AAA	Announce the interests for the next period and the amount of principal repayment by month	440,987.00	9,341.72	0	368,727.33		California:12.8%; Texas: 10.2%; Florida: 8.4%; Arizona: 6.4%; Others: 62.2%.
US3137F4VQ28	Investments in debt instruments measured at amortized costs - corporate bond	USD	US	2018/10/23	2046/9/15	3.50	AAA	Announce the interests for the next period and the amount of principal repayment by month	430,725.09	12,936.43	0	377,473.99		California:12.9%; Texas: 11.9%; Florida: 8.3%; Arizona: 5.3%; Others: 61.6%.
US3136B3KS88	Investments in debt instruments measured at fair value through other comprehensive income - corporate bond	USD	US	2018/11/15	2048/11/25	4.00	AAA	Announce the interests for the next period and the amount of principal repayment by month	419,152.57	6,044.72	0	295,898.89		California:58.3%; New York: 9.9%; Washington: 7.8%; Virginia: 7.1%; Others: 16.9%.
US3136B4CG16	Investments in debt instruments measured at fair value through other comprehensive income - corporate bond	USD	US	2019/3/29	2049/4/25	3.00	AAA	Announce the interests for the next period and the amount of principal repayment by month	443,506.41	8,554.71	0	423,925.90		New York: 93.5%;California: 4.7%;Washington: 1.2%;Maryland: 0.3%; Others: 0.3%.

Note 1: The table includes domestic and overseas securitized products.

Note 2: Specify the full name separately for the same securitized products in different tranches.

Note 3: Please fill in the results of the latest credit rating.

Note 4: Attachment point refers to the ratio of the amount of the total issued tranches with an order of priority of payment later the tranches held by the Bank accounting for the total issued amount of such securitized products. For instance, where the Bank purchased the A tranche collateralized debt obligation (CDO), the tranches with an order of priority of payment later A tranche are BBB tranche and equity tranche, and the issue amount of BBB tranche and equity tranche account for 12% of the total issue amount of the CDO; therefore, the attachment point for A tranche shall be 12%.

Note 5: Asset pool refers to the asset portfolio that entrusted to the trustee or transferred to the special purpose company by the founding institution. Please fill in the asset category (senior or subordinated), breakdown, carrying amount denominated in the original currency, and the number of entries of the asset portfolio.

(2) Disclosure of Information on the Positions Held by the Bank in the Capacity as the Founding Bank with a View to Strengthened Credit:

Unit: NT\$ 1,000

Name of Security	Accounting Category	Currency	Purchase date	Maturity date	Coupon Rate	Credit Rating	Method of Interest Payment and Principal Repayment	Original Cost	Total Fair Value Profit/Loss	Accumulated Impairment	Carrying Amount	Attachment Point	Content of Asset Pool

Note: Please refer to Table 2 (1) above for the definition and description of the columns.

(3) Disclosure of Information of the Discredited or Liquidated Securitized Commodities Held by the Bank in the Capacity as the Buyer Institution:

Unit: NT\$ 1,000

Name of Security	Currency	Founding Institution	Maturity Date	Content of the Contract	Contract Performance (Note)

Note: Where the Bank has purchased assets according to contracts, please set out the reference market price of the acquired assets.



3. Disclosure of the Bank Serving as Guaranteeing Institution or Liquidity Provider for Securitized Products, and Amount:

Unit: NT\$ 1,000

Name of Security	Currency	Founding Institution	Maturity Date	Coupon Rate	Credit Rating	Role (Note 1)	Amount (Note 2)	Attachment Point	Content of Asset Pool

Note 1: When serving as guaranteeing institution for securitized products, please fill in the column "Guaranteeing institution." When serving as a provider of liquidity financing, please fill in the column "Provider of the liquidity financing."

Note 2: When the Bank is serving as guaranteeing institution, please specify the guarantee amount; when the Bank is serving as a provider of liquidity financing, please specify the limitation.

Note 3: Please refer to Table 2. (1) above for the definition and description of the columns.

C. Operational risk management system and capital charges

Operational risk management system

2019

Item	Content
1. Operational Risk Management Strategies and Procedures	I. The operational risk management strategies of the Bank aim to establish an appropriate operational management environment. Through the implementation of operating risk management structure approved by the Board and the rigorous execution of such structure by the senior managers, the Bank ensures that all relevant operational risks have been monitored by using appropriate evaluation procedures. II. To optimize the function of operational risk management, the Bank grasps the scope of operational risk through managing procedures of risk identification, risk evaluation, risk measurement, risk monitoring and communication. The Bank also adopts appropriate measures to ensure a duly management for the relevant operational risk, efficiently allocate limited resources to the operational risk management tasks.
2. Operational Risk Management Organization and Framework	I. Board of Directors: Approve the risk management policies for the Risk Management Committee to execute the relevant management and monitoring matters. II. Risk Management Committee Responsible for the review on information and issues related to the operational risk of the Bank. III. Risk Management Department (I) Execute the risk management policies approved by the Board. (II) Establish the operational risk management system and risk management tools. (III) Monitor, analyze, and report to the Bank regarding information on operational risk. IV. Authority Department of Business (I) Identify and analyze the potential operational risk of each business. (II) Establish the standard operation procedures (SOP) as the basis for business execution (III) Set up business regulations and operational procedures that cover the operational risk points and relevant control measures. (IV) Manage and report the operational risk of each business. V. Auditing Department Conduct regular audit regarding the risk management operations for the departments of the Bank. VI. All departments of the Bank (I) Daily operations shall comply with and execute the operational management requirements. (II) Report the operational risk management information according to the requirements.
3. Scope and Features of Operational Risk Reporting and Measurement Systems	I. The Bank conducts its operational risk measurement primarily through three operational risk management tools: (I) Loss data collection (LDC) for operational risk- A. The LDC for operational risk of the Bank covers operational risk incidents arising from all business activities. Departments file such incidents through the "Operational Risk Management (ORM) System" and provide details regarding the registering items of the operational risk incidents. B. Improve the cognition to risk for all employees of the Bank through the implementation of ORM System and relevant training and assist the incident occurring department in performing proper improvement plan and tracking the management execution. (II) Key risk indicators (KRI) for operational risk - A. Adopt the view of the Bank's risk management, consider the data availability, indicator management efficacy, and risk significance among the operational risk items concerned by the businesses to establish the Bank's key risk indicators with effective management benefits. B. Each risk indicator has an alert value that is based on the historical statistics or experiences of the Bank, which is used as the basis for determining whether active management is required for the indicator. The authorities of the Bank carry out risk control through monitoring the exposures of the indicators, so as to prevent the occurrence of potential operating risk incidents for each department.

Item	Content
	(III) Risk and control self-assessment (RCSA) for operational risk - A. Regarding the RCSA system of the Bank, the authority department of business at the Bank's headquarter prepares a self-assessment questionnaire in respect of risk and control of its business procedures and the business execution departments and supervision departments shall conduct the self-assessment concerning execution and management according to the risk and control assessment scale, and self-assess the risk results to provide an responding plan, allowing the Bank to analyze the exposures of potential operational risk. B. When carrying out the self-assessment, departments of the Bank may assess the residual risk hierarchy of operational risk items concerning the effect of the residual risk and the probability of the residual risk. Departments shall also assess the effectiveness of the control with respect to the execution of control and relevance. C. The Bank compiles and analyzes the risk control self-assessment results of the departments and prepare the risk control self-assessment chart. Regarding items with higher risks, the authority department shall propose the action plan to respond accordingly. II. The content of the Bank's operational risk management report includes the disclosure regarding the Bank's operational risk information and exposure monitoring status. The report is prepared and reported by the Risk Management Department on a regular basis with a scope covering operational risk incidents, operational risk indicators, trend analysis, and department improvement and tracking opinion, as well as the measurement and analysis regarding the operational risk incident occurring frequency and severity based on the risk matrix formed with the top eight business types and the top seven incident types, as the reference of improvement for relevant operating procedures.
4. Operational Risk Hedging or Risk Mitigation Policies, and Monitoring the Continued Effectiveness of Risk Hedging and Mitigation Tools	I. The Bank has stipulation such as guidelines, procedures, and regulations to control and mitigate the operational risk of the Bank. In addition, business departments adopt reasonable responding measures according to the loss probability and the amount arising from the operational risk, respectively, i.e., directly avoid processing, transfer partial or entire risk by way of transfer or charges, or process after an evaluation on profit and risk. II. Operational risk hedging or risk mitigation of the Bank is primarily processed through insurance or outsourcing, so as to transfer and mitigate the losses of operational risks arising from human, system, or operation negligence, or external incidents. III. To minimize human factors, natural disasters, and other significant emergencies affecting the reputation or endangering the normal operation of the Bank and the financial order, the Bank has established operational processing procedures and relevant regulations for departments to comply with, so as to instantly minimize the damages and resume the normal operation in a short time. IV. Unscheduled reports regarding crisis management of the Bank are submitted to the Risk Management Committee and senior managers to monitor the operational risks exposures and response capabilities of the Bank.
5. Approach Adopted for Statutory Capital Charges	Standardized Approach.

Operational Risk Capital Charges

December 31, 2019

(Unit: NT\$1000)

Year	Gross profit	Capital Charge
2017	20,722,679	
2018	22,560,518	
2019	21,760,230	
Total	65,043,427	3,062,937

D. The Market Risk Management System and Capital Charges

The Market Risk Management System - Standard Law

2019

Item	Content
1. Market Risk Management Strategies and Procedures	I. Management Strategies (I) Implement market risk management according to "TBB Market Risk Management Standards" and other relevant regulations to achieve the operating goals and maintain the healthy capital adequacy ratio. (II) Subject to the risk appetite approved by the Board of Directors (Managing Directors), the Bank adopts various risk control mechanisms to effectively utilize and manage its capital, ensuring that the market risk exposures are within the bearable scope and the Bank may still achieve its goal for earning. II. Management Procedures (I) Risk Identification According to the requirements under the "TBB Market Risk Management Standards," a proper market risk evaluation shall be performed before promoting a financial product; documentation of such evaluation shall be preserved for further reference. Content for the evaluation includes identification of risk factors, cost-benefit analysis, market liquidity, risk countermeasure, the adequacy of the risk management system and the effect of exposure to market risk by the Bank.



Item	Content
	(II) Risk measurement A. The risk management department shall draw up the market risk positions, sensitivity, value-at-risk and suspension limit, and report to the Directors (Managing Directors) for approvals of execution. B. The risk measurement (or valuation) for the financial products of the Bank are carried out on the different information system, and the market data and model parameters used in the valuation were sampled regularly to check their reasonability. (III) Risk monitoring A. Regularly prepare the valuation report of financial products and submit to the senior management for approval, and used as the basis for the execution of daily risk management. B. There are requirements concerning limitation and stop-loss in place for all financial transactions; risk control mechanisms of stop-loss, suspension, and post-management will be carried out according to the requirements when the losses amount from the valuation exceeds the limitation. (IV) Risk Reporting Risk management department regularly reports the current conditions of market risk management to the Directors (Managing Directors) and senior management, allowing them to grasp the risk exposures and adjust the management measures in due time.
2. Market Risk Management Organization and Framework	I. Board of Directors: The highest market risk management and supervision unit, responsible for approving the market risk management policies and all risk limitation. II. Risk Management Committee Responsible for the review on issues and responding plans related to the market risk of the Bank. III. Risk Management Department (I) Establish market risk management operating procedures and relevant regulations. (II) Plan and execute a market risk management business. (III) Establish market risk management-related systems. (IV) Report the market risk management execution of the Bank to senior management and Directors (Managing Directors) on a regular basis.
3. Scope and Features of Market Risk Reporting and Measurement Systems	I. Scope and features of the measurement system (I) Evaluate and monitor market risk exposure on a daily basis, including the expected and non-expected losses caused by adverse changes in market price resulted from interest rate, equity, exchange rate and commodities on and off the balance sheet. (II) Adopts the historical simulation method to calculate the value at risk (VaR) on the financial trading management system on a daily basis and observe its changing trends to report at the Risk Management Committee meeting per month. (III) The VaR measurement scope includes all positions of foreign exchange risk and commodity risks, as well as the trading books positions of interest rate and equity securities risk. There are VaR limitation control mechanisms in place for interests rate, equity, foreign exchange, and overall position. II. Connotations of Market Risk Report (I) Regularly report to the Directors (Managing Directors) and Risk Management Committee regarding the amount of asset portfolio exposures, providing references to senior management for decision-making. (II) The market risk report of the Bank includes the valuation on the exchange rate, interests rate, equity securities positions, and profit or loss, so as to monitor the profit or loss for the market risk positions. (III) The risk management department reports the equity securities, governments bonds, foreign exchange trading positions, and profit or loss valuation on a daily basis, so as to grasp the daily routine market risk control at any time.
4. Market Risk Hedging or Mitigation Policies, and Monitoring the Continued Effectiveness of Risk Hedging and Mitigation Tools	The financial transactions of the Bank mostly involve simple financial products. Regarding complex financial products from the customer end, the Bank, in principle, will carry out back to back hedging and covering to avoid market risks effectively. In addition, when engaging in hedging transactions with different contractual terms, the financial trading department shall specify matters of hedged items, hedging relationship, nature of the hedged risks, and the mitigation effects of the valuation risks. Risk management departments shall regularly carry out measurements regarding the effects of executing risks mitigation.
5. Approach Adopted for Statutory Capital Charges	The Standardized measurement method.

Market risk capital charges

December 31, 2019

(Unit: NT\$1000)

Category of Risk	Capital Charge
Interest Rate Risk	1,097,724
Equity Risk	28,780
Foreign Exchange Risk	438,604
Commodity Risk	0
Total	1,565,108

E. Liquidity risks include the maturity analysis regarding assets and liabilities as well as management methods for assets liquidity and the cash flow gap liquidity

Liquidity Risk Management System

2019

Item	Content
1. Liquidity Risk Management Strategies and Procedures	I. Liquidity risk management strategies (I) Monitor the liquidity risk positions according to the liquidity risk management policies and limitation approved by the Board of Directors. (II) Established the "TBB Directions for Funding Liquidity Risk Management" and "TBB Management Guidelines for Funding Liquidity Risk Management" for the compliance of the Bank, so as to effectively control the funding liquidity risks. (III) Overseas branches shall establish regulations related to liquidity risk management according to the business nature and the requirements of the competent local authority; such regulations shall be executed after being approved by the President, and the Risk Management Department shall be responsible for the monitoring. II. Liquidity risk management procedures (I) Discuss and formulate directions, management guidelines for liquidity risk management, and contingency plan for funding liquidity risk and conduct a review on a yearly basis. (II) Identify, measure, supervise, and control the funding liquidity risk and establish stable operating procedures and structures. (III) Report to the ALM committee regarding the measurement results for funding liquidity risk on a monthly basis and report to the Board regarding funding liquidity risk and stress test results.
2. Liquidity Risk Management Organization and Framework	I. Board of Directors: The highest liquidity risk management and supervision unit, responsible for approving the directions for liquidity risk management and all risk limitation, and shall review on a yearly basis, so as to ensure the effectiveness of the liquidity risk management. II. ALM Committee: The Bank established an ALM Committee subordinated to the President, responsible the supervision for liquidity risk exposures and the approval of responding plan upon conditions exceeding management indicators. III. Treasury Department: Execute daily funding allocation operations to ensure sufficient fundings are in place to satisfy all funding requirements. IV. Risk Management Department: Responsible for the identification, measurement, monitoring, disclosure, and reporting of liquidity risk.
3. Scope and Features of Liquidity Risk Reporting and Measurement Systems	The Bank uses the ALM system to calculate the liquidity gap on a monthly basis, allocates items of funding inflow and outflow to each time slot according to the remaining maturity date, calculates the funding gap, to measure the funding gap within each time slot. Also, it prepares the statement of term structures of the maturity date, to contain liquidity gap within the limitation, making sure that that the Bank will have sufficient capacity to fulfill its obligation in due course.
4. Capital strategies of the Bank: Policy of mismatching capital sources and capital tenor, and centralized or decentralized capital strategies	I. The ratio of wholesale NT\$ time deposits accounts shall be accounted for less than 1% total time deposits of the Bank in principle. II. The ratio of deposits balances per account for wholesale deposits accounts (sum of demand and time deposits) shall be accounted for less than 2% total NT\$ deposits (excluding time deposits transferred from post offices) of the Bank in principle. III. Regarding depositors exceeding the above ratio, the Risk Management Department shall report to the ALM Committee on a monthly basis. IV. The ratio of total deposits balances (demand and time) of the top 10 customers of the Bank shall be accounted for less than 30% total NT\$ deposits (excluding time deposits transferred from post offices) of the Bank in principle; however, where the ratio is over 24%, the authority department shall propose countermeasure and report to the ALM Committee. V. Prepare the "Wholesale Time Deposits Transaction List" and "Wholesale Deposits Transaction List"
5. Liquidity risk hedging or mitigation policies, and monitoring the continued effectiveness of risk hedging and mitigation tools	I. The Bank has "Contingency Plan for Funding Liquidity Risk" in place to respond to liquidity crisis such as abnormal withdrawal of deposits, huge loss of funding, or material shortage of liquidity, to minimize liquidity risk and maintain the normal operation of the Bank. II. Review the "TBB Directions for Funding Liquidity Risk Management," "TBB Management Guidelines for Funding Liquidity Risk Management," and "Contingency Plan for Funding Liquidity Risk" to effectively control the funding liquidity risk. III. Where the funding liquidity risk limitation is exceeded or other significant events have occurred that may lead to a funding liquidity crisis, the Risk Management Department shall immediately call for a meeting with other related departments to formulate countermeasures, submit to the ALM Committee for discussion and execute by the relevant business authority after receiving the approvals from the President, and shall report to the Board of Directors (Managing Directors).
6. Description on how to conduct a stress test	I. Conduct stress tests on the crisis occurred to the individual banks, and the crisis occurred to the overall market on a quarterly basis. II. Convene a meeting with related business departments to formulate the stress environments and the target value for risk management; submit to the President for approval and conduct the stress test on a yearly basis.
7. Summary for liquidity contingency plans	When significant events occurred to the Bank that may incur funding liquidity crisis, and convene the ALM Committee meeting and establish a contingency workforce that is in charge of the following: I. Allocate sufficient cash for support. II. Deal with abnormal wholesale deposits and funding withdrawals. III. Issue statement to clarify the truth. IV. Maintain the operating orders. V. Provide information related to crisis management, funding changes, and available balances of the Bank from time to time according to the requirements of external processing institutions to allow such institutions to grasp the actual circumstances of the Bank in a short time and provide assistance to the Bank in due course. VI. Avoid conditions of over-utilization regarding deposits in the interbank accounts and proactively contact the correspondent bank to maintain the current limitations. VII. By the end of such events, in order to repay the borrowings and strengthened the confidence of the depositors, the Bank's headquarter and branches shall assign material officers to visit designated key accounts on site. To accelerate the re-deposits of the deposits and fully eliminate the concerns from all parties, the Bank shall publish a declaration to describe the entire events and show gratitude to related departments for their support.



a. Structural Analysis of the Maturity of New Taiwan Dollars

December 31, 2019

(Unit: NT\$1000)

	Total	Amount for the Remaining Period Prior to the Maturity Date					
		0-10 days	11-30 days	31-90 days	91-180 days	181 days-1 year	Over one year
Primary inflow upon maturity	1,501,890,612	179,367,254	151,213,247	134,502,252	184,976,030	129,089,921	722,741,908
Primary outflow upon maturity	1,874,702,427	55,886,586	112,153,255	218,860,212	230,190,070	355,711,629	901,900,675
Gap	-372,811,815	123,480,668	39,059,992	-84,357,960	-45,214,040	-226,621,708	-179,158,767

Note: The table includes the NT\$ amount of the entire Bank, including an estimated outflow of loan commitments 364,510,276,000.

b. Structural Analysis of the Maturity of US Dollars

December 31, 2019

(Unit: US\$ 1,000)

	Total	Amount for the Remaining Period Prior to the Maturity Date				
		0-30 days	31-90 days	91-180 days	181 days-1 year	Over one year
Primary maturity Cash inflow	15,355,895	3,358,162	2,608,973	3,107,881	2,619,737	3,661,142
Primary maturity Cash outflow	16,092,017	3,851,126	2,573,777	3,475,166	3,026,241	3,165,707
Gap	-736,122	-492,964	35,196	-367,285	-406,504	495,435

Note: The table includes the US\$ amount of the entire Bank, including an estimated outflow of loan commitments 948,394,000.

(3) Impact of changes of important domestic and international policies and laws on the Bank's finance and business, and response measures

1. To enhance banks' control on transaction risks arising from financial derivatives as required by the competent authority, the Bank has focused on the requirements regarding the opening guarantee provisions and disgorgement system and updated its control statement in favor of risk control.
2. In response to the promulgation of the Management, Utilization, and Taxation of Repatriated Offshore Funds Act, the Bank launched its foreign currency trust operations to pursue the business opportunities brought by the repatriated offshore funds and satisfy the demand of customers regarding the asset allocation and wealth management for foreign currencies.

(4) Impact of changes in technology and industry on the Bank's finance and business, and response measures

The Bank adopts three lines of defense for operations related to its cybersecurity control. The first line of defense shall be the information communication system management and the using departments of the Bank, responsible for the execution and maintenance. The second line of defense shall be the Information Security Department, responsible for the overall planning. The third line of defense shall be the Auditing Department, responsible for the auditing of legal compliance. Currently, with the omnipresent information security threats with ever-changing attacking methods, the Information Security Department, as the second line of defense, strengthens the governing structure for the information security from aspects of management and technologies; detailed as follow:

1. Optimize the information security management system: Establish the cybersecurity maintenance program of the Bank and issue regulations comply with the international standards of ISO27001; organize the check and risk assessment operations for information and communication system as well as information assets of the Bank, to enhance the improvements on corresponding information security risks.
2. Reinforce the information security monitoring: Establish a security information event management (SIEM) platform to detect suspicious acts through information security associative analysis and plan to establish a security operation center (SOC) to control the internal information security threats immediately and comprehensively, so as to achieve the goal of a continuous monitor on information security, early alert, and emergency response.
3. Establish a horizontal joint defense system for information security: Real-time sharing and analysis of information through information threat intelligence such as F-ISAC to fully understand the information threat and organize responding measures in advance.
4. Enhance the strain capacity for cybersecurity events: Establish procedures to report and respond to cybersecurity events and hold regular drills for cybersecurity events to improve the response and coordinating capacities for our fellow colleagues regarding cybersecurity emergencies.

5. Increase the awareness for cybersecurity of all employees of the Bank: Continue to organize social engineering drills and educational training related to information security for all employees of the Bank to improve their knowledge for information security and increase their awareness for cybersecurity.

(5) Impact of changes in the Bank's image on corporate risk management and response measures

Where the external parties recognize the Bank for its excellent business performances, the Bank will generally grasp the timely opportunities of news and carry out relevant promotional activities, so as to improve the image of the Bank. Shall there be untrue rumors or negative media press that adversely affects the image of the Bank, the Bank will proactively verify the truth, provide instant verification or engage media to make a balance, protecting the reputation and image of the Bank.

(6) The expected benefits and possible risks to engage in mergers and acquisitions (M&A) and the countermeasures: None.

(7) The expected benefits and possible risks to expand the branches and the countermeasures:

In 2019, the Bank had not expanded its branches and only carried out adjustment for its domestic branches.

(8) Risks derived from the concentration of operations, and countermeasures: None.

(9) The impact on the Company, and risk due to changes in managerial authority, and the countermeasures: None

(10) The effects of Directors or substantial shareholders holding more than 1% of shareholdings transferring or converting a large amount of equity on the Bank, as well as the risks, and countermeasures:

The equity changes in Directors and the corporate shareholder represented by the Director are reported according to the Securities and Exchange Act, and kept tracked by the Bank at any time. Furthermore, the Bank carries out the promotions to shareholders holding more than 1% of the shareholders of the Bank required by Article 25 under the Banking Act within 10 days from the suspension of share transfer, reminding them to notify the shareholding changes to the Bank according to the Banking Act, to achieve the stable operations of the Bank.

(11) Litigious or non-litigious matters

The World Trade Center Branch of the Bank carried out the outward collection project under the letter of credits for its customer Chi Seng Industrial Co., Ltd. in 1996, and it is suspected that the importer Zaire International Commerce and Investment Company in the Republic of Zaire (hereinafter, "I.C.C.I. Company") incurred losses due to Chi Seng Industrial Co., Ltd. holding counterfeit notes and has not performed the exports. The I.C.C.I. Company filed a prosecution to the Brussels Commercial Court in November 1998 and requested the issuing bank of the certificate and the Bank to make a joint compensation amounting to US\$7.83 million, plus interests, losses, and fees. On August 31, 2005, the Court pronounced the judgment that the Bank shall make compensation of US\$7.674 million plus interests to the I.C.C.I. Company. The Bank engaged a local attorney to file an appeal, and the Brussels Appellate Court had made its interlocutory judgment in February 2011, considering that both the Bank and I.C.C.I. Company had faults and made its judgment regarding the proportion of fault on November 16, 2011, sentencing that the Bank shall be responsible for 90% of the proportion of fault. The Bank lodged an appeal regarding the interlocutory judgment of the second instance on November 3, 2011; however, the Court of Final Appeal rejected the appeal from the Bank. Therefore, losing the lawsuit was confirmed. However, the Bank and I.C.C.I. Company was not able to reach a consensus on the exchange rate and calculation for the amount of compensation. In October 2016, I.C.C.I. Company filed an application to the Frankfurt Court to impound the deposits of the Bank at the correspondent bank. Subsequently, the Bank provided security deposits of €13.2 million to the Court to release the order. In July, I.C.C.I. Company applied for the enforcement regarding abovementioned security deposits, and the Court transferred such security deposits to I.C.C.I. Company without any consultations. Therefore, the Bank filed a lawsuit of debtor disagreement. However, the Frankfurt Court rejected the lawsuit of the Bank in November 2018. The bank is now in the course of filing an appeal. In November 2019, the Higher Regional Court Frankfurt am Main returned the case to the court of first instance for the trial. Furthermore, the Bank received notices of appearance from the court in Congo on October 16, 2019, and November 1, 2019, respectively, for the reason that (1) StarMarine, a third-party, required I.C.C.I. to make a compensation of \$633,000, \$500,000, and interests, and



required the Bank to bear the joint and several liabilities for compensation; and (2) I.C.C.I required the Bank to make a compensation of US\$20,059,303.91 (less proceeds from the enforcement act sentenced by the Court of Appeal in Belgium, a loss of approximately €7,032,234.76, and interests) and required the Bank to provide a guarantee of €14 million. The Bank had engaged local lawyers to serve the summon. After the trials by the court in Congo on January 7 and January 28, 2020, the court agreed to combine both cases to avoid inconsistency of judgment, and conducted the hearing again on February 25, 2020; however, both plaintiffs, I.C.C.I and StarMarine, failed to serve the summon on February 25, 2020; therefore, the court in Congo had dismissed the hearing according to the procedures and cancelled the schedule with its authority. Furthermore, as of February 29, 2020, the Bank had provisioned compensation for losses of NT\$183,923,000 and €8,000,000 for the case.

(12) Other significant risks and response measures

To strengthen the risk management for the loan business and avoid excessive centralized loans to industries, group corporations, and individual corporations, the Bank established the "Management Guidelines for Credit Risk Limitations Control" and "Procedures for Credit Risk Limitations and Control of Credit Loans" to regulate its risk assumption for loans, and thus diversify the risk.

7. Crisis Management and Response Mechanism

- (1)** The Bank has established the "TBB Directions for Processing Significant Contingencies." Shall there be bank runs for deposits, robberies, fraud, fire, flood, natural disaster, violence, or other significant matters, the department shall immediately notify the Business Development Department of the Bank with a call and describe the relevant circumstances according to the requirements under the Directions to carry out the related reporting and contingency process. The Business Development Department shall notify the President immediately to adopt appropriate countermeasures, convene the contingency workforce meeting when necessary, and taking the initiatives to assign staff for assistance in branches to take required measures. Report the relevant data to the FSC, the Central Bank, Central Deposit Insurance Corporation, and the Ministry of Finance, and closely work with the responding measures of the competent authority. The spokesman of the Bank will take the initiative to release the press, directing the news report regarding the event toward the facts, instead of exaggerating, and affecting the reputation of the Bank.
- (2)** Respond to natural disaster factors according to the "TBB Management Guidelines for Branches Concerning Foreign Currency Transaction and Capital Operations during Natural Disasters." When the Bank's headquarter has called off work due to natural disaster while partial branches are still operating as usual, such guidelines provide a basis for branches that carry out foreign currency transactions and capital operations.
- (3)** Emergency backup and security protection measures for information equipment: Please refer to "Emergency backup and security protection measures for information operations" in V. Business Operation.
- (4)** Responding to the probability of significant capital outflow, the Bank has established the "Directions for Contingencies Response" and "Capital Liquidity Risk Management," describing the contingency measures to be adopted when liquidity crisis occurred.
- (5)** The Bank has established the "Occupational Safety and Health Code," which sets out the relevant occupational safety and health standards, maintenance and inspection method for each equipment, and designates specialists to carry out safety and health inspection regularly to ensure related equipment to function normally, minimize accidents, and protect the personal safety of the employees. Upon disasters, a comprehensive security inspection shall be carried out according to the "Disaster Contingency Manual." Regarding damaged branch premises or significant operating equipment, the Bank will adopt the necessary reinforcement or repair to ensure operational safety. For equipment that cannot be reinforced or repaired in a short time, a temporary substitute plan is also provided to help the restoration of all businesses.

8. Other Significant Events:

The Company has no designated hedging instrument for hedging accounting.



Special Notes

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1. Information Regarding the Bank's Subsidiaries

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2. Progress of Private Placement of Securities and Financial Bonds

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3. The Bank's Subsidiaries' Shareholding or Disposal of the Bank's Shares

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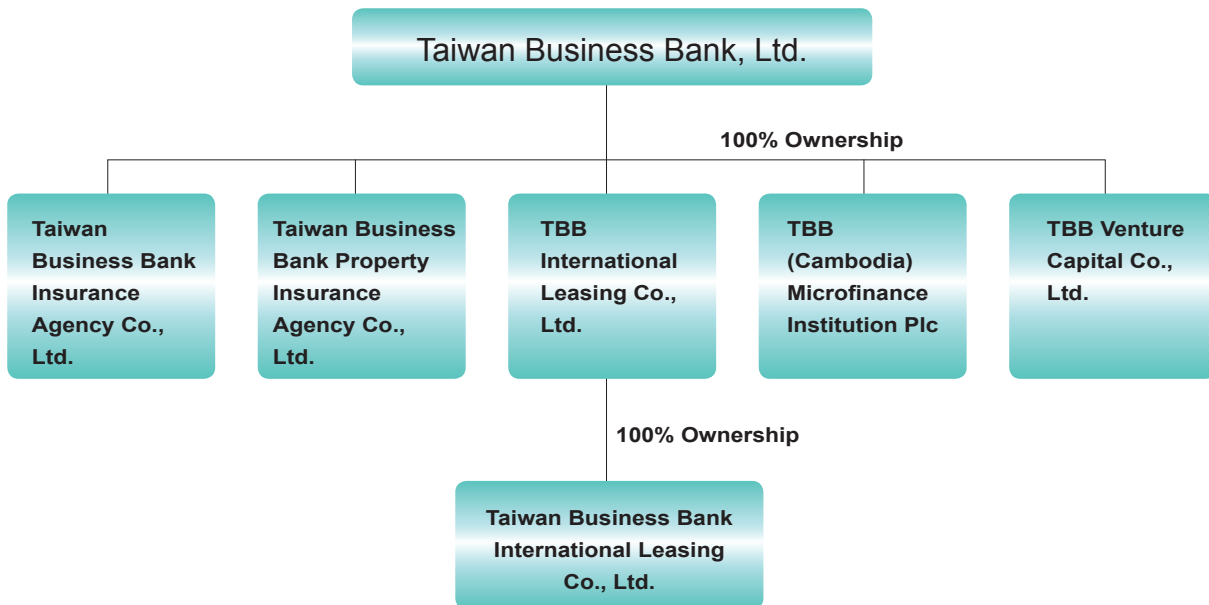
4. Additional Disclosure

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5. Pursuant to Item 2, Paragraph 3, Article 36 of Security and Exchange Act, the Incidence Exerting Material Influence on Shareholders' Rights or Security Prices

1. Information Regarding the Bank's Subsidiaries

(1) Organization Chart of Affiliated Enterprises



(2) Information of Affiliated Enterprises

Enterprise Name	Established Date	Address	Paid-In Capital	Major Business
Taiwan Business Bank Insurance Agency Co., Ltd.	2002.03.27	2F, No. 158, Songjiang Rd., Taipei City, Taiwan, R.O.C.	NT\$ 5 million	Life insurance agency
Taiwan Business Bank Property Insurance Agency Co., Ltd.	2008.11.10	2F, No. 158, Songjiang Rd., Taipei City, Taiwan, R.O.C.	NT\$ 5 million	Property insurance agency
TBB International Leasing Co., Ltd.	2013.04.03	5F, No. 151, Sec. 4, Nanjing E. Rd., Songshan Dist., Taipei City, Taiwan, R.O.C.	NT\$ 1.5 billion	Financial lease
Taiwan Business Bank International Leasing Co., Ltd.	2014.06.16	Room 368, 302 Part, No. 211, North Fute Road, Free Trade Zone, Pudong District, Shanghai	CNY\$ 170 million	Financial lease
TBB (Cambodia) Microfinance Institution Plc	2015.08.10	2E/2F Street 315, Sangkat Boeung Kok 1, Khan Toul Kork, Phnom Penh, Cambodia.	US\$ 20 million	SME and personal finance business
TBB Venture Capital Co., Ltd.	2018.09.07	11F, No. 30, Ta Cheng St., Taipei City, Taiwan, R.O.C.	NT\$ 300 million	Venture capital business

Note: The Bank has announced the merger of Taiwan Business Bank Insurance Agency Co., Ltd. and Taiwan Business Bank Property Insurance Agency Co., Ltd. on December 30, 2019, and established the Insurance Agent Dept. on January 2, 2020 to operate insurance agency business.

(3) Directors, Supervisors and Presidents of Affiliated Enterprises

Enterprise Name	Title	Name	Shareholding	
			Shares	%
Taiwan Business Bank Insurance Agency Co., Ltd.	Chairman Director Director Supervisor President	Chih-Chien Chang Jia-Ruey Luan Yu-Min Chang Chang-Yu Lin Wen-Ling Wang	500,000	100%
Taiwan Business Bank Property Insurance Agency Co., Ltd.	Chairman Director Director Supervisor President	Chih-Chien Chang Tsung-Chu Hsieh Chu-Jou Chen Yin-Cheng Tseng Chi-Feng Cheng	500,000	100%
TBB International Leasing Co., Ltd.	Chairman Director Director Supervisor Acting President	Chih-Chien Chang Tseng-Hsiang Yi Hsiou-Chen Kang Chih-Wei Chen Ting-Chih Tsai	150,000,000	100%
Taiwan Business Bank International Leasing Co., Ltd.	Chairman Director Director Supervisor President	Chih-Chien Chang Tseng-Hsiang Yi Tsung-Chu Hsieh Chih-Wei Chen Jaw-Jiun Lai	-	100%
TBB (Cambodia) Microfinance Institution Plc	Director Director Director Independent Director President (Acting Chairman)	Yu-Min Chang Chang-Yu Lin Jung-Pin Huang Tien-Liang Hsu Jung-Pin Huang	20,000	100%
TBB Venture Capital Co., Ltd.	Chairman Director Director Director Director Supervisor Supervisor President	Chang-Yu Lin Tzong-Wen Chou Tseng-Hsiang Yi Chih-Wei Chen Jung-Fang Kuo Tun-Kung Cheng Yu-Chuan Chou Shao-Huang Chen	30,000,000	100%

(4) Operations Overview of Affiliated Enterprises

Unit: NT\$ Thousand

Enterprise Name	Capital	Total Asset	Total Liability	Net Value	Operating Revenue	Operating Profits	Current Profit and Loss (After-tax)	EPS (After-tax)
Taiwan Business Bank Insurance Agency Co., Ltd.	5,000	455,161	124,555	330,606	1,487,657	400,429	320,605	641.21
Taiwan Business Bank Property Insurance Agency Co., Ltd.	5,000	20,450	4,565	15,885	47,030	11,170	8,943	17.89
TBB International Leasing Co., Ltd. (Consolidated)	1,500,000	1,566,478	201,448	1,365,030	91,008	-10,295	-14,142	-0.09
TBB (Cambodia) Microfinance Institution Plc	614,730	1,208,399	653,494	554,905	92,877	-4,758	-2,807	-140.32 (Note)
TBB Venture Capital Co., Ltd.	300,000	300,963	4,540	296,423	9,959	-5,418	-338	-0.01

Note: The price per share of TBB (Cambodia) Microfinance Institution Plc is US\$1,000. If it is converted to NT\$10 per share according to the local practice, the earnings per share (after-tax) would be NT\$-0.05.

(5) Consolidated Financial Statement of Affiliated Enterprises

The financial statements of the reinvestment companies with more than 50% of equity owned by the Bank have been incorporated into the consolidated statements. Please refer to the 2019 Consolidated Financial Statements and Notes in VI. Financial Status.

2. Progress of Private Placement of Securities and Financial Bonds: None.

3. The Bank's Subsidiaries' Shareholding or Disposal of the Bank's Shares: None.

4. Additional Disclosure: None.

5. Pursuant to Item 2, Paragraph 3, Article 36 of Security and Exchange Act, the Incidence Exerting Material Influence on Shareholders' Rights or Security Prices: None.



VIII

SPECIAL NOTES

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Corporate Social Responsibility Report

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1. Promotion of Corporate Social Responsibility and Responsibility Analysis
2. Material Aspects Analysis
3. Risks and Opportunities of Climate Change
4. TBB's Achievements in Promoting Corporate Social Responsibility in 2019

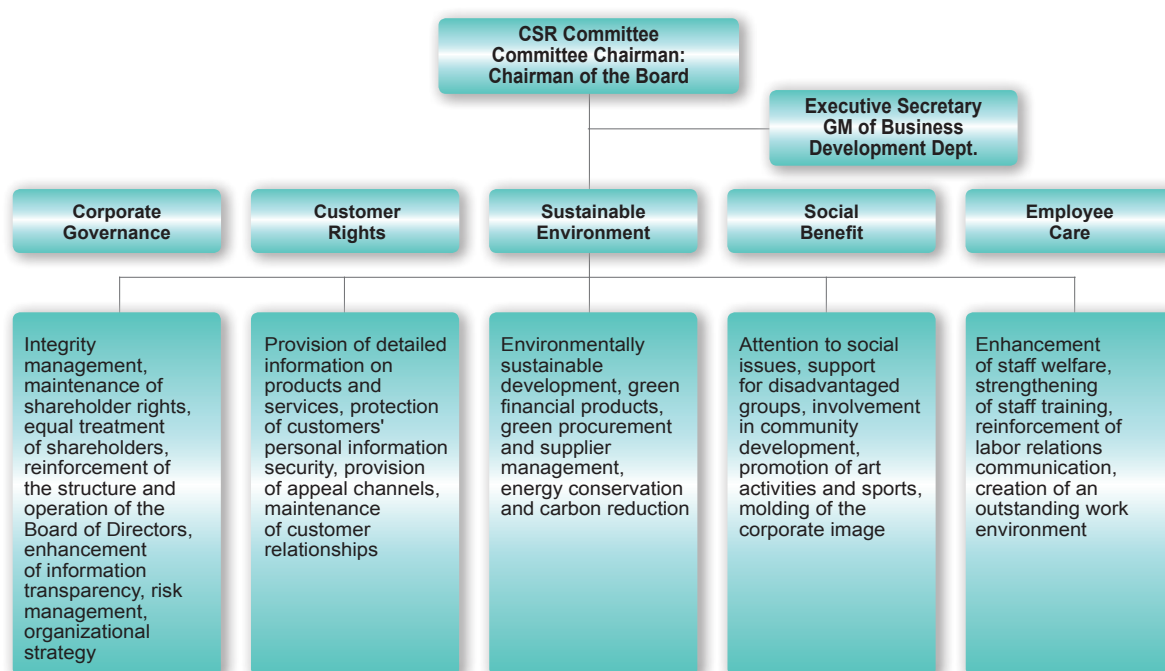


1. Promotion of Corporate Social Responsibility and Responsibility Analysis

The fulfillment of Corporate Social Responsibility (CSR) has always been one of the TBB's core operating principles. In addition to the pursuit of business performance, the provision of employee value-added, and an emphasis on shareholder interests, the Bank uses concrete action to fulfill its CSR by starting from the banking industry itself and participating actively in public-benefit activities, showing care for society, enhancing customer benefits, reinforcing care for employees, and striving to become an outstanding bank with a sustainable operation.

To reinforce the fulfillment of its Corporate Social Responsibility (CSR) and exhibit the importance that the TBB attaches to CSR, the TBB set up a Corporate Social Responsibility (CSR) Initiative Committee in 2017, which was subsequently promoted to the Corporate Social Responsibility Committee, responsible for the proposal and execution of CSR policies or systems, and report to the Board of Directors regarding the results of executing the CSR of the TBB.

The committee charter of the Corporate Social Responsibility Committee was promulgated on November 14, 2018. There are currently 5 members. Except for the Chairman and the President undertaking posts of committee chairman the mandatory member, respectively, the remaining 3 members are Independent Directors. There are Corporate Governance Subcommittee, Customer Rights Subcommittee, Sustainable Environment Subcommittee, Social Benefit Subcommittee, and Employee Care Subcommittee in place. The Bank will take the core financing business as the starting point in carrying out CSR within its scope of business.



2. Material Aspects Analysis

Collect, understand, and identify concerns related to TBB's stakeholders through distributing the "Stakeholder Identification" form to evaluate the concerns of various types of stakeholders and the level of influence on the operations of the Bank.

Risk assessment and management for material aspects

(1) Environmental

Material aspects	Risk assessment and management				Evaluation and target			
	Risk assessment	Policy	Commitment	Action	Performance Indicator	Short-term: 1 to 2 years	Mid-term: 2 to 3 years	Long-term: 3 to 5 years
Corporate sustainability strategy	Effects of environmental and labor safety aspects on loan customers.	The Bank does not engage in loan activities with disputable customers. When performing its operations, the Bank accessed relevant information on the loan applicant with regards to the environment, labor safety, food safety, and provision rate for the Workers' Retirement Preparation Funds through websites of government agencies and included the information in its evaluation focus for the loan.	Support environmental and green industries and avoid direct dealing with disputable corporates.	For loan customers causing risk accidents of significant environmental pollution and food safety, the Bank will require the customers to propose an improvement plan. On the other hand, regarding customers with insufficient provision for the Workers' Retirement Preparation Funds that damages the rights of laborers, the Bank will urge customers to make up the differences as soon as possible.	Assist customers in continual improvements.	For customers who had issues regarding the environment or labor safety, make remarks under the conditions of approval to continue follow-up the improvement of such events.		
Environmental and social friendly activities	The increase in pollution and energy consumption affects living quality and economic development.	Promote the "Green Energy Sustainable Project Loan," "Preferential Loans for Acquisition of Renewable Energy Equipment," "Machinery and Equipment Upgrade Loans," and "Low-Carbon Sustainable Homeland Project Loans" to respond to the global initiative of carbon emission reduction and comply with government policies.	Support environmental and green industries and avoid directly work with disputable corporates.	Provide preferential financing conditions and encourage corporate to acquire (build) equipment for renewable energy, energy-saving, and pollution prevention to reduce the carbon emission and energy (resource) consumption.	The accumulated project loan cases for providing loans to assist customers in improving and upgrading their production equipment	Year-on-year growth of 10%	Year-on-year growth of 10%	Year-on-year growth of 10%
Energy saving and carbon reduction	Acquire new equipment to replace old equipment producing more greenhouse gas to save energy and cut down carbon emissions, which may cause an increase in operating costs.	- Follow-up on short-term, mid-term, and long-term conditions of greenhouse gas in scope I and II. - Increase the amount and scope for green purchase - Require suppliers to fulfill their corporate social responsibilities.	Duly fulfill corporate social responsibilities and spare no effort in environmental protection. Respond to the green purchase policies promoted by the government, avoid dealings with suppliers with poor environmental performance, and include supplier's commitment to purchase contracts to jointly practice corporate social responsibilities.	- Reduce greenhouse gas emissions year by year. - Increase the amount of green purchase year by year. - Carry out suppliers' evaluation. For any conduct violating environmental protection or CSR, the Bank will notify the supplier to make improvements within a limited time and will reject or terminate the cooperation for those who refuse to make improvements.	- Reduce the greenhouse gas emission ratio. - Amount of green purchase	- Achieved 1% - Achieved 2%	- Achieved 1% - Achieved 2%	- Achieved 1% - Achieved 2%

(2) Social

Material aspects	Risk assessment and management				Evaluation and target			
	Risk assessment	Policy	Commitment	Action	Performance Indicator	Short-term: 1 to 2 years	Mid-term: 2 to 3 years	Long-term: 3 to 5 years
Charity	The failure to keep up with the social trend by carrying out charity-related events will render the Bank's image of being profit-oriented.	Promote the Silver Love Credit Card to help seniors to dine and learn together through the allocated non-profit funds.	Care for the seniors with the strength of cardholders to spread love to entire Taiwan.	The Bank exclusively allocated 0.3% of the general card consumption from the Silver Love Credit Card to help seniors to dine and learn together. Non-profit fund was allocated to assist the building of a School for Seniors in the remote community, so as to fulfill our corporate social responsibilities.	Support the disadvantaged group	Accumulated a non-profit fund of NT\$12 million.	Accumulated a non-profit fund of NT\$18 million.	Accumulated a non-profit fund of NT\$30 million.
Corporate image	The Bank is a specialized bank for SME customers; poor development of SMEs may affect the image of the Bank as a SME specialized bank.	Provide advisory in inheritance and succession plan to jointly face the issue of second-generation inheritance currently faced by SMEs.	Assist enterprises in their sustainable development and become a great partner of customers in corporate operations.	The Bank provides assistance required for corporate inheritance through organizing the lecture tour "Loans and Counseling for SMEs" across Taiwan, planning serial topics on "Second Generation Inheritance," or participating in relevant counseling programs organized by external departments.	Organize or participate in lectures organized by external departments (such as Small and Medium Enterprise Administration, Ministry of Economic Affairs, Small & Medium Enterprise Counseling Foundation, Chinese Management Association, and Small and Medium Enterprise Credit Guarantee Fund).	> 2 sessions	> 2 sessions	> 2 sessions
		Promote the program to "double the number of loans provided to micro-to-small enterprises and start-ups within three years and provide loans amounted to NT\$100 billion to help SMEs," in order to solve the issue for micro-to-small enterprises in obtaining funds.	Help micro-to-small enterprises to obtain funds required for corporate operations and growth to stabilize economic development.	Cooperating with the SMEG, the Bank established project regulations to simplify the procedures for credit investigation to help enterprises to obtain the required funds.	Ranking of market shares for the number of micro-to-small enterprises	Ranked the 1st	Ranked the 1st	Ranked the 1st



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CORPORATE SOCIAL
RESPONSIBILITY REPORT

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Material aspects	Risk assessment and management				Evaluation and target			
	Risk assessment	Policy	Commitment	Action	Performance Indicator	Short-term: 1 to 2 years	Mid-term: 2 to 3 years	Long-term: 3 to 5 years
Service quality and communication channels	Urban renewal is the development focus of the Bank; the unsatisfying implementation for relevant services may hurt the image of the Bank.	Established the "Regulations for Reconstruction of Hazardous and Old Buildings Loan."	Provide fast information inquiries services regarding urban renewals and one-stop financial services, offering case inquiry, counseling, and project loans, as well as trust management for citizens.	Established the "Innovative Finance Project Office" to serve our customers.	Set the amount of loan approved as an indicator	NT\$20 billion	NT\$30 billion	NT\$50 billion
	Unsatisfying installation and upgrade for the information and connection system will affect the length of operating time and service quality.	Duly establishing the back-up measures for the information system of the Bank's all businesses with HA loadings for the structures of significant business systems	Maintaining the continual operations of information systems	Performing the drill of remote recovery twice a year to verify the capacity of the back-up center for remote recovery, ensuring the on-going operations	The number of times exceeding the maximum tolerable period disruption (MTPD) for the operating activities of all businesses	0	0	0
	The inability to provide a comprehensive investment breakdown affected service quality.	The Bank improved its service quality by optimizing the "Trust Fund Transaction Report and Statement" to the "Consolidated Statements."	Provide optimized services to customers by integrating the investment of the customer in the breakdown statement, allowing customers to easily understand their financial position through a glance.	The revised "Consolidated Statements" include investment breakdown for foreign currency deposit balances, term deposit breakdown, gold passbook and funds, foreign debts, and insurance, which benefits customers' planning for asset allocation. The Bank improved its service quality by optimizing the "Trust Fund Transaction Report and Statement" to the "Consolidated Statements."	Number of customer complaints related to statements	Less than 10	Less than 5	0
Service quality and communication channels	Poor service quality or communication channel may result in customer complaints and thus losing business opportunities.	Offer product information related to personal banking, provide contact, complaint, and application channels on its website, and disclose service and complaint channels in all personal loan contracts.	Maintain premium service quality and communication channels.	Improve the Bank's service quality through customers' feedback.	Customer feedback process efficiency and online counseling response efficiency	Closed within 2 days	Closed within 1 to 2 days	Closed within 1 day
		Fair Dealing Policy of the Bank	Upgrading of information transparency and strict compliance with relevant laws and regulations	Promote material legal requirements and common mistakes through educational training and regularly arrange training programs that require on-duty employees to pass the tests. The content of on-the-job training shall include the newly amended laws and regulations, new businesses, and new financial products. The Bank shall implement the supervisory systems.	Closing customer complaints cases within the time limit	>95%	>95%	>95%
		Provide channels for customers to solve their problems.	Take the initiative to deal with customers' problems actively.	Have specialized personnel in place to manage customers' inquiries for loans via channels of customer service line "0800," website, and E-mail, and refer to branches for them to take the initiative to visit.	The number of unclosed customer complaints cases	0	0	0
		Establish a dedicated services advisory window to help customers obtain information required for corporate operations and financing.	Provide real-time information regarding financing and government's counseling to support the growth of enterprises; provide thoughtful services to customers.	Establish the SMEs Loan Counseling Service section at the headquarter and in 125 branches across Taiwan to provide a dedicated service window for loan counseling. Introduce advisory resources from the government and continue to organize the education training "How to Utilize Advisory Resources from the Government" for its employees to improve the advising capacity of our employees to SMEs.	Coverage rate of the SMEs Loan Counseling Service section	100%	100%	100%
		Comply with the TBB's Procedures for Customer Service Center in Processing Customer Complaints.	Duly handle customer complaints via phone calls to improve the satisfaction of customer services.	Analyze and review customer complaint cases and arrange regular educational training for personnel engaging in customer services.	Customer service agent response rate	>95%	>95%	>95%
					Customer service level	>80%	>80%	>80%
Remuneration and welfare of employees	The increase in employee benefit expenses led to an increase in corporate operating costs.	Setting improving remuneration and welfare of employees as the strategic target of the Bank	Improve the operating efficiency of the Bank and return to the employees through increasing salaries.	Improve the remuneration and welfare of employees according to the year-end evaluation and promotion.	Comply with regulations in relation to salary payment, employee remuneration, audit, and promotion.	Continue to improve employee welfare (targeting growth of 1.82% in the budgeting)	Continue to improve employee welfare	Continue to improve employee welfare

Material aspects	Risk assessment and management				Evaluation and target			
	Risk assessment	Policy	Commitment	Action	Performance Indicator	Short-term: 1 to 2 years	Mid-term: 2 to 3 years	Long-term: 3 to 5 years
Diversified training and promotion	Diversified training provides our fellow colleagues the training for professional capacities beyond their current positions. Training resources may be wasted where our fellow colleagues failed to take the position or engage in related work after such training.	Implement diversified training to execute the program for employees' position transfer and transformation.	Our fellow colleagues enroll for participating in weekday internal training programs and employee's weekend training class to receive cross-field education.	The Bank will inspect the actual benefit of the training through the following methods: 1. Organize the integrated training and utilization follow-up 6 months after the ending of weekday internal training programs. 2. Inspect the training results according to the questionnaire after the employee's weekend training class.	For integrated training and utilization follow-up, the number of employees engaging in works related to the training shall be accounted for 95% of the total number of employees who received the training.	The number of employees engaging in works related to the training shall be accounted for 96% of the total number of employees received the training.	The number of employees engaging in works related to the training shall be accounted for 97% total number of employees received the training.	The number of employees engaging in works related to the training shall be accounted for 98% of the total number of employees received the training.
	The increase in employee's salaries due to promotion may increase the operating costs of the Bank.	The Bank established the "Regulations for the Promotion of Employees" and has a reasonable promotion system in place.	The Bank promotes outstanding talents and provides systematic promotion opportunities for employees with extensive knowledge, expertise, personal integrity, and excellent work performance.	Organize promotion operations on a yearly basis and perform evaluations according to the performance of employees to achieve the effect of providing incentives.	Promote outstanding talents to improve the cohesiveness of employees (increase the number of places for promotion)	Increase the number of places for promotion (it is estimated to promote approximately 740 employees per year).	Increase the number of places for promotion (it is estimated to promote approximately 760 employees per year).	Increase the number of places for promotion (it is estimated to promote approximately 780 employees per year).
Labor relations	Unsatisfying labor relations is unfavorable to corporate operations and may easily lead to labor disputes.	The Bank holds achieving harmonious labor relations as its purpose and allows the labor and the management to fully communicate their opinions.	Base the communication on legal compliance, rationality, and fairness.	The Banks organizes regular labor-management conferences at least fourth a year and holds negotiation meetings from time to time.	Achieving the mutual trust and mutual assistance between the labor and the management and creating the win-win relations between the labor and the management	Continual improvement in labor-management communication	Continual improvement in labor-management communication	Continual improvement in labor-management communication
Occupational Health and Safety	Unsafe equipment or working environment may lead to occupational accidents.	Execute occupational health and safety management.	Continue to promote occupational health and safety management and establish a friendly working environment.	The Bank established a dedicated unit and the Occupational Health and Safety Committee to supervise matters related to occupational health and safety and organize events for health promotion.	All units of the Bank conduct self-inspection on a monthly basis.	The Bank convenes meetings of the Occupational Health and Safety Committee regularly.	Obtain the "Healthy Working Environment Certification" - Health Promotion Label	Maintaining the validity of Occupational Health and Safety Management Systems (ISO45001) certification
	Insufficient care for employees' health may lead to low working efficiency.				Periodic health examination		Certification of Occupational Health and Safety Management Systems (ISO45001)	

(3) Corporate Governance

Material aspects	Risk assessment and management				Evaluation and target			
	Risk assessment	Policy	Commitment	Action	Performance Indicator	Short-term: 1 to 2 years	Mid-term: 2 to 3 years	Long-term: 3 to 5 years
Operating performance	Opening of internet-only banks results in increasing inter-bank competition	Using new technologies to develop the FinTech operations, simplify operating procedures, so as to increase the usage rate of internet/mobile banking and minimize the chances for customers to present at the counter	Focusing on customers and valuing customer experiences	Introducing automation equipment for branches, optimizing virtual channels, developing emerging payment, and reinforcing logistics support and reformation	Business digitization and transformation	Using new technologies to develop digital banking and introduce operating procedures	Continual optimization for digital banking	Comprehensive business digitization and transformation
Integrity management	Internal audit personnel failed to discover the deficiencies that violate the law during the audit.	Assist the Board and the management in the audit and evaluation for whether the internal control system is operating effectively.	Regarding the matters to be improved listed by audit authorities, CPA, and internal audit departments, continue to follow-up and re-examine, and report to the Board and the Audit Committee.	Establish the audit plan according to the requirements of competent authorities and continue to perform the audit according to the audit plan.	Execution of the Bank's audit plan	Execution rate for the audit plan of 100%.	Execution rate for the audit plan of 100%.	Execution rate for the audit plan of 100%.
	Receiving illegal profits may impose the risk of damaging the Bank's reputation.	Shape the culture of integrity management with the top-down approach and internalize integrity management as the virtue of our fellow colleagues.	Core values of the Bank are integrity and incorruptibility.	The Bank executes education on code of conduct and legal compliance, and internal audit simultaneously.	Education on code of conducts and legal compliance The number of cases of receiving illegal profits	Passing rate of 95%. 0 case.	Passing rate of 95%. 0 case.	Passing rate of 95%. 0 case.



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Material aspects	Risk assessment and management				Evaluation and target			
	Risk assessment	Policy	Commitment	Action	Performance Indicator	Short-term: 1 to 2 years	Mid-term: 2 to 3 years	Long-term: 3 to 5 years
Corporate governance	Imperfect structural design or business operation may affect the stakeholders.	Improve the corporate governance system to achieve the target of sustainable operations.	Continue to review our corporate governance to create an environment with mutual benefits.	Protect shareholders' rights and improve the function of the Board.	Board diversity and evaluation	Natural person professional directors accounted for 1/3 of the directors.	Single-gender directors accounted for 1/4 of the directors.	Natural person professional directors and single-gender directors accounted for 1/3 of the directors.
					Communication with stakeholders	Communication completion rate of 95%.	Communication completion rate of 98%.	Communication completion rate of 100%.
Operating and investment strategies	The improved awareness for environmental protection and relevant legal requirement may lead to an increase in operating costs.	Support environmental and green industries and avoid investing in disputable enterprises.	Duly fulfill the duties as the management and realize integrity management.	Select investment targets with due care and attach continuing attention after transactions.	Invest in green bonds or green-related industries or products.	The annual investment amount recorded a year-on-year increase of 3%.	The annual investment amount recorded a year-on-year increase of 3%.	The annual investment amount recorded a year-on-year increase of 3%.
Legal compliance	Violating the regulations may lead to the losses of the Bank; however, where any competent authority imposed any fines, the reputation of the Bank may be compromised.	Legal compliance is the joint responsibility of the Board, senior management, and all employees.	Allow all employees to gain in-depth knowledge regarding the laws and regulations as well as moral code related to themselves.	All departments shall perform legal compliance self-evaluation.	The amount of fines imposed by the competent authority	NT\$0	NT\$0	NT\$0
Information security and personal data privacy	The Bank launches its industry-university cooperative projects with universities to jointly provide intern opportunities for students, which exposes the Bank to the risk of information leaking, including insider's information and business secrets of the Bank, and personal information of our customers.	Implement corporate social responsibility (CSR) to pass down our experiences to diligent students.	The Bank continues to cooperate with universities for the project.	The intern students shall sign the "Non-Disclosure Agreement" upon application, and the Bank shall reiterate when the students report for their interns.	Probability of intern students leaking the insider's information and business secrets of the Bank, and personal information of our customers <2%	Probability of intern students leaking the insider's information and business secrets of the Bank, and personal information of our customers <1%	Probability of intern students leaking the insider's information and business secrets of the Bank, and personal information of our customers <0%	Probability of intern students leaking the insider's information and business secrets of the Bank, and personal information of our customers <0%
	Any invasion of the information system would affect the security of customers' personal data.	Personal data management policy	Provide a comprehensive information security environment to ensure the confidentiality, completeness, and availability of operating data. Continue to enhance the information security protection structure, protect the confidentiality, completeness, and availability of the Bank's information and communication system and information assets, and maintain the continual operation of the core systems.	Establish a comprehensive information security management system and relevant regulations for the entire Bank. Set up the responsible unit for information security and assigned IS responsible officers above certain levels. Carry out information security testing and assessment for the Bank's computer systems to improve the security protection capacities of the internet and information system. Organize information and communication security drills to improve our fellow colleagues' corresponding and handling capacities. Organize social engineering drills and educational training related to information security and promote concepts of information security protection to improve the awareness of our fellow colleagues regarding information security.	The number of information security cases where the system was invaded by hackers and significant operating data was tampered, causing impacts on the operations. The number of information security cases above level 3.	0 information security case. 0 case occurred.	0 information security case. 0 case occurred.	0 information security case. 0 case occurred.

3. Risks and Opportunities of Climate Change

Extreme weather and natural disaster ranked the top in the Global Risk Report 2019, representing the increasing importance of global climate change. With the enhance in awareness of consumers and investment regarding corporate social responsibilities as well as the demand for environmental-friendly products and services, the attention attached to how corporates respond to environmental, social, and governance risks have also increased. In response to risks and opportunities brought by extreme weather, natural disasters, energy crisis, and low-carbon economy (LCE) transformation, TBB identified potential risks and opportunities of climate change and provided to its business departments as the basis for making decisions on loans and investments. Furthermore, TBB evaluated the impacts of such risks and opportunities on the Bank and its financial conditions through additional situational analysis and established corresponding action plans.

(1) Risk of climates change

Risk of climates change			
Category of Risk	Description of risk	Financial impact (Note)	Response measures for risks
Transformation risks	To develop FinTech and simplify operating procedures, the Bank shall invest a large amount of human resource and capital in system development and maintenance.	Increase the purchase costs for systems and equipment.	Enhance business promotion and encourage customers to use digital banking services.
	Credit loan customers had records of fines due to security issues of environmental pollution, food safety, or labor safety.	Operating income	Access relevant information on the enterprises with regards to the environment, labor safety, food safety, and provision rate for the Workers' Retirement Preparation Funds through websites of government agencies and included the information in the evaluation focus for the loan.
	Impose restraints on thermal power and nuclear power with lower prices and encourage green energy, which may cause a significant increase in energy costs.	Increase in operating income	Establish solar power generation facilities, purchase new energy-saving and water-saving equipment, and purchase green energy to reduce the charges for carbon emission.
Physical risks	Collateral for the credit loan is damaged due to natural disasters.	Asset value	Include the impact of extreme weather on the collaterals as the reference for credit loan review.
	The rainfall is decreasing year by year.	Increase in operating costs	Establish short-term, mid-term, and long-term water conservation rates (WCR).
	The stoppage of water and electricity supply due to typhoons may affect the operations.	A decrease in operating income	The emergency response measure of the Bank is installing or renting power generators and UPS for power supply and arrange water tanks for water supply.
	Where any premise of the Bank is flooded, and the properties of the Bank are damaged, the operations may be significantly affected.	Assets loss may cause a decrease in operating income.	1. Increase insurance purchased for the premises regarding natural disasters. 2. Carry out inspection and maintenance for premises of the Bank on a regular basis.

(2) Opportunities in climate change

Opportunities in climate change			
Category of opportunities	Category of opportunities	Financial impact (Note)	Response measures for opportunities
Products and services	Respond to the business opportunities brought by climate change.	Increase the operating income of the Bank.	Introduce new types of insurance related to climate change, or improve programs that may minimize the losses of insurance customers from the disaster caused by climate change among the existing product portfolio.
	Under the impact of climate change, awareness for environmental protection around the world has increased. Governments worldwide urge enterprises to improve the environmental pollution due to their production processes and call for minimizing carbon emissions. Meanwhile, governments provide grants for low-carbon emission energy in the hope of achieving a sustainable environment.	Improve operating income	Assist corporate customers of the Bank to acquire (build) equipment for renewable energy, energy-saving, and pollution prevention to reduce the carbon emission and energy (resource) consumption.
	Increase in interests and demand of investors regarding green/low-carbon products	Increase the profiting sources	Provide relevant products and services related to climate change/environment sustainability.
Energy	The increasing impact of climate change boosts the importance attached to the people's awareness of green energy, and the demand for corresponding loans has risen.	Improve operating income	To respond to government policies, facilitate the development of green industries, and establish a low-carbon economy for achieving the goal of a sustainable society, the Bank established the "Green Energy Sustainable Project Loan."
Market	Competent authorities adjusted the relevant financial regulations and adopted policy incentives for support.	Revenue.	Adjust relevant product rights or pricing according to regulations.
Note	Illustrate the increase/decrease in effect regarding the item on our operation, capital, operating income, and assets value		



Risk of climates change	
Risk management strategy	Performance indicators and targets
Organize educational training for employees, make encouragement and promotion, and prepare Q&A to promote to customers on the website or online banking.	Increase the transaction percentage of internet/mobile banking and minimize the chances for customers to present at the counter; carry out comprehensive business transformation and paperless transactions.
Require the customers to propose an improvement plan and list as an item for follow-up after the appropriation of loans.	Provide loans and help customers in improving the security issues according to the plan.
Adhere to the water and electricity saving measures of the Bank.	Reduce carbon dioxide (greenhouse gas) emissions on a yearly basis.
Increase the insurance for natural disasters causing damages to properties.	Minimize the effect of damaged collateral on creditor's rights.
Statistics for monthly water usage	WCR reaching 1%
Require all operating premise to have UPS in place for short-term power supply; evaluate the establishing condition of power generators, establish when the environmental conditions are approved; for conditions which are not approved, establish a list of suppliers for renting power generators in the area, rent or call for a power generator for electricity when risks occurred.	Power generator and UPS equipment have been increasing year by year.
Choose premises with relevant certification for any relocation.	Performance in energy-saving and carbon reduction.

Opportunities in climate change	
Opportunity management strategies	Performance indicators and targets
Make reference to the recent development and market demand within the industry.	Relevant product sales performance
Continue to promote the "Green Energy Sustainable Project Loan," "Preferential Loans for Acquisition of Renewable Energy Equipment," "Machinery and Equipment Upgrade Loans," and "Low-Carbon Sustainable Homeland Project Loans" to respond to the global initiative of carbon emission reduction and comply with government policies.	Targeting a year-on-year increase of 10% for the accumulated project loan cases for providing loans to assist customers in improving and upgrading their production equipment.
Consider the market demand and recent promotion of other banks and provide relevant financial products and services.	Continue to provide diversified wealth management products and increase educational training for products related to climate change/environmental sustainability.
Promote project loans with green investment plan - The "Green Energy Sustainable Project Loan" provides funds with high amounts and low-interest rates to provide funds for enterprises to purchase equipment for renewable energy, pollution prevention, and energy-saving.	To help customers obtain funds required for green investment plans, the Bank set a target of increasing the amounts of loan by NT\$1.5 billion in 2020.
Propose the improvement plans and perform subsequent follow-up.	Improve customer satisfaction to increase revenue.

4. TBB's Achievements in Promoting Corporate Social Responsibility in 2019, divided into Environmental, Social and Corporate Governance (ESG) Categories:

(1) Environmental

A. Extension of Environmentally Friendly Enterprise Project Loans

In its advancement toward such sustainable environment goals as lowering energy consumption and reducing pollution, in addition to the implementation of corporate environmental protection in the review of loan applications, the TBB will continuously promote project loans under the "Preferential Loans for the Procurement of Renewal Energy Equipment," "Machinery and Equipment Upgrading Loans," "Preferential Loans for Key Innovative Industries," and "Project Loans for Green Energy Sustainability" programs. The Bank extended the target scope of the "Project Loans for Green Energy Sustainability" to natural persons, to promote green energy industries including wind power, solar power generation, the procurement of renewable energy, and energy conservation with the aims of establishing a low-carbon economy, achieving the goal of sustainable social development, and generating a win-win for economic development and environmental protection.

B. Implementation of Carbon Reduction and Energy Conservation Policy to Stimulate Sustainable Environmental Development

a. The Bank implemented its "Energy Policies" and "Measures for Water and Electricity Conservation" with scheduled follow-up on the status of water and electricity conservation by different units and inclusion of the results in business performance assessments. Various energy conservation improvement programs were vigorously implemented in order to enhance the energy efficiency of equipment and save on electricity costs.

b. LED Energy Label lighting is used in office premises bank-wide, with more than 28,000 lights installed, greatly reducing the electricity used for lighting at business premises. About 3.54 million kilowatt-hours are saved annually, reducing carbon dioxide emissions by 1,845 metric tons—equivalent to the planting of 168,000 trees a year, enough to develop 4.7 Da'an Forest Parks. In this way, the Bank contributes to energy conservation and carbon reduction, and the protection of the environment.

c. The Bank's headquarters carried out the renewal of a VSD chiller and installed an energy management system as well as LED lighting for public areas. Third-party verification showed that these improvements boosted the energy efficiency of equipment by more than 37.2%, saving about 273,000 kilowatt-hours per year, reducing carbon dioxide emissions by 167 metric tons, and saving NT\$1.55 million in electricity costs annually. The electricity contract capacity of the Bank's headquarters was cut twice from 1,150 kilowatts to 750 kilowatts in recent years.

d. For greenhouse gas emission, the major source of the Bank's greenhouse gas emission is power usage. Through improving the power usage management at power-consuming locations (such as Chongqing South Building and Lin Kou Computer Facility Center), the Bank set 20,747,269kWh, which was the power usage of all office premises of the Bank for 2017, as the benchmark; the details are as follow: In 2018 and 2019, the power usage of all office premises of the Bank were 20,406,432kWh (equivalent to 73.46MJ) and 20,562,615kWh (equivalent to 74.03MJ), respectively and the carbon dioxide equivalent (CO₂e) were approximately 10,877 tons and 10,960 tons, respectively, representing a year-on-year decrease of 1.64% and 0.89% in power usage and the accumulated decrease in CO₂e for the past 2 years is 528 tons. (Note: The power usage of all office premises of the Bank is the sum of the power used based on the monthly e-statement information of all premises from 2018 to 2019 provided by the Taiwan Power Company; based on the carbon dioxide coefficient of electricity - 0.533kg CO₂e/kWh, announced by the Bureau of Energy, Ministry of Economic Affairs for 2018; 1kWh equals to 3.6MJ).

e. To connect to the internet standards and continue to enhance its corporate social responsibility, in 2018, the Bank had engaged SGS, a third-party certification institute, for the certification operations based on ISO 14064-3:2006 Greenhouse Gases. The building of the headquarter was the target, the operating control method was adopted, and the information covered the period from Jan. 1, 2018 to Dec. 31, 2018. SGS focused on the emission of 7 types of greenhouse gases, including CO₂ and methane, and checked through the 3 major types of greenhouse gas emissions (direct emissions, indirect emissions from power consumption, and other emissions). In 2018, the total emission of greenhouse gases was 1,376.852 tons CO₂e, with major emission from scope 2 of greenhouse gases, accounting for 89.36% total emission. For greenhouse gases, the direct (scope 1) emission was 146.4745 tons CO₂e, and the indirect emission (scope 2) was 1,230.3772 tons CO₂e.



- f. In 2015, the Bank completed the solar power photovoltaic facilities of Ta Fa Branch, with a monthly capacity of 28.8kWh (equivalent to 103.68MJ). The construction of photovoltaic facilities for Ta Yuan Branch and Ming Hsiung Branch was outsourced. After the completion of the construction, the monthly power generation capacity will achieve an aggregate of 32.05kWh (equivalent to 115.5MJ).
- g. Currently, the wastes from the Bank's departments are mostly processed by contracted professional suppliers; the statistics showed that the amount of wastes produced by the headquarter building in 2019 was approximately 206 tons. In the future, the Bank will continue to enhance the promotion of environmental protection to our fellow colleagues. The Bank will prepare the wastes statistics and disclose relevant results step-by-step. A decrease of 5 tons in wastes is expected on a yearly basis. The maintenance supplier would provide relevant clearing and transport certificate for the quantity of general waste usage and recycling.
- h. The new premises of Wan Hua, Yang Mei, and East Lin Kou Branches are equipped with frequency conversion split air conditioners. Also, Tu Cheng and Kang Shan Branches have replaced their old air conditioners being used for over 20 years.
- C. Superior Performance Record in Implementing Environmental Protection
 - a. The Bank signed a "Letter of Intent for Green Procurement by Private Enterprises and Groups" with the Environmental Protection Administration, Executive Yuan, and has been cited by the Environmental Protection Administration and the Taipei City Government's Department of Environmental Protection for "Outstanding Performance in Green Procurement" for eight years in a row.
 - b. The Bank's headquarters building has received ISO 50001 Energy Management System certification.
 - c. The building of the Bank's headquarters has obtained the certification under ISO14064-1 GHG inventory.

(2) Social

- A. Promotion of Social Benefit and Participation in Community Development
 - a. Charity sponsorship in support of public benefit activities
 - 1) To help with the media exposure of charity and public benefit groups, the TBB disclosed information on charitable donations on the Credit Card section of its official website
 - 2) The Bank jointly organized the "GUI Cup Road Running 2019" in Hualien with the Ministry of Finance; the event attracted more than 6,000 runners. Public welfare was also involved in the road running, where the event successfully collected 228,888 invoices; all invoices were donated to 5 social welfare groups in Hualien County.
 - 3) To help fruit growers increase sales and improve income, the Bank purchased 400 cartons of guava (8 tons) from Alian District Farmers' Association of Kaohsiung City to share with the retired employees and fellow colleagues.
 - 4) Sponsorship is provided to "Year-End Action to Send Love to Children" held by Anue.com with children as beneficiaries of the charitable event; bodies receiving the donation were Red Cross, Taiwan Fund for Children and Families, Andrew Charity Association, and Child Welfare League Foundation.
 - 5) Sponsorship is provided to Taipei Kuanyin-Line Psychological and Social Service Association in organizing charity concerts, the proceeds from the fund-raising were used in events such as "Community based Preventive Care for Active Ageing and Long-term Care." So far, the Association has cared for more than 300,000 persons.
 - 6) Participated in the "Financial Services Public Benefit Carnival (Hsinchu)" organized by the Taiwan Financial Services Roundtable to promote financial knowledge and public welfare.
 - 7) Upholds to the humanitarian spirit and assists the healthy growth of the vulnerable children, the Bank continued to care for aboriginal schools, medium- and low-income households, grand-parenting children, and single-parent children living in the rural areas and sponsored the cost of nutritious breakfasts for Saijia Elementary School, Duona Elementary School and Nanfeng Elementary School in 2019 School Year.
 - 8) The Bank took action to support local small-scale farmers and provided sponsorship to the "One Day Taiwan Produce Market" held by AgriHarvest. The event gathered 80 small-scale farmers, craftsmen, and green catering companies who brought special products across Taiwan. The event invited citizens to enjoy the beauty of lands, people, and minds across Taiwan and exhibited the richness and fertility island wide, and attracted nearly 8,000 participants.

b. Participation in community development

- 1) In 2019, sponsorship was provided to 8 additional "Senior Learning Centers" for health promotion for the elderly, social interaction, happy learning, happy dining, and delays in disability. From May 2018 up to the end of 2019, 12 "Senior Learning Centers" have been established, and the accumulated sponsorship has amounted to more than NT\$10 million. The accumulated number of benefitted seniors is approximately 0.2 million per year.
- 2) The Bank sponsored Yunlin County Towel Industry Technology Development Association to organize the 1st "Yunlin Colorful Towel & Farmland Art Festival" and held the corporate lecture of "SMEs Transformation and Upgrade + Generation Inheritance" to provide new vibes for local micro-to-small enterprises; the event recorded a number of visitors amounted to approximately 56,500.
- 3) Sponsorship was provided to Pingtung County Government in organizing the "Taiwan Lantern Festival in Pingtung" event, extensively promoting the Silver Love Credit Card issued by the Bank to call for more people participating in public welfare, to support the vulnerable senior groups.
- 4) The Bank worked with the Chief of Yuquan Village, where the Bank's headquarters is located, and invited residents from the village to participate in a small-scale wealth management seminar. The seminar analyzed the global market and promoted personal wealth management planning to provide an easy way for wealth management knowledge, allowing residents to learn the importance of wealth management.

B. Support for Academic, Cultural, and Sports Activities

a. Support for educational development

- 1) The Bank devoted efforts to financial know-how publicity on campuses and in communities, laying a deep foundation for financial education by promoting proper financial management concepts and the prevention of financial fraud. The Bank was recognized for these efforts with a "Financial Knowledge Campaigns of Entering Campus and Community Award," presented by the Banking Bureau of the Financial Supervisory Commission.
- 2) The Bank provides summer vacation part-time job vacancies for disadvantaged youngsters, to help take care of youngsters from families with weaker economic income and provide part-time job opportunities to young students. The Bank launches industry-university cooperative research projects with public and private universities to jointly provide lectures for nurturing elites and talents, strategically provides intern opportunities to train students, and plans to provide employment opportunities for students with excellent performances.
- 3) The Bank provided sponsorship for the "16th Cross-strait Financial Markets Development Seminar Committee" of the Tamkang University to organize "FinTech Challenges and Development Led by Digital Technologies" seminar.
- 4) The Bank provided sponsorship for the establishment of the Taiwan-Asia Exchange Foundation, assisting in the promotion of businesses in relation to the "New Southbound Policy," facilitating the diverse social, economic, and academic exchanges between Taiwan and Asian countries.
- 5) The Bank provided sponsorship for the Taiwan Economic Association in organizing its "2019 Annual Ceremony Plan and Paper Presentation," providing a platform for economic scholars to present and their papers and discuss their opinions.
- 6) The Bank cooperated with Chihlee University of Technology to hold "2019 All-Rounded Wealth Management Talent Training Program" to provide lectures in relation to the overview of Banks' wealth management operations, investment management practices, and future development for financial talents, to lay a robust foundation and improve the financial education.
- 7) In response to the 2019 Youth Overseas Working Holidays Presentation held by the Ministry of Education in favor of the vast student crowd, the Bank set up stalls for promotions at Tzu Chi University (main campus in Hualien), Conference Room of International Convention Center Kaohsiung, International Conference Room of National Chung Hsing University Library, and Civil Service Development Institute under the Directorate-General of Personnel Administration of Executive Yuan (Taipei Campus) on June 11, July 12, July 19, and July 26, respectively.

b. Enhancement of the vogue for art and literature, and promotion of sports activities

- 1) TBB sponsored the Su Tien-Chai Foundation Scholarship in holding two sessions of onstage play "Grandma I Love You - 10 Signs of Alzheimer." Through the tour performance, it wishes to improve the public's care and understanding for Alzheimer, and in turns learn more about how to prevent and delay the occurrence of Alzheimer.

- 2) TBB sponsored the udnFunLife Co., Ltd. in holding the "Nobuyuki Tsujii & Orpheus Chamber Orchestra," offering a feast of classical music for audiences.
- 3) TBB organized the screening event for the documentary Run for Dream and invited approximately 250 customers and employees to join. Tommy Chen, the main character of the documentary, also encouraged our fellow colleagues not to give up on dreams through video.
- 4) TBB sponsored the General Association of Chinese Culture in organizing the "Fantastic NPM" at the Southern Branch of the National Palace Museum, which combined music, technology, and art performances, local small-scale farm market, cultural innovation workshop, and family-friendly zone, created a happy land for families to enjoy. More than 3,000 participants presented at the event on the date, showing an unprecedentedly grand occasion.
- 5) For sports events, TBB sponsored the Chinese Yoga Association for organizing "International Yoga Day," sponsored the Taichung Real Estate Development Association for holding the "15th Director's Cup Golf Competition in 2019," and sponsored Keelung City for the 28th New Park Cup Basketball Tournament.
- 6) TBB sponsored the General Association of Chinese Culture in organizing the "Art and Culture Tea Party 2019," participated by more than 500 participants from art fields of literature, art, music, dance, crafts, theatre, and cinema to visit, so as to strengthen the innovation mechanism for cultural and innovation industries and help the government to establish relevant cultural policies. Furthermore, TBB provided sponsorship for "The Soul of the Craftsman," which recorded the lives of craftsmen across Taiwan by way of short films to provide vivid images regarding the inheritance of cultural inheritance in Taiwan for generations to learn and strive to preserve the crafts.
- 7) Provided sponsorship in the event "2019 Dadaocheng International Festival of Arts" to gather works from local artists and musicians with fame in Dadaocheng. Furthermore, the thematic events for "Yang San-lang to Yang San-lang" were held at the Bank's premises, including "Yang San-lang 100-Year-Old Memorial Concert," "Yang San-lang Memorial Exhibition," and "Endless - Dadaocheng International Festival of Arts Exhibition," to deepen the connection with Dadaocheng and support the development and inheritance of arts.
- 8) TBB sponsored the General Association of Chinese Culture in organizing the "City God's Birthday in Taipei - Taipei Marches Forward 2019." The event covered 4 major themes, 3 parades, 2 installation arts, and 1 seminar, involving themes of City God Tells A Tale, City God Travels to Dadaocheng, City God Loves the Noise, and City God Keeps People Well. The event connected more than 30 local shops, exhibiting the lively growth of cultural innovation and art inheritance, strengthening the connection between the Bank and where it locates - Dadaocheng.
- 9) TBB supported the Taiwan Forward event in celebration for the National Day of Taiwan. With the assistance from and promotion of multiple parties, the event ended with great success; TBB received a certificate of appreciation from the National Day Preparatory Committee.
- 10) To nurture the innovative development of the fashion industry and improve the recognition of the fashion industry in Taiwan, the Bank provided sponsorship for events under "Taipei Fashion Week SS20" in 2019, which was organized by the Ministry of Culture and planned by Hearst Taiwan.
- 11) The Bank has been dedicated to improving the overall cultural and art vibes in the society as well as the quality of education culture that it cooperated with the National Palace Museum to issue Friend of Palace Card. The Bank allocates a certain proportion of the card consumption from the card to donate to the National Palace Museum as the promotional fund for culture, arts, and education, improving the public's living quality and culture and fulfilling its CSR.
- 12) TBB cooperated with its Association of Retired Persons to organize programs for senior wealth management, helped them to understand topics related to the seniors, including giving and donation of property, inheritance and taxes, as well as wealth management, and plans for caring trust, to care for our retired colleagues and share new knowledge related to seniors' wealth management.

C. Care for employees

Employees are the assets of a corporation. The Bank has spared no effort in taking care of its employees. In addition to establishing work rules and human resources management rules in accordance with the Labor Standards Act and other relevant labor regulations, the Bank also complies with the law in providing labor insurance, national health insurance, and allocations for retirement funds. Employee health exams are carried out on a regular basis, and group medical care and accident insurance are offered on preferential terms in order to protect the living of employees so that they can fully express their professional skills at work.



a. Enhancement of Employees' Professional Knowledge

To strengthen the competitiveness of employees and enhance their professional knowledge, the Bank inaugurated training programs for different areas of business in accordance with its annual staff training plan, and also offered holiday courses in such subjects as digital finance and wealth management on a regular basis.

b. Creation of an excellent workplace

- 1) In compliance with the Act of Gender Equality in Employment, the Bank has established regulations for sexual harassment measures, complaints, and punishments so that employees will have a work environment free of sexual harassment.
- 2) To enhance the safety of the Bank's working environment, whenever a construction incident occurs, the contractor is issued a "contractor working environment and hazard factors notice" in order to reduce occupational accidents; in addition, the Bank holds "general worker safety and health training" to enhance employees' concept of safety and health.
- 3) The Bank provides its employees with a safe and healthy workplace, equipped with central air conditioning systems, abundant lighting, comfortable and appropriate working space, and emergency evacuation routes and exits. Elevators are maintained on a regular basis, firefighting equipment is available, and regular fire drills are held. Workplaces are disinfected and cleaned regularly, and door access safety controls are in place.

c. Establishment of Smooth Channels for Promotion and Communication

- 1) The Bank has a comprehensive system of remuneration and rewards as well as the promotion channel, diversified training and welfare measures that attract and retain talents, joining hands for the prosperity of the Bank.
- 2) The Bank places utmost emphasis on employee rights and regularly calls labor-management meetings where the two sides can fully communicate and negotiate on employee rights and welfare issues, and sign the Collective Agreement, thereby maintaining harmonious labor-management relations.

(3) Corporate Governance

A. Fulfillment of responsibility as a specialized SME bank

a. Deep cultivation of the core SME business

- 1) TBB participated in the "SMEs Inheritance and Transformation Innovation Lecture Series" (a total of 10 sessions) organized by the Chinese Management Association engaged by Small and Medium Enterprise Administration, Ministry of Economic Affairs. The 5 sessions in the first half of the year focused on the "Art of Passing Down" for the first generation from Apr. 25, 2019 to Jun. 18, 2019, while the 5 sessions in the second half of the year focused on the "Challenges of Inheritance" for the second generation from Jul. 11, 2019 to Sep. 11, 2019, to help corporate inheritance for the second generation.
- 2) TBB participated in 3 sessions under the Credit Guarantee Lecture organized by SMEG to provide loan advisory services in Hualien, Kaohsiung, and Yilan, on Apr. 19, 2019, May 31, 2019, and Jul. 19, 2019, respectively.
- 3) TBB organized the industrial economic forum of "2019 Industry Upgrade x Financial Innovation" with SMECF on Apr. 20, 2019, to implement the policy of active counseling for SMEs promoted by the government through "Loan + Counseling," enhance the financial management of SMEs, and help them obtain required loans successfully, and improve the competitive edge.
- 4) Co-organized the "Care and Services for SME and Reinforce Financial Competitiveness" seminar in 2019 with the Taiwan Small & Medium Enterprise Counseling Foundation according to the policy of Small and Medium Enterprise Administration, Ministry of Economic Affairs. Through which, the Bank fulfilled the policy of the government in relation to the proactively counseling for SMEs, strengthening the financial management of the SMEs for them to obtain the facilities required and enhance their competitive advantages successfully.
- 5) To help the upgrade, transformation, and inheritance between generations of SMEs and respond to the development difficulties in "cross-generation, cross-fields, and cross-region" and financing challenges, the Bank organized the "2019 Lecture Series of Counseling for the Innovative Transformation, and Inheritance between Generations of SMEs," with a total of 3 sessions. The Bank provided new operating concepts and relevant counseling information to attending enterprises at the event, and the participants totaled 1,050.



- 6) Participated in a total of 6 sessions under the "Workshop for Common Financial and Accounting Topics" organized by the National Innovation and Entrepreneurship Association (NIEA) from May 10, 2019 to Sep. 12, 2019, to provide techniques regarding dealing with banks and loan applications for start-ups.
- 7) Participated in 6 events under the "Joint Support from the Government & Bank - SMEs Loan Guarantee Forum" organized by the Ministry of Economic Affairs from Aug. 21, 2019 to Sep. 19, 2019, to provide loan consulting services for attending enterprises.
- 8) Participated in the "Micro Enterprises Innovative Service Experience Communication" organized by NASME to allow more communications between micro-scale stores through the meeting on Sep. 19, 2019; the Bank provided business counseling services for the micro businesses.
- 9) Responded to the "SMEs Fundraising Fair x Corporate Financial and Accounting Trend Forum" organized by Small and Medium Enterprise Administration, Ministry of Economic Affairs on Oct. 16, 2019 to provide loan counseling services for attending companies.
- 10) To encourage start-ups in Taiwan connecting to the international standards and facilitate communication with international start-ups, the Small and Medium Enterprise Administration, Ministry of Economic Affairs, reorganized the area of athlete's village used during 2017 Taipei Universiade into Startup Terrace and invited a wide range of specialty stores, international accelerators, and incubation centers to enter and set up there. TBB assigned senior AO 2 days a week to provide counseling services related to banking.
- 11) Taoyuan City Government established the "Taoyuan City Start-up and Innovation Service Office" to help citizens and enterprises with comprehensive start-up services and enhance the local industrial competitiveness. TBB assigned senior AO staff 2 days a week to provide services such as counseling related to banking and loan condition assessment.

b. Loan policy

The Bank follows the spirit of the "Equator Principles" in its loan policy.

In its extension of loans, the Bank fulfills its corporate social responsibility by taking the client's honesty management, corporate governance, environmental protection, social responsibility, food safety, and labor safety into consideration in its loan evaluation and decision making, thereby exerting its influence on corporate social responsibility.

B. Implementation of consumer protection and reinforcement of customer care

a. Reinforcement of consumer protection

- 1) The Bank protects consumer rights through its "Consumer Protection Policy" and "Consumer Protection Operating Procedures," which clearly state the measures to be implemented and designate an exclusive unit to review the effectiveness of the consumer protection mechanism. The Board of Directors Audit Committee is responsible for checking on the status of implementation.
- 2) In line with the implementation of the Consumer Debt Clearance Act, the Bank has set up a single-window for taking applications and providing consultation on preliminary negotiations, thereby helping to lighten the debt burden on debtors. By the end of 2019, this facility has helped 5,117 people to start new lives.
- 3) To carry through with consumer protection and comply with the rules of the competent authority, the Bank extends medium- and long-term loans secured by houses as well as loans that are secured by other real estate and whose purpose is the purchase of homes. The Bank strengthened its verbal explanation of "Special Reminders for Home Loans" to help borrowers understand the risk posed by interest-rate changes.
- 4) The Bank has established an "Operating Procedure for the Handling of Credit Card Disputes" and has set up a toll-free hotline, allowing the Credit Card Department to receive and handle customer complaints immediately.
- 5) In line with the "Pseudo Card Transaction Liability Shift Mechanism" announced by the International Credit Card Organizations, all ATMs of the Bank (428 in total, including 1 foreign currency ATM) have completed the ATM-EMV operations.
- 6) The whitelisting system was added to all ATMs of the Bank (428 in total, including 1 foreign currency ATM), and the protection function has been activated to prevent the attack from illegal programs.

b. Implementation of customer service and care

- 1) To bring financial services closer to the disabled and gradually build up an obstacle-free environment for financial transactions, the TBB boosted the ratio of its accessible ATMs to 98% by the end of December 2019.

- 2) To facilitate the application for exemption or reduction of fees on interbank ATM withdrawals by the disabled, the Bank provides the online application service.
- 3) To take care of young people and disadvantaged groups, the Bank carried out the Ministry of Finance's "Preferential Housing Loan Program for Successful Family Foundation of Youth" and the Construction and Planning Agency, Ministry of the Interior's "Housing Subsidy and Home Improvement Loans." By the end of December 2019, a total of 26,218 and 1,321 of these loans, respectively, had been extended, with the accumulated value amounting to a respective NT\$106.079 billion and NT\$2.595 billion.
- 4) Held a customer presentation for Zhushan Precinct, Nantou County Police Bureau, with "Humble Investment Management to Wealth" to care for local operations.
- 5) Held five divisional "Good Friends - Heart to Heart" small scale high-assets customer seminars to develop deep relationships with customers.
- 6) Participated in a total of 7 lectures under the "Government Start-up Resources Tour Lecture" organized by Taiwan Startup Hub, Executive Yuan, from Jul. 19, 2019 to Nov. 22, 2019. The Bank offered lectures of "How to Connect with Banks and Notes to Youth Start-up Loans," provided relevant information to apply for start-up loans, and helped youths to obtain start-up funds.

c. Creating financial products that conform to social trends and customer needs

- 1) The Bank follows the principles of care and sharing, and provides clients with professional and customized financial and asset planning services that help them realize their desire to "create, conserve, and pass on wealth." This assists customers in building a high-quality life of economic stability and carefree leisure.
- 2) In response to Taiwan's aging population and low birth rate, the Bank constantly introduces trust products, including nursing care trust, disability trust, and insurance trust, and has planned out a trust model that combines asset management and nursing care. This adds assurance and peace of mind for customers and fulfills the Bank's corporate social responsibility while offering a full range of financial services.
- 3) Issued the "Silver Love Credit Card." The Bank exclusively allocated 0.3% of the general card consumption from the Silver Love Credit Card to help seniors to dine and learn together.
- 4) In coordination with the "Loans for Youth Overseas Experience" program of the Youth Development Administration, Ministry of Education, the TBB exclusively provides young people aged 20 to 30 with loans for overseas study, self-guided travel, and working holidays, helping them to realize their dreams of living overseas. As of the end of December 2019, the Bank had provided NT\$554 million in these loans to 4,679 persons, helping numerous young students to pursue their dreams overseas.
- 5) To help increase birth rates, the TBB continues to extend childbirth consumer loans, lightening the burden on family finances by providing the capital needed to pay for bearing children. By the end of December 2019, 1,497 of these loans for a total of NT\$573 million had been extended.
- 6) To help seniors to invigorate their assets and stabilize their livings, the Bank continued to promote the "Joyful Retirement" project. By the end of December 2019, a total of 202 of these loans had been extended, with the approved amount accumulated to NT\$1.383 billion.

C. Upgrading of information transparency, and reinforcement of communication with shareholders and investors

TBB is engaged in a long-term effort to upgrade its corporate governance, pursue even better operating performance, and constantly enhance asset quality and competitiveness so as to reinforce its operating structure and create greater value for its shareholders. In addition, the Bank works vigorously to reinforce channels of communication with its domestic and overseas shareholders and investors. The concrete methods used to do this are as follows:

- a. Holding of a shareholders' regular meeting in June every year.
- b. Holding of a roadshow in the first and second halves of each year to provide a complete statement of the Bank's operating situation.
- c. The Bank has established a special window and mailbox for immediate response to queries raised by shareholders and investors.
- d. The Bank posts monthly revenue and financial status information on its official website, and Chinese and English versions of major company news items and the status of corporate social responsibility are posted there as well. This helps domestic and overseas investors understand the status of the Bank's operations.



Directory of Head Office and Branch Units

TBB' S OFFICES	ADDRESS	TEL NO.	SWIFT CODE
Head Office	30 Ta Cheng St., Taipei, Taiwan, R.O.C.	(02)25597171	
Banking Department	30 Ta Cheng St., Taipei, Taiwan, R.O.C.	(02)25597171	MBBTTWTP010
Trust Department	15F, 30 Ta Cheng St., Taipei, Taiwan, R.O.C.	(02)25597171	
Securities Department (Banking Broker)	4F, 30 Ta Cheng St., Taipei, Taiwan, R.O.C.	(02)25597171	
International Banking Department	3F, 30 Ta Cheng St., Taipei, Taiwan, R.O.C.	(02)25597171	MBBTTWTP
Chung Ho Branch	634-10, Jingping Rd., Zhonghe Dist, New Taipei City, Taiwan, R.O.C.	(02)22427171	MBBTTWTP002
Po Ai Branch	419, Mingcheng 2nd Rd., Zuoying Dist., Kaohsiung City, Taiwan, R.O.C.	(07)5567171	
North Taoyuan Branch	985 Chunri Rd., Taoyuan Dist., Taoyuan City, Taiwan, R.O.C.	(03)3567171	MBBTTWTP004
Nan Ken Branch	381 Zhongzheng Rd., Luzhu Dist., Taoyuan City, Taiwan, R.O.C.	(03)3227171	MBBTTWTP005
Si Tuen Branch	839 Sec. 4, Taiwan Blvd., Xitun Dist., Taichung City , Taiwan R.O.C.	(04)23587171	MBBTTWTP006
Chung Min Branch	301 Zhongming S. Rd., West Dist., Taichung City, Taiwan, R.O.C.	(04)23057171	MBBTTWTP007
Kinmen Branch	116, Minquan Rd., Jincheng Township, Kinmen County, Taiwan, R.O.C.	(082)316871	MBBTTWTP009
Ta Ya Branch	161 Daya Rd., Daya Dist., Taichung City, Taiwan, R.O.C	(04)25687171	MBBTTWTP011
Jen Ta Branch	183 Fengnan Rd., Nanzi Dist., Kaohsiung City, Taiwan, R.O.C.	(07)3537171	MBBTTWTP012
Jen Ai Branch	357, Sec. 4, Ren'ai Rd., Da'an Dist., Taipei City, Taiwan, R.O.C.	(02)27217171	MBBTTWTP020
Sung Shan Branch	147, Sec. 4, Nanjing E. Rd., Songshan Dist., Taipei City, Taiwan, R.O.C.	(02)27167171	MBBTTWTP021
Chien Cheng Branch (Banking Broker)	76 Nanjing W. Rd., Datong Dist., Taipei City, Taiwan, R.O.C.	(02)25507171	MBBTTWTP022
Shih Lin Branch	601 Zhongzheng Rd., Shilin Dist., Taipei City, Taiwan, R.O.C	(02)28117171	MBBTTWTP023
Yung Ho Branch	168 Zhulin Rd., Yonghe Dist., New Taipei City, Taiwan, R.O.C.	(02)29277171	MBBTTWTP024
Hsin Tien Branch	192, Sec. 2, Zhongxing Rd., Xindian Dist., New Taipei City, Taiwan, R.O.C.	(02)29117171	MBBTTWTP025



TBB ' S OFFICES	ADDRESS	TEL NO.	SWIFT CODE
Hsin Chuang Branch	16, Sec. 1, Zhonghua Rd., Xinzhuang Dist., New Taipei City, Taiwan, R.O.C.	(02)29907171	MBBTTWTP026
Hwa Cheng Branch	25, Touqian Rd., Xinzhuang Dist., New Taipei City, Taiwan, R.O.C.	(02)29977171	MBBTTWTP027
Sung Kiang Branch	158 Songjiang Rd., Zhongshan Dist., Taipei City, Taiwan, R.O.C.	(02)25377171	MBBTTWTP040
Taipei Branch	72, Sec. 1, Chongqing S. Rd., Zhongzheng Dist., Taipei City, Taiwan, R.O.C.	(02)23717171	MBBTTWTP050
Wan Hua Branch	103, Kangding Rd., Wanhua Dist., Taipei City, Taiwan, R.O.C.	(02)23757171	MBBTTWTP060
South Taipei Branch	93, Sec. 2, Roosevelt Rd., Da'an Dist., Taipei City, Taiwan, R.O.C.	(02)23697171	MBBTTWTP061
Fu Hsin Branch	390, Sec. 1, Fuxing S. Rd., Da'an Dist., Taipei City, Taiwan, R.O.C.	(02)27057171	MBBTTWTP070
Chung Shan Branch	17 Changchun Rd., Zhongshan Dist., Taipei City, Taiwan, R.O.C.	(02)25517171	MBBTTWTP080
Chien Kuo Branch	4, Sec. 3, Minquan E. Rd., Zhongshan Dist., Taipei City, Taiwan, R.O.C.	(02)25097171	MBBTTWTP081
Nai Hu Branch	15, Alley 360, Sec. 1, Naihu Rd., Naihu Dist., Taipei City, Taiwan, R.O.C.	(02)27997171	MBBTTWTP082
Nan King East Road Branch	311, Sec. 3, Nanjing E. Rd., Songshan Dist., Taipei City, Taiwan, R.O.C.	(02)27127171	MBBTTWTP090
Chung Hsiao Branch	267, Sec. 3, Chung Hsiao E. Rd., Taipei City, Taiwan, R.O.C.	(02)27727171	MBBTTWTP100
World Trade Center Branch	547 Guangfu S. Rd., Xinyi Dist., Taipei City, Taiwan, R.O.C.	(02)23457171	MBBTTWTP102
Yung Trin Branch	552, Sec. 5, Chung Hsiao E. Rd., Taipei City, Taiwan, R.O.C.	(02)23467171	MBBTTWTP103
Nan Kang Branch	19-2 Sanchong Rd., Nangang Dist., Taipei City, Taiwan, R.O.C.	(02)26553771	MBBTTWTP105
Sung Nan Branch	161, Sec. 1, Keelung Rd., Xinyi Dist., Taipei City, Taiwan, R.O.C.	(02)27647171	MBBTTWTP110
Dong Hu Branch	152, Sec. 6, Minquan E. Rd., Naihu Dist., Taipei City, Taiwan, R.O.C.	(02)87929771	MBBTTWTP111
Ta An Branch	92, Sec. 2, Dunhua S. Rd. Da'an Dist., Taipei City, Taiwan, R.O.C.	(02)27007171	MBBTTWTP120
Shuang Ho Branch	356 Zhonghe Rd., Zhonghe Dist., New Taipei City, Taiwan, R.O.C.	(02)22327171	MBBTTWTP121

TBB' S OFFICES	ADDRESS	TEL NO.	SWIFT CODE
Jim Ho Branch	403, Sec. 2, Zhongshan Rd., Zhonghe Dist., New Taipei City, Taiwan, R.O.C.	(02)22287171	MBBTTWTP122
Wu Ku Branch	95 Wugong Rd., Wu Ku Industrial Zone, Xinzhuang Dist., New Taipei City, Taiwan, R.O.C.	(02)22987171	MBBTTWTP130
Lin Kou Branch	1F-2, 188 Zhongshan Rd., Linkou Dist., New Taipei City, R.O.C.	(02)26037171	MBBTTWTP131
East Lin Kou Branch	38-11 Wenhua 2nd Rd., Guishan Dist., Taoyuan City, Taiwan, R.O.C.	(03)3287171	MBBTTWTP132
Pan Chiao Branch	2-1 Mingde St., Banqiao Dist., New Taipei City, Taiwan, R.O.C.	(02)29687171	MBBTTWTP140
Shu Lin Branch	217, Sec. 1, Zhongshan Rd., Shulin Dist., New Taipei City, Taiwan, R.O.C.	(02)26757171	MBBTTWTP141
Tu Cheng Branch	126, Sec. 2, Zhongyang Rd., Tucheng Dist., New Taipei City, Taiwan, R.O.C.	(02)22737171	MBBTTWTP142
Hwei Long Branch	933 Zhongzheng Rd., Xinzhuang Dist., New Taipei City, Taiwan, R.O.C.	(02)82097171	MBBTTWTP143
Xi Zhi Branch	75, Sec. 1, Xintai 5th Rd., Xizhi Dist., New Taipei City, Taiwan, R.O.C.	(02)26987171	MBBTTWTP144
San Xia Branch	31, Daxue Rd., Sanxia Dist., New Taipei City, R.O.C.	(02)26739871	MBBTTWTP148
Kee Lung Branch	9 Ai 3rd Rd., Ren'ai Dist., Keelung City, Taiwan, R.O.C.	(02)24237171	
Pu Chya Branch (Banking Broker)	62-1, Sec. 2, Zhongshan Rd., Banqiao Dist., New Taipei City, Taiwan, R.O.C.	(02)29547171	MBBTTWTP151
North San Chung Branch	137, Sec. 4, Sanhe Rd., Sanchong Dist., New Taipei City, Taiwan, R.O.C.	(02)22867171	MBBTTWTP152
South San Chung Branch	232, Sec. 1, Ziqiang Rd., Sanchong Dist., New Taipei City, Taiwan, R.O.C.	(02)29827171	MBBTTWTP153
Lu Chow Branch	42 Yongle St., Luzhou Dist., New Taipei City, Taiwan, R.O.C.	(02)28477171	MBBTTWTP154
I Lan Branch	305 Sec. 2, Zhongshan Rd., Yilan City, Yilan County, Taiwan, R.O.C.	(03)9367171	MBBTTWTP160
Lo Tung Branch	15 Zhongzheng N. Rd., Luodong Township, Yilan County, Taiwan, R.O.C.	(03)9567171	
Su Aw Branch	96-1, Sec. 1, Zhongshan Rd., Su'ao Township, Yilan County, Taiwan, R.O.C.	(03)9965051	
Yang Mei Branch	10, Guangfu N. Rd., Yangmei Dist., Taoyuan City, Taiwan, R.O.C.	(03)4786111	MBBTTWTP290
Hu Kou Branch	76, Sec. 1, Zhongcheng Rd., Hukou Township, Hsinchu County, Taiwan, R.O.C.	(03)5997171	MBBTTWTP291



TBB ' S OFFICES	ADDRESS	TEL NO.	SWIFT CODE
Taoyuan Branch (Banking Broker)	99 Zhonghua Rd. Taoyuan Dist., Taoyuan City, Taiwan, R.O.C.	(03)3317171	MBBTTWTP300
Ta Yuan Branch	80 Zhongshan S. Rd., Dayuan Township, Taoyuan City, Taiwan, R.O.C.	(03)3857171	MBBTTWTP301
Ta Shi Branch	80 Fuxing Rd., Daxi Dist., Taoyuan City, Taiwan, R.O.C.	(03)3887171	MBBTTWTP302
Chung Li Branch	157 Zhongshan Rd., Zhongli Dist Taoyuan City, Taiwan, R.O.C.	(03)4277171	MBBTTWTP310
Nei Li Branch	153 Zhongxiao Rd., Zhongli Dist., Taoyuan City, Taiwan, R.O.C.	(03)4557171	MBBTTWTP311
Hsin Ming Branch	282 Minzu Rd., Zhongli Dist., Taoyuan City, Taiwan, R.O.C.	(03)4027171	MBBTTWTP312
East Taoyuan Branch	1223, Sec. 2, Wanshou Rd., Guishan Dist., Taoyuan City, Taiwan, R.O.C.	(03)3297171	MBBTTWTP313
Hsin Wu Branch	257 Zhongshan Rd., Xinwu Dist., Taoyuan City, Taiwan, R.O.C.	(03)4777171	
Hsin Chu Branch	154 Dongmen St., Hsinchu City, Taiwan, R.O.C.	(03)5277171	MBBTTWTP320
Chu Pei Branch (Banking Broker)	128 Xianzheng 9th Rd., Zhubei City, Hsinchu County, Taiwan, R.O.C.	(03)5517171	MBBTTWTP321
Hsinchu Science Based Industrial Park Branch	198, Guanxin Rd., Hsinchu City 300, Taiwan, R.O.C.	(03)5637171	MBBTTWTP322
Pa Te Branch	789, Sec. 1, Jieshou Rd., Bade Dist., Taoyuan City, Taiwan, R.O.C.	(03)3767171	MBBTTWTP330
Luong Tan Branch	64 Longyuan Rd., Longtan Dist., Taoyuan City, Taiwan, R.O.C.	(03)4807171	MBBTTWTP332
Chu Tung Branch	6 Donglin Rd., Zhudong Township, Hsinchu County, Taiwan, R.O.C.	(03)5947171	MBBTTWTP340
Chu Nan Branch	29 Bo'ai St., Zhunan Township, Miaoli County Taiwan, R.O.C.	(037)467171	MBBTTWTP350
Tou Fen Branch	90 Xinyi Rd., Toufen City, Miaoli County, Taiwan, R.O.C.	(037)687171	MBBTTWTP351
Maio Li Branch	606 Zhongzheng Rd., Miaoli City, Taiwan, R.O.C.	(037)327171	MBBTTWTP360
Feng Yuan Branch (Banking Broker)	1 Yuanfeng Rd., Fengyuan Dist., Taichung City, Taiwan, R.O.C.	(04)25267171	MBBTTWTP460
Tai Ping Branch (Banking Broker)	27 Zhongxing E. Rd., Taiping Dist., Taichung City, Taiwan, R.O.C.	(04)22707171	MBBTTWTP470
Ta Chia Branch	14 Zhenzheng Rd., Dajia Dist., Taichung City, Taiwan, R.O.C.	(04)26867171	MBBTTWTP480

TBB' S OFFICES	ADDRESS	TEL NO.	SWIFT CODE
Sha Lu Branch	1023 Sec. 7, Taiwan Blvd., Shalu Dist., Taichung City, Taiwan R.O.C.	(04)26657171	MBBTTWTP482
Wu Jih Branch	616 Zhonghua Rd., Wuri Dist., Taichung City, Taiwan, R.O.C.	(04)23387171	MBBTTWTP483
Taichung Branch (Banking Broker)	400 Sec. 1, Taiwan Blvd., Central Dist., Taichung City, Taiwan R.O.C.	(04)22297171	MBBTTWTP490
Min Chen Branch	84 Minquan Rd., Central Dist., Taichung City, Taiwan, R.O.C.	(04)22267171	MBBTTWTP491
Hsing Chung Branch	136 Taizhong Rd., South Dist., Taichung City, Taiwan, R.O.C.	(04)22877171	MBBTTWTP500
Pei Tuen Branch	53 Jinhua N. Rd., Beitun Dist., Taichung City, Taiwan, R.O.C.	(04)22307171	MBBTTWTP501
Nan Tou Branch	139 Fuxing Rd., Nantou City, Nantou County, Taiwan, R.O.C.	(049)2237171	MBBTTWTP510
Tsao Tuen Branch	604 Zhongzheng Rd., Caotun Township, Nantou County, Taiwan, R.O.C.	(049)2357171	MBBTTWTP511
Pu Li Branch	434 Zhongzheng Rd., Puli Township, Nantou County, Taiwan, R.O.C.	(049)2997171	
Tan Tze Branch	135, Sec. 2, Zhongshan Rd., Tanzi Dist., Taichung City, Taiwan, R.O.C.	(04)25317171	MBBTTWTP521
Chu Shan Branch	919, Sec. 3, Jishan Rd., Zhushan Township, Nantou County, Taiwan, R.O.C.	(049)2637171	MBBTTWTP530
Chang Hwa Branch	61 Guangfu Rd., Changhua City, Changhua County, Taiwan, R.O.C.	(04)7257171	MBBTTWTP540
Ho Mei Branch	8 He'an St., Hemei Township, Changhua County, Taiwan, R.O.C.	(04)7558131	MBBTTWTP541
Yuan Lin Branch	16 Minquan St., Yuanlin Township, Changhua County, Taiwan, R.O.C.	(04)8377171	MBBTTWTP550
Pei Tou Branch	62 Gongqian St., Beidou Township, Changhua County, Taiwan, R.O.C.	(04)8877171	MBBTTWTP560
Erh Lin Branch	2 Zhongzheng Rd., Erlin Township, Changhua County, Taiwan, R.O.C.	(04)8957171	MBBTTWTP561
Tou Liu Branch	109 Datong Rd., Douliu City, Yunlin County, Taiwan, R.O.C.	(05)5347171	MBBTTWTP660
Pei Kang Branch	65 Wenhua Rd., Beigang Township, Yunlin County, Taiwan, R.O.C.	(05)7827171	
Hu Wei Branch	45 Heping Rd., Huwei Township, Yunlin County, Taiwan, R.O.C.	(05)6337171	
Chia Yi Branch (Banking Broker)	132 Guanghua Rd., Chiayi City, Taiwan, R.O.C.	(05)2287171	MBBTTWTP680



TBB' S OFFICES	ADDRESS	TEL NO.	SWIFT CODE
Ming Hsiung Branch (Banking Broker)	83, Sec. 3, Jianguo Rd., Minxiong Township, Chiayi County, Taiwan, R.O.C.	(05)2207171	MBBTTWTP681
Chia Hsin Branch	766 Hsinming Rd., West Dist., Chiayi City, Taiwan, R.O.C.	(05)286-7171	MBBTTWTP686
Hsin Ying Branch	216 Zhongshan Rd., Xinying Dist., Tainan City, Taiwan, R.O.C.	(06)6357171	MBBTTWTP690
Kai Yuan Branch	12 Zhonghua Rd., Yongkang Dist., Tainan City, Taiwan, R.O.C.	(06)3117171	MBBTTWTP691
Yun Kang Branch	79 Zhongzheng S. Rd., Yongkang Dist., Tainan City, Taiwan, R.O.C.	(06)2517171	MBBTTWTP700
Shiue Chia Branch	87 Zhongshan Rd., Xuejia Dist., Tainan City, Taiwan, R.O.C.	(06)7837171	MBBTTWTP701
Shan Hwa Branch	352 Zhongshan Rd., Shanhuia Dist., Tainan City, Taiwan, R.O.C.	(06)5816111	MBBTTWTP702
Yung Ta Branch	1532, Sec. 2, Yongda Rd., Yongkang Dist., Tainan City, Taiwan, R.O.C.	(06)2337171	MBBTTWTP703
Tainan Branch (Banking Broker)	185 Zhongzheng Rd., Tainan City, Taiwan, R.O.C.	(06)2247171	MBBTTWTP710
Jen Te Branch	339 Zhongshan Rd., Rende Dist., Tainan City, Taiwan, R.O.C.	(06)2797171	MBBTTWTP711
Cheng Kung Branch	25 Gongyuan Rd., West Central Dist., Tainan City, Taiwan, R.O.C.	(06)2217171	MBBTTWTP720
East Tainan Branch	75, Sec. 2, Zhonghua E. Rd., East Dist., Tainan City, R.O.C.	(06)2687171	MBBTTWTP721
An Ping Branch	67, Sec. 1, Zhonghua W. Rd., East Dist., Tainan City, R.O.C.	(06)2657171	MBBTTWTP730
Hua Lien Branch	247 Zhongshan Rd., Hualien City, Hualien County, Taiwan, R.O.C.	(03)8357171	MBBTTWTP760
Tai Tung Branch	335, Sec. 1, Zhonghua Rd., Taitung City, Taitung County, Taiwan, R.O.C.	(089)327171	
East Kaohsiung Branch	249 Zhongzheng 1st Rd., Lingya Dist., Kaohsiung City, Taiwan, R.O.C.	(07)7167171	MBBTTWTP820
Kang Shan Branch (Banking Broker)	412 Gangshan Rd., Gangshan Dist., Kaohsiung City, Taiwan, R.O.C.	(07)6227171	MBBTTWTP830
North Feng Shan Branch	28, Sec. 3, Jianguo Rd., Fengshan Dist., Kaohsiung City, Taiwan, R.O.C.	(07)7767171	MBBTTWTP840
Ling Ya Branch	31 Qingnian 1st Rd., Lingya Dist., Kaohsiung City, Taiwan, R.O.C.	(07)5377171	MBBTTWTP841
Kaohsiung Branch	79 Wufu 3rd Rd., Qianjin Dist., Kaohsiung City, Taiwan, R.O.C.	(07)2717171	MBBTTWTP850

TBB' S OFFICES	ADDRESS	TEL NO.	SWIFT CODE
North Kaohsiung Branch (Banking Broker)	90, Fuxing 1st Rd., Xinxing Dist., Kaohsiung City, Taiwan, R.O.C.	(07)2387171	MBBTTWTP851
Ta Chang Branch	116 Dachang 2nd Rd., Sanmin Dist., Kaohsiung City, Taiwan, R.O.C.	(07)3827171	
Chien Chen Branch	378-3 Minquan 2nd Rd., Qianzhen Dist., Kaohsiung City, Taiwan, R.O.C.	(07)5355171	MBBTTWTP853
Jeou Ru Branch (Banking Broker)	255 Jiuru 2nd Rd., Sanmin Dist., Kaohsiung City, Taiwan, R.O.C.	(07)3137171	MBBTTWTP860
San Ming Branch (Banking Broker)	153 Zhongshan 1st Rd., Xinxing Dist., Kaohsiung City, Taiwan, R.O.C.	(07)2867171	MBBTTWTP870
Feng Shan Branch	157 Zhongshan Rd., Fengshan Dist., Kaohsiung City, Taiwan, R.O.C.	(07)7107171	
Ta Fa Branch	No.5-3, Guanghua Rd., Daliao Dist., Kaohsiung City 831, Taiwan, R.O.C.	(07)7887171	MBBTTWTP881
Ping Tung Branch (Banking Broker)	7 Hankou St., Pingtung City, Pingtung County, Taiwan, R.O.C.	(08)7327171	
Xiao Gang Branch	718 Hongping Rd., Xiaogang Dist., Kaohsiung City, Taiwan, R.O.C.	(07)8016171	MBBTTWTP891
Chiao Chou Branch	100 Xinsheng Rd., Chaozhou Township, Pingtung County, Taiwan, R.O.C.	(08)7807171	
Offshore Banking Branch	3F, 30 Ta Cheng St., Taipei, Taiwan, R.O.C.	(02)25597171	MBBTTWTP893
Los Angeles Branch	633, West 5th St. Suite 2280, Los Angeles, CA 90071, U.S.A.	1-213-8921260	MBBTUS6L
Hong Kong Branch	Suite 2705-9, 27F, Tower 6, The Gateway, Harbour City, Kowloon, Hong Kong	852-29710111	MBBTHKHH
Sydney Branch	Suite 3, Level 24, 363 George Street, Sydney, NSW 2000, Australia	61-2-92623356	MBBTAU2S
Shanghai Branch	Room 3806, 38F, Longemont Yes Tower, 399 Kaixuan Road, Changning District, Shanghai 200051, China	86-21-62627171	MBBTCNSH
Brisbane Branch	Suite 903, Level 9, 239 George Street, Brisbane, QLD 4000, Australia	61-7-33173000	MBBTAU2SBRI
Wuhan Branch	17F, Building 2, 108 Zhongbei Road, Wuchang District, Wuhan, Hubei Province 430077, China	86-27-59817171	MBBTCNSHWUH
New York Branch	32 Old Slip, 5F, New York, NY 10005, U.S.A.	1-646-213-3258	MBBTUS33
Tokyo Branch	707, 7F, Tekko Building, 1-8-2 Marunouchi, Chiyoda- Ku, Tokyo 100-0005, Japan	81-3-5220-3918	MBBTJPJT
Yangon Representative Office	422 Strand Road (Corner of Botahtaung Pagoda Road), #04-08, Botahtaung Township, Yangon, Republic of the Union of Myanmar	95-1-202101	

Taiwan Business Bank, Ltd.



Chairman

Bor-Yi Huang.



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