



CTBC BANK

中國信託銀行

2019 ANNUAL REPORT

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<https://www.ctbcbank.com>

<https://mops.twse.com.tw>



Inside our 18-meter-high lobby is the largest interactive art installation in Taiwan. On its screens, seasonal and climate changes are manifested through digital Chinese ink and watercolor imagery. As a golden veil descends upon the white waterfall on holidays and special occasions, water flows abundantly, embodying our corporate mission to “Protect and Build”.

**TeamLab & DEM Inc.**

Circulum Formosa

Artwork in CTBC Financial Park.

Nangang Dist., Taipei City.

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**Overseas Exchange for Trading of Company Securities**  
(None)

For the contact information of our headquarters and various branches in Taiwan and overseas, please refer to page 40-46

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# **1. Letter to shareholders**

Dear Shareholders:

Taiwan's economy experienced moderate growth in 2019, with increased loan demand momentum throughout the market thanks to the growing number of overseas Taiwanese businesses returning to invest domestically. CTBC Bank was therefore able to sustain an outstanding level of performance, achieving record-high profits in its three major business domains of corporate banking, retail banking, and capital markets. The Bank's various businesses also received significant recognition from domestic and international industry assessment institutions, further demonstrating its position as Taiwan's banking industry leader.

Looking at the remainder of 2020, the COVID-19 pandemic has generated an unprecedented impact on the global economy, and we can expect the still-evolving geopolitical, economic, and industrial effects to foster even greater uncertainty. We are addressing this challenge head on, having quickly adopted a series of actions to ensure our Bank's resilience as well as to stand by and support our government and community.

## **2019 business plan and implementation results**

In terms of its financial performance last year, CTBC Bank reported industry-leading net revenue of NT\$103.7 billion, a consolidated pre-tax income of NT\$38.5 billion, and a consolidated after-tax income of NT\$30.9 billion, while achieving a consolidated after-tax ROE of 10.21%. From the 2018 fiscal year, the Bank's consolidated net revenue grew by 9% and its consolidated pre-tax income increased by 8%, exceeding the target in our budget released the previous year.

The Bank's major business development efforts in 2019 focused on continuing to serve as the leader of Taiwan's mobile payments market. To provide customers with more diverse payment tools and expand our mobile payment channels, we collaborated with the LINE instant messaging app to issue co-branded LINE Pay cards. This collaboration drove the total amount of payments made by both CTBC Bank credit and debit cards to the top of the market in 2018 and 2019.

Through cross-industry collaboration with the social network, we successfully marketed to younger demographics and further catered to their specific needs. We have also been proactively expanding the Bank's overseas business, such as by launching our Shenzhen Branch in 2019 to deepen our engagement in the Greater China region, which has already seen significant success. Moreover, in Japan, the Bank's business expansion continued, with persistent improvement in profitability.

Following our success in creating a payment ecosystem using the LINE app, we continued to facilitate the innovation, research, and development of new products and services. In 2019, we teamed up with CPC Corp., the national oil company and Taiwan's largest gas station chain, to launch the CPC Pay digital wallet. Serving as both a membership card and a stored-value card, CPC

Pay allows users to simultaneously accumulate membership reward points for both CPC and CTBC Bank. In addition to accessing information about parking, gas station locations, and real-time gas prices, users can set automatic payments for their automatic freeway toll collection eTags to enjoy a more convenient driving experience. Furthermore, our mobile banking app, Home Bank, was upgraded to incorporate conversational AI for improved usability, enabling users to easily check their balance or conduct a wire transfer by talking to the built-in voice assistant. Providing convenient financial services to more than 3 million app users, CTBC Bank became the first financial institution to obtain an invention patent for “conversational financial service devices and systems”.

Fintech has been applied to constantly improve business efficiency. We have incorporated more than 200 robotic automation processes into the system, taking on more than 50% of the total retail banking workload. This effectively enhanced operational efficiency and allowed employee productivity to be transferred to high-value activities, improving the experience for both customers and employees. In addition, CTBC Bank partnered with Chimei Corp. to complete Taiwan’s first commercial trade trial on a blockchain credit platform, which also represented the world’s first blockchain-based letter of credit transaction spanning Asia to Europe.

As an advocate of green financing, we served as the host bank, domestic financial consultant, co-sponsor, and underwriter in arranging syndicated loans for a landmark offshore wind farm in Taiwan as well as handled Ørsted A/S’s domestic green bond issuance. In doing so, we set a record for the largest syndicated loan in Taiwan’s project financing history, demonstrating the sustainable influence of CTBC Bank on the environment and society. By shouldering our share of corporate social responsibility, we are working to ensure that Taiwan’s financial sector stays current with global trends in sustainable development.

In terms of organizational change, CTBC Bank restructured its retail banking organizational structure to achieve strategic goals in customer-oriented retail banking. In December 2019, the Retail Banking Business Management Group was renamed the Customer Segment Business Group, which is responsible for retail banking channels, high net worth and SME customers, wealth management products, and services development. Specifically, the Customer Segment Business Group governs the Private Wealth Management Division, Wealth Management Product Division, Taiwan Trust Division, Branch Channel Management Division, and SME Division. In the future, we will leverage our branches to promote our wealth management and SME business in order to further expand our growth momentum.

Renamed from the Retail Banking Product Group in December 2019, the Digital Mass Banking Group is responsible for digital channels, payment and consumer finance products, the management of mass retail customers, and the operation and technology of retail banking. The Digital Mass Banking Group governs the Digital Business Division, Payment and Lending Product Division,

Mass Segment Division, and Retail Banking OP&IT Division. In the future, digital and AI operation models will be combined to facilitate the management of mass retail customers and to accelerate business growth.

CTBC Bank is committed to achieving breakthroughs in digital innovation. In January 2020, the Data R&D Center was upgraded to the division level and renamed to the Data Intelligence R&D Division. Along with the Global Information Management Division and the Digital Finance Division (previously affiliated with CTBC Holding), this Division constitutes the Financial Technology Development Center. CTBC Bank aims to integrate these teams to coordinate the development and promotion of tech-driven finance strategies and operations.

Having achieved a remarkable overall performance in 2019, our Bank's credit rating was affirmed by domestic and international rating institutions. In addition, we were ranked 148th among the Top 1000 World Banks by *The Banker*, ranking first among Taiwanese banks for the third consecutive year. We also became the first financial institution in Taiwan to win the Best Retail Bank in Asia Pacific award by *The Asian Banker*. Moreover, CTBC Bank was selected as the Best Bank in Taiwan by four world-renowned financial media outlets, namely *The Asset*, *Euromoney*, *Asiamoney*, and *FinanceAsia*. CTBC Bank also achieved great success in the field of innovation, receiving multiple awards from International Data Corporation, including the Asia's Most Innovative Bank, Asia's Most Open Bank, and the Digital Transformer for Taiwan honors.

In terms of risk management, CTBC Bank continued its rigorous implementation of asset quality and capital adequacy controls in 2019. Our consolidated non-performing loan and coverage ratios were 0.34% and 386.64%, respectively, indicating satisfactory asset quality, while our BIS ratio was 13.84%, signifying the Bank's solid capital structure. Domestic and international credit rating agencies have maintained their stable outlooks on the back of the Bank's diverse business sources, adequate risk management, good funding sources and liquidity, and significant business position in the domestic market.

#### Latest credit ratings and effective dates

Rating agency	Credit rating		Outlook	Publication date
	Long-term	Short-term		
Moody's	A2	Prime-1	Stable	Dec. 18, 2019
S&P Global Ratings	A	A-1	Stable	Oct. 15, 2019
Taiwan Ratings	twAA+	twA-1+	Stable	Oct. 15, 2019

## **Impact of the competitive, regulatory, and overall business environments**

Political and economic uncertainties, such as the U.S.–China trade war, have reduced global trade volume and hindered economic growth. As of writing, the most recent IMF forecast, from October 2019, shows economic declines for major countries from 2018 to 2019. For example, it revised its growth predictions for the U.S., the euro area, and China downward from 2.9% to 2.4%, 1.9% to 1.2%, and 6.6% to 6.1%, respectively, and emerging economies have also been affected. According to the Directorate General of Budget, Accounting and Statistics, Taiwan’s economic growth was 2.7% in 2019, approximately the same as 2018. However, Taiwan still exhibited a stronger economic performance than its major Asian competitors, such as South Korea and Singapore.

The decline in global prosperity led to monetary policy changes in major economies. In the U.S., the Federal Reserve cut its policy rate by a cumulative 0.75 percentage points, ended its balance sheet reduction policy, and switched to expanding the balance sheet at the end of 2019. The European Central Bank, which completed its existing bond-purchasing program at the beginning of the year, restarted it in November to buy 20 billion euros worth of bonds per month. In response to the global economic environment, the Bank of Japan retained an accommodative policy of yield curve control, whereas China cut its reserve requirement ratio multiple times as well as used a variety of tools to inject liquidity into the market. Taiwan’s economic growth and price index, meanwhile, were relatively stable, with its central bank maintaining a rediscount rate of 1.375%. Overall, global growth momentum slowed sharply in 2019, monetary policies were highly accommodative, and the financial market faced more liquidity and uncertainty, rendering the overall banking industry relatively conservative.

## **2020 business plan outline and future development strategies**

### **1. Strengthen core businesses and promote growth businesses**

CTBC Bank will continue to take the lead in developing its core businesses in the domestic market. We will provide enterprises with comprehensive cross-border services powered by our overseas branches and platform integration. Through our wealth management business, diverse and innovative products and services will be offered to our customers to help them manage retail banking domestically and internationally. While continuing to expand our core businesses in 2020, we will also accelerate the development of growth businesses, including business model transformation to attract digital customers, reinforcing the customer-oriented core of our business model, and cultivating customer relationships through the integration of AI, digital operations, and human–machine cooperation. For Taiwan’s SMEs, CTBC Bank will integrate its retail and corporate banking resources to create professional teams, an exclusive digital service model, integrated exchanges between enterprises and business owners, and an integrated platform combining online and offline channels to meet all their financial needs. Regarding overseas markets, the Bank will continue to focus on key target customer groups as well as integrate overseas branches to provide comprehensive cross-border financial services, thereby solidifying our customer relationships.

2. Expand our R&D of digitalization and innovative AI services

CTBC Bank will accelerate its digital transformation in 2020 by working toward three goals: serving as the leader for digital customer experience, optimizing its internal processes to raise its operating leverage, and laying the foundation for the research and development of digital innovative services. To this end, the Bank will strive to provide customers with convenient and innovative digital services, implement the complete digitalization of its internal processes, accelerate the digitalization of its branch offices, and provide customers with a whole new experience through seamless online–offline integration. In addition, based on our long-accumulated Big Data capacity, CTBC Bank will develop its own Big Data-driven AI to promote innovative services and create entirely new customer experiences.

3. Continue to ensure effective and efficient regulatory compliance

In 2020, CTBC Bank will accelerate the digitization of its regulatory compliance process in order to refine the efficiency of its regulatory compliance management as well as to reinforce its overseas regulatory compliance management, thereby ensuring the effective implementation of relevant regulations.

With our eyes on the future, CTBC Bank will continue to pursue asset growth while implementing risk management in response to the rising uncertainties clouding global economic growth. We will strive to maximize shareholder profits by ensuring diverse revenue sources and robust asset quality.

Chairman:





## **2. Company profile**

### **2.1. Company overview**

2.1.1. Date of establishment: March 14, 1966

2.1.2. History of the Bank

Established in 1966, CTBC Bank has been building customers' wealth and Taiwan's economy for decades. In that time, it has grown into an international force offering a comprehensive suite of financial services.

Guided by the business principles of integrity and caring, our Bank has a proud history punctuated by regular achievements and innovative services. From issuing the first credit card in Taiwan to setting up the first customer service center of any bank in the country, we have led the way in the financial industry's digital transformation, particularly by promoting the digitalization of business processes. As of the end of 2019, the Bank's consolidated assets totaled NT\$4.23 trillion, the most among all privately owned banks in Taiwan. It is also the best-performing bank in other indicators, such as profits, tier 1 capital, and client base.

In addition to its 152 branches nationwide, CTBC Bank has the most extensive international presence of any Taiwanese bank, with 116 overseas branches across 14 countries and regions. Having purchased a subsidiary, The Tokyo Star Bank, in Japan and having established CTBC Bank subsidiaries in the U.S., Canada, the Philippines, and Indonesia, the Bank has laid a strong foundation for regional business, providing international enterprises with comprehensive transnational financial services. Furthermore, in support of the Taiwanese government's New Southbound Policy, the Bank has proactively expanded its South and Southeast Asian business in recent years by leveraging its existing branches in Vietnam, India, and Singapore. It is also the first financial institution in Taiwan to have acquired a stake in a local Thai operator, LH Financial Group. In Greater China, the Bank is committed to cultivating business in the Yangtze River Delta Economic Zone and the Guangdong–Hong Kong–Macau Greater Bay Area, with Shanghai at the heart of its expansion into the Chinese market. Together, these advances abroad are providing our customers with a more convenient and comprehensive service network.

Looking ahead, we plan to continue optimizing our international service network as well as to provide our customers with even more convenient global services. We will also continue to expand our efforts in operational performance, corporate governance, corporate social responsibility, and environmental sustainability as we cement our status as "Taiwan Champion, Asia Leader".

## **Domestic awards**

- **Taipei City Government**  
2018 Taipei City Government Cultural Category Volunteer Team Evaluation - Excellence
- **Wealth Magazine, 2019 Wealth Management Survey**  
Best Domestic Wealth Management  
Best Domestic Financial Advisory Team  
Best Domestic Digital Finance  
Best Charity Promotion Award
- **Wealth Magazine, 2019 Taiwan Financial Awards**  
Quality Award for Best Domestic Bank Image  
Best Banking Service  
Best Banking Product  
Best Fintech Banking
- **Business Next Magazine, 2019 Business Innovation Awards**  
Best Technology Innovation - Gold Award  
Best Technology Innovation - Bronze Award  
Best Experience Innovation - Bronze Award
- **Ministry of Economic Affairs' Small and Medium Enterprise Credit Guarantee Fund of Taiwan, 2019 Managers and Banks Outstanding in Implementing Guaranteed Financing**  
Credit Guarantee Partner Award - Financial Institutions  
Credit Guarantee Partner Award - Managers  
Startup Innovation Award - Financial Institutions  
Startup Innovation Award - Credit Business Units  
Batch Credit Guarantee Award
- **Business Today, 2019 Wealth Management Banking Awards**  
Best Wealth Management Bank - Excellence  
Best Marketing Innovation - No. 1  
Best Product - No. 3  
Best Risk Control - No. 3  
Best Wealth Appreciation - No. 3  
Best Robo-Advisor - No. 1
- **Business Today, 2019 Best Brand Awards**  
Banking Category - No. 1  
Credit Card Category - No. 1
- **Sports Administration, Ministry of Education, Sports Activist Awards**  
Sponsorship Award - Gold Class  
Sponsorship Award - Long-Term Sponsorship Award

- **Sports Administration, Ministry of Education**  
Taiwan i Sports (Certificate of Corporate Wellness)
- **Taiwan Contact Center Development Association, Customer Service Excellence Awards**  
Best Training Team  
Best Customer Service Star  
Best Field Management Star
- **Next Magazine**  
Best Service Award (Banking) - No. 2  
Special Award for Online Favorability (Banking)
- **Taiwan Futures Exchange**  
Banking Industry Transaction Volume Diamond Award - No. 1  
Market Performance Diamond Award - No. 2
- **Financial Information Service, 2019 Financial Information System Annual Meeting**  
Best Promotion Excellence

#### **International awards**

- **Asiamoney**  
Best Domestic Bank in Taiwan  
Best Private Bank in Taiwan
- **Asian Banking & Finance**  
Taiwan Domestic Foreign Exchange Bank of the Year  
Debt Deal of the Year, Taiwan
- **Asia Risk**  
House of the Year, Taiwan
- **Euromoney**  
Best Bank in Taiwan  
Best Private Banking Services Overall, Taiwan  
Best Net-worth-specific Services - Ultra High Net Worth Clients, Taiwan  
Best Net-worth-specific Services - High Net Worth Clients, Taiwan  
Best Net-worth-specific Services - Super Affluent Clients, Taiwan  
Best Asset Management, Taiwan  
Best Family Office Services, Taiwan  
Best Research and Asset Allocation Advice, Taiwan  
Best Philanthropic Advice, Taiwan  
Best ESG/Social Impact Investing, Taiwan  
Best International Clients, Taiwan  
Best Succession Planning Advice and Trusts, Taiwan  
Best Innovative Technology - Client Experience, Taiwan

- **FinanceAsia**
  - Best Bank in Taiwan
  - Best Private Bank in Taiwan
- **Gartner**
  - Eye on Innovation Award - Winner
- **Global Business Outlook**
  - Best Investment Bank, Taiwan
- **Global Finance**
  - Best Trade Finance Bank in Taiwan
  - Best Treasury & Cash Management Bank in Taiwan
  - Best Sub-custodian Bank in Taiwan
  - Consumer Digital Bank of Distinction Honorees in Taiwan
  - Best Foreign Exchange Provider in Taiwan
- **International Data Corp.**
  - Asia's Most Innovative Bank
  - Asia's Most Open Bank
  - Digital Transformer, Taiwan
  - Information Visionary, Taiwan
- **IFR Asia**
  - Taiwan Loan House
- **London Institute of Banking & Finance**
  - Best New Mortgage or Loan Product
- **Retail Banker International**
  - Best Retail Bank, Taiwan
  - Best Credit Scoring Innovation, Asia
  - Best App for Customer Experience, Asia
  - Highly Commended: Best Application of Data Analytics, Asia
  - Highly Commended: Trailblazing Use of AI in Financial Service, Asia
- **The Asian Banker**
  - Best Retail Bank in Asia Pacific
  - Best Retail Bank in Taiwan
  - Best Digital Bank in Taiwan
  - Best Digital Social Media Initiative, Application or Programme in Asia Pacific
  - Best Frictionless Customer Experience in Asia Pacific
  - Custodian Bank of the Year in Taiwan
  - Best CEO in Taiwan - Chairman Chao-Chin Tung
  - Best Managed Bank in Taiwan
  - Best Transaction Bank in Taiwan
  - Best Cash Management Bank in Taiwan
  - Best Digital Financial Inclusion Initiative, Application or Programme in Taiwan
  - Best Lending Technology Initiative, Application or Programme in Taiwan

- **The Asset**

Digital Bank of the Year, Taiwan

Most Innovative Risk Management Project, Taiwan

Most Innovative Emerging Digital Technologies Project, Taiwan

Best Retail Mobile Banking Experience Service, Taiwan

Best Service Provider - Transaction Bank, Taiwan

Best Service Provider - Trade Finance, Taiwan

Best Service Provider - Supply Chain, Taiwan

Best Domestic Custodian, Taiwan

Best Private Bank - HNWIs, Taiwan

Derivatives House of the Year, Taiwan

Best Flow Derivatives House, Taiwan

Best FX Derivatives House, Taiwan

Best Rates Derivatives House, Taiwan

Best Commodities Derivatives House, Taiwan

Top Investment Houses in Asian G3 Bonds, Taiwan - No. 1

Most Astute Investors in Asian G3 Bonds, Taiwan - Nos. 4 and 8

Top Sell-side Firms in the Secondary Market - Corporate Bonds – TWD - No. 4

Best Domestic Bank, Taiwan

Best Loan Adviser, Taiwan

Best LBO, Taiwan

- **The Banker**

No. 148, Top 1000 World Banks

- **The Banker and Professional Wealth Management**

Best Private Bank, Taiwan

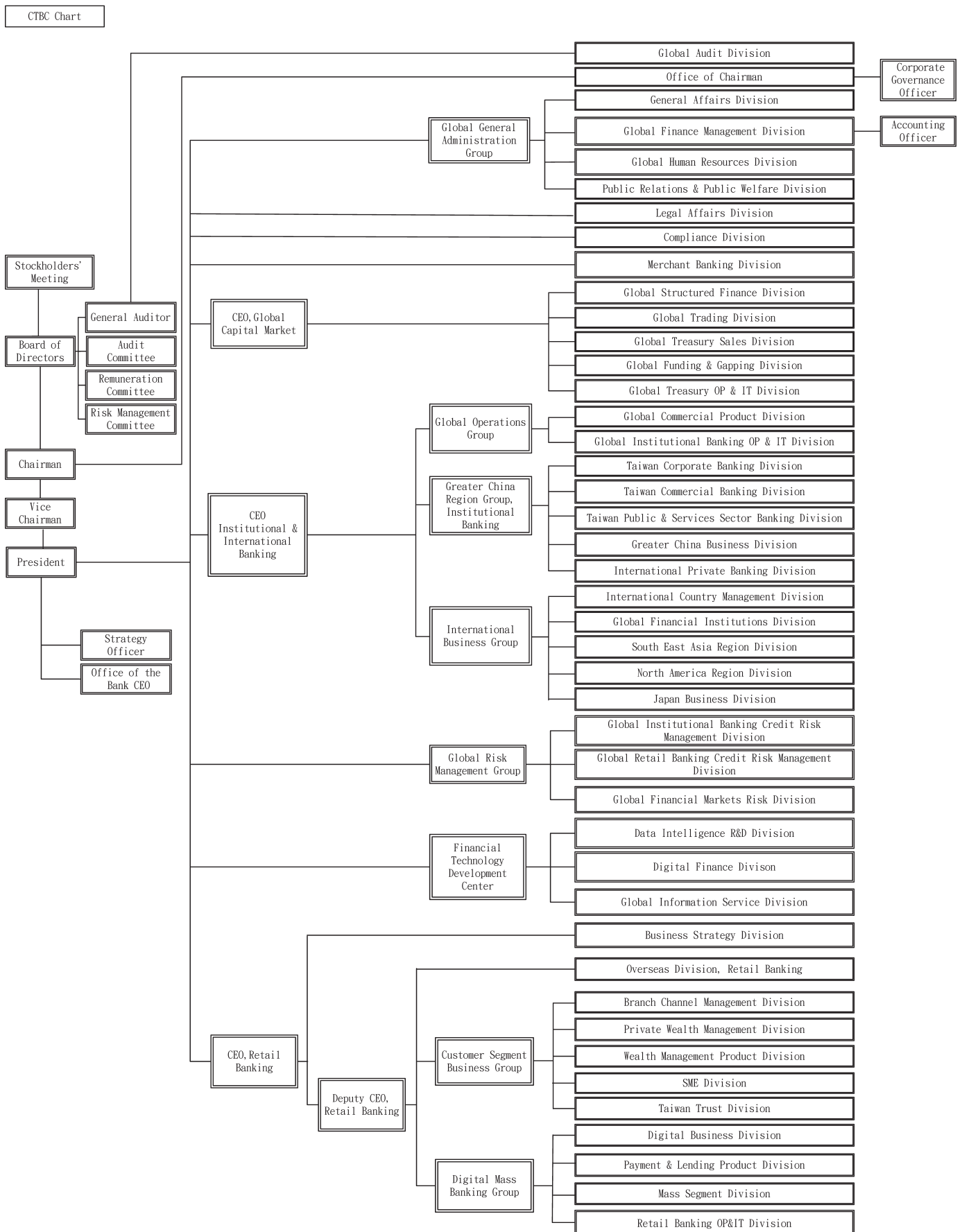
- **World Branding Forum**

Brand of the Year



## 2.2. The organization

### 2.2.1. Organizational chart



### 2.2.2. Directors and supervisors

Title	Name	Date of assignment	Office term	Significant experience	Education
Chairman	Ming-Shieh Li	Jun.14, 2019	3 years	Chairman, CTBC Capital Corp. Chairman, CTBC Bank Corp. (USA) Director, LH Financial Group Public Company Limited Director, Land and Houses Bank Public Company Limited Director, Financial Information Service Co., Ltd. Vice Chairman, CTBC Bank Co., Ltd Executive Director, President, China Guangfa Bank Co., Ltd. Chairman, Citibank Taiwan Ltd. SEVP, CTBC Bank Co., Ltd	B.A., Department of Economics, National Taiwan University
Vice Chairman	Ting-Jeng Chan	Sep.27, 2019	3 years	Member, Research and Development Committee, Taipei Foreign Exchange Market Development Foundation Deputy Director General, Department of Commerce, Ministry of Economic Affairs Director General, Department of Legal Affairs, Financial Supervisory Commission Chief Secretary, Financial Supervisory Commission Managing Director, Agricultural Credit Guarantee Fund Director, Taiwan Cooperative Bank Director, Taiwan Academy of Banking and Finance Director General, the Bureau of Agricultural Finance, Council of Agriculture, Executive Yuan Director, Taiwan Cooperative Financial Holding Co., Ltd. Director General, the Banking Bureau of the Financial Supervisory Commission Director, Bank of Taiwan Co., Ltd. Director, Bank Taiwan Life Insurance Co., Ltd. President and Director, Taiwan Financial Holdings Co., Ltd.	S.J.D., National Chengchi University LL.M., Northwestern University Law School
Director	Wen-Long Yen	Jun.14, 2019	3 years	Chairman, CTBC Financial Holding Co., Ltd. Chairman, Kainan Vocational High School Director, Ho-Wei Investment Co., Ltd. Director, Feng Luh Investment Co., Ltd. Director, United Real Estate Management Co., Ltd. Director, Sung Hung Investment Co., Ltd. Director, Wei Huan Investment Co., Ltd. Director, Jeffrey Koo Cultural and Educational Foundation Chairman, Kainan University Director, Wei Guo Real Estate Development Co., Ltd. Director, Wei Fu Investment Co., Ltd. Director, Long-Rih Real Estate Development Co., Ltd. Director, K & Y Investment Co., Ltd. Director, United Asset Management Co., Ltd. Supervisor, United Real Estate Development Co., Ltd.	B.A. in Economic, Dept. of Economics, Soochow University

Title	Name	Date of assignment	Office term	Significant experience	Education
Director	Thomas K.S. Chen	Jun.14, 2019	3 years	Director, CTBC Financial Holding Co., Ltd. Chairman, CTBC Investments Co., Ltd. Chairman, CTBC International Co., Ltd. Chairman, CTBC Financial Leasing Co., Ltd. Director, Ho-Yeh Investment Co., Ltd. Director, Taipei Financial Center Corp. Director, Changhua County Lukang Folk Arts Museum Director, Jeffrey Koo Cultural and Educational Foundation Director, Taipei International Community Cultural Foundation Vice Chairman, CTBC Charity Foundation Director, CTBC Anti-Drug Educational Foundation Vice Chairman, CTBC Bank Co., Ltd. Chairman, CTBC Asset Management Co., Ltd. Chairman, CTBC Bank Corp. (USA) General Secretary, CTBC Financial Holding Co., Ltd. Director, National Credit Card Center of the Republic of China	Bachelors, Department of Public Finance and Taxation, National Chengchi University
Director	Su-Kuo Huang	Jun.14, 2019	3 years	Chairman, Taiwan Life Insurance Co., Ltd. Director, CTBC Securities Co., Ltd. Chairman, CTBC Securities Co., Ltd. Director, The Tokyo Star Bank, Ltd.	MBA of Commerce, University of Japan
Director	Mao-Lin Shih	Jun.14, 2019	3 years	Director, Taiwan Life Insurance Co., Ltd. Chair Professor, Department of Financial and Economic Law, Asia University Independent director, SuperAlloy Industrial Co., Ltd. Honorary Chairman, Legal Risk Management Society of Taiwan Minister of Justice, Executive Yuan Deputy Minister of Justice, Executive Yuan Chief Prosecutor, Procuratorate, Taipei District Court Chief Prosecutor, Procuratorate, Kaohsiung District Court Chief Prosecutor, Procuratorate, Taichung District Court Chief Prosecutor, Procuratorate, Taoyuan District Court Director-General, Ministry of Justice (84.5~86.8) Woosuk University / Korea, School of Law, Honorary Doctorate, 2002	National Taiwan University/ Taiwan, School of Law, B.A., 1972
Director	Yen-Pao Chen	Jun.14, 2019	3 years	Director, CTBC Securities Co., Ltd. Director, CTBC Securities Venture Capital Co., Ltd. Director, Taiwan Lottery Co., Ltd. Member, Review Committee, Taipei Exchange Director, CTBC Anti-Drug Educational Foundation Professor, Department of Accounting, Soochow University Director, CTBC Financial Holding Co., Ltd. Director, CTBC Business School	Ph.D. in Finance, George Washington University, USA

Title	Name	Date of assignment	Office term	Significant experience	Education
				CEO, Center for International Finance Research, Soochow University Member, Sports Administration, Ministry of Education Director, The Center for Economic Forecasting Advisor, The Center for Economic Forecasting	
Director	Chun-Te Chiang	Jun.14, 2019	3 years	Director, Taiwan Lottery Co., Ltd. Director, Long Chen Paper Co., Ltd. Director, ISTR A Corp. Director, Taiwan-Japan Association For Business Communication Director, TESD Foundation Director, Chinese International Economic Cooperation Association (CIECA) Supervisor, Criminal Investigation and Prevention Association, R.O.C. President, Mandarin Florist Independent director, Good Friend International Holdings Inc. Director, Abico Capital Management Co., Ltd. Vice Chairman, Ability Venture Management Co., Ltd. Director, Ability I Venture Capital Corporation Independent director, Feng Sheng Technology Co., Ltd. Director, Taiwan-Japanese Economic And Trade Foundation Director, Importers and Exporters Association Director, ROC-USA Business Council General Manager, Taigene Industries (PTY) LTD System Analyst , Barclays Bank, South Africa	Bachelor of Commerce, University of the Witwatersrand, Johannesburg, South Africa
Independent director	Shih-Chieh Chang	Jan.1, 2020	3 years	CTBC Financial Holding Co., Ltd. Independent Director, CTBC Bank Co., Ltd. Independent director, Taiwan Life Insurance Co., Ltd. Director, CTBC Business School Director, Risk Management Society of Taiwan Professor, Department of Risk Management and Insurance, National Chengchi University Advisory Committee Member, Risk Management Committee, Chunghwa Post Co., Ltd. Consultant, Public Service Pension Fund Supervisory Board Member, Futures Trust Fund Risk Management Committee, Chinese National Futures Association Independent Director, TLG Insurance Co., Ltd. Independent Director, CTBC Life Insurance Co., Ltd. Member, Financial Supervisory Commission Non-member director, Securities Investment Trust & Consulting Association of the R.O.C. Member, Financial Ombudsman Institution Director, Taiwan Insurance Institute Director, Taiwan Insurance Guaranty Fund Chairman, Insurance Anti-Fraud Institute	Ph.D., Department of Statistics, University of Wisconsin-Madison, USA

Title	Name	Date of assignment	Office term	Significant experience	Education
				Member, Labor Funds Supervisory Committee, Ministry of Labor Chairman, Pan-Asia Risk and Insurance Management Association CEO, EMBA, College of Commerce, National Chengchi University Director, Department of Risk Management and Insurance, National Chengchi University Consultant for Financial White Papers, Taiwan Financial Services Roundtable Co., Ltd.	
Independent director	Cheung-Chun Lau	Jun.14, 2019	3 years	Independent director, CTBC Financial Holding Co., Ltd. Independent Non-executive Director, Hong Leong Insurance (Asia) Limited Managing Director, The Bank of Nova Scotia Senior Vice President, ABN Amro Bank N.V. Director, Citigroup Global Markets Asia Limited Executive Director, UBS AG Vice President, Bankers Trust Company	MBA, The University of Michigan, Ann Arbor
Independent director	Sheng-Yung Yang	Jun.14, 2019	3 years	Independent Director, CTBC Financial Holding Co., Ltd. Independent Director, CTBC Bank Co., Ltd. Distinguished Professor of Finance, National Chung Hsing University Independent Director, Nova Technology Corp. Independent Director, JMicon Technology Corp. Supervisor, Financial Engineering Association of Taiwan Director, Chinese Robo-Advisor Association Strategic Mentor, New Generation College, National Association of Small & Medium Enterprises Head of Finance Department, National Chung Hsing University Adjunct Professor of International Business, National Taiwan University Dean of College of Management, Asia University Vice President for International Affairs & Dean of International College, Providence University Secretary-General, Financial Engineering Association of Taiwan CEO, EMBA Program Alliance of Taiwan Member of Investment Committee, National Development Fund Member of Operating Fund Committee, Bureau of Science Park Lecturer, Training Institute, Ministry of Finance Independent Director, Grand Bills Finance Corp.	Ph.D. in Finance, Drexel University, USA

Note 1: The Bank is a wholly owned subsidiary of CTBC Holding. All directors of the Bank are appointed by the parent company.

Note 2: The term of office for the directors of the Bank's 17th Board of Directors is from June 14, 2019, to June 13, 2022. The Bank established an Audit Committee on June 30, 2009, to assume the responsibility of supervisors.



Note 3: Mr. Chao-Chin Tung, representative of the juristic-person director, resigned as the chairman and director of the Bank on Sept. 27, 2019.

Note 4: Mr. Ming-Shieh Li, representative of the juristic-person director, was elected as the chairman of the Bank on Sept. 27, 2019.

Note 5: Mr. Ting-Jeng Chan, representative of the juristic-person director, assumed the position of director of the Bank on Sept. 27, 2019, and was elected as the vice chairman of the Bank on the same day.

Note 6: Mr. Chih-Chen Wang, representative of the juristic-person director, resigned as an independent director of the Bank on Jan. 1, 2020.

Note 7: Mr. Shih-Chieh Chang, representative of the juristic-person director, assumed the position of independent director of the Bank on Jan. 1, 2020.

Note 8: Mr. Wen-Chih Lee, representative of the juristic-person director, resigned as a director of the Bank on Jan. 1, 2020.

### 2.2.3. Significant shareholders

April 21, 2020

Institutional shareholder	Main shareholders
CTBC Financial Holding Co., Ltd.	<ol style="list-style-type: none"> <li>1. Fubon Life Insurance Co., Ltd. (3.75%)</li> <li>2. Yi Kao Investment Co., Ltd. (2.40%)</li> <li>3. China Life Insurance Co., Ltd. (2.05%)</li> <li>4. Government of Singapore (1.98%)</li> <li>5. CTBC Bank Trust Account for CTBC Financial Holding Employee Welfare Savings Committee (1.77%)</li> <li>6. Labor Pension Fund (1.68%)</li> <li>7. JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds (1.60%)</li> <li>8. Norges Bank (1.59%)</li> <li>9. Bank of Taiwan Co., Ltd. (1.50%)</li> <li>10. Shin Kong Life Insurance Co., Ltd. (1.45%)</li> </ol>

### 2.2.4. Major managers

Title	Name	Education	Significant experience
President	James Chen	MBA, The City University of New York, USA	Director, CTBC Bank Co., Ltd.
Senior Executive Vice President	Albert Lee	Master of Comparative Law, University of Illinois at Urbana-Champaign, USA	Chairman, Threadneedle Investments Hong Kong
Senior Executive Vice President	Larry Hsu	Bachelor of Business Administration, National Taiwan University	EVP, CTBC Bank Co., Ltd.
Senior Executive Vice President	Nick Y Huang	MBA, National Taiwan University	Managing director, JPMorgan China
Senior Executive Vice President	James Y.G. Chen	Master of Political Economy, Nankai University, China	President, Chang Hwa Bank

<b>Title</b>	<b>Name</b>	<b>Education</b>	<b>Significant experience</b>
Senior Executive Vice President	Roger Kao	Master of Science in Broadcast Journalism, Boston University, USA	EVP, CTBC Bank Co., Ltd.
Executive Vice President	Amy Yang	EMBA, National Taiwan University	SVP, CTBC Bank Co., Ltd.
Executive Vice President	Tony Yang	MIBA, United States International University, USA	SVP, CTBC Bank Co., Ltd.
Executive Vice President	Amy HC Lin	Bachelor of Banking, National Chengchi University	SVP, CTBC Bank Co., Ltd.
Executive Vice President	Frank Shih	MBA, University of Texas at Austin, USA	SVP, CTBC Bank Co., Ltd.
Executive Vice President	Alex Chen	Bachelor of Economics, Chinese Culture University	SVP, CTBC Bank Co., Ltd.
Executive Vice President	Noor Menai	MBA, University of Rochester, USA	CEO, Charles Schwab Bank
Executive Vice President	Jerry Shaw	Bachelor of Business Administration, Tamkang University	VP, CTBC Bank Co., Ltd.
Executive Vice President	Matthew Liaw	MBA, University of Wisconsin at Madison, USA	SVP, CTBC Bank Co., Ltd.
Executive Vice President	Jack CP Wang	MBA, The University of Western Ontario, Canada	Vice president, Citibank
Executive Vice President	Wayne Hsu	MBA, The University of Michigan, USA	Managing director, Citibank Taiwan
Executive Vice President	Eric Hsin	Executive MS in Finance, The City University of New York, USA	SVP, CTBC Bank Co., Ltd.
Executive Vice President	Weitzu Chao	Master of Statistics, National Chengchi University	SVP, CTBC Bank Co., Ltd.
Executive Vice President	Jason Chen	Bachelor of Business Administration, Feng Chia University	SVP, CTBC Bank Co., Ltd.
Executive Vice President	Max Lin	MBA, University of Illinois at Urbana-Champaign, USA	Director, Deutsche Bank
Executive Vice President	David Swei	MBA, University of Texas at Dallas, USA	SVP, CTBC Bank Co., Ltd.
Executive Vice President	Peter Hsiao	MBA, National Taiwan University	SVP, CTBC Bank Co., Ltd.
Executive Vice President	Retinna Sung	Bachelor of Law, National Chung Hsing University	SVP, CTBC Bank Co., Ltd.
Executive Vice President	Anderson Chen	Bachelor of Business Administration, Soochow University	SVP, CTBC Bank Co., Ltd.
Executive Vice President	C.C. Huang	MBA, Indiana University at Bloomington, USA	EVP, ABN AMRO Bank

<b>Title</b>	<b>Name</b>	<b>Education</b>	<b>Significant experience</b>
Executive Vice President	Kevin Huang	MBA, Ohio State University, USA	Vice president, Citibank Taiwan
Executive Vice President	Friedman Wang	MIBA, National Taiwan University	SVP, CTBC Bank Co., Ltd.
Executive Vice President	Mingjohn Lee	MBA, New York University, USA	SVP, CTBC Bank Co., Ltd.
Executive Vice President	Titan Chia	International MBA, National Chengchi University	President of Global Business Services, IBM Taiwan
Executive Vice President	Derek Lo	MBA, Madonna University, USA	SVP, CTBC Bank Co., Ltd.
Executive Vice President	Sean Tang	Master of Laws, National Chengchi University	SVP, CTBC Bank Co., Ltd.
Executive Vice President	Alex Lu	Master of Laws, Harvard University, USA	SVP, CTBC Bank Co., Ltd.
Executive Vice President	William Chu	Bachelor of Marine Transportation, National Chiao Tung University	SVP, CTBC Bank Co., Ltd.
Executive Vice President	Ya-Ling Chiu	MBA, Minnesota-Twin Cities University, USA	SVP, CTBC Bank Co., Ltd.
Executive Vice President	Evan Chang	Bachelor of Accounting, Tunghai University	SVP, CTBC Bank Co., Ltd.
Senior Vice President	Charleen Sung	MBA, New York University, USA	VP, CTBC Bank Co., Ltd.
Senior Vice President	Austin Chiang	MBA, National Taiwan University	Principal, Boston Consulting Group
Senior Vice President	Tony Huang	Bachelor of Banking, National Chengchi University	VP, CTBC Bank Co., Ltd.
Senior Vice President	Fred Hsu	MBA, Tatung University	VP, CTBC Bank Co., Ltd.
Senior Vice President	Boshan Hsu	MBA, Indiana University Bloomington, USA	VP, CTBC Bank Co., Ltd.
Senior Vice President	Eric Kw Wu	EMBA, National Taiwan University	VP, CTBC Bank Co., Ltd.
Senior Vice President	Morris Kao	Bachelor of Accounting, Fu Jen Catholic University	VP, CTBC Bank Co., Ltd.
Senior Vice President	Morris Wu	MBA, Tatung University	VP, CTBC Bank Co., Ltd.
Senior Vice President	John Yang	MBA, University of Texas at Arlington, USA	VP, CTBC Bank Co., Ltd.
Senior Vice President	Li Juan	MBA, Syracuse University, USA	VP, CTBC Bank Co., Ltd.
Senior Vice President	Chingyi Wu	Master of Commerce, Meiji University, Japan	SVP, Taishin International Bank Co., Ltd.
Senior Vice President	Vivian Ho	EMBA, National Sun Yat-sen University	VP, CTBC Bank Co., Ltd.

<b>Title</b>	<b>Name</b>	<b>Education</b>	<b>Significant experience</b>
Senior Vice President	Frank Hsu	Master of International Business, National Chengchi University	VP, CTBC Bank Co., Ltd.
Senior Vice President	Tina Soong	Master of Accounting, University of Florida, USA	VP, CTBC Bank Co., Ltd.
Senior Vice President	May Su	MBA, Imperial College London, UK	VP, CTBC Bank Co., Ltd.
Senior Vice President	Sam Lin	EMBA, National Taiwan University	VP, CTBC Bank Co., Ltd.
Senior Vice President	Steve Peng	Bachelor of Cooperative Economics, Feng Chia University	VP, CTBC Bank Co., Ltd.
Senior Vice President	Richie Chen	Secretarial Science, Tamsui Institute of Business Administration	VP, CTBC Bank Co., Ltd.
Senior Vice President	Sophia Wang	Accounting and Statistics, Takming Junior College of Commerce	VP, CTBC Bank Co., Ltd.
Senior Vice President	Sting Yang	Bachelor of Accounting, Fu Jen Catholic University	VP, CTBC Bank Co., Ltd.
Senior Vice President	Pauline Kao	MBA, University of Pennsylvania, USA	Senior compliance manager, American Express Co.
Senior Vice President	Jeffrey Hsieh	Master of Agricultural Economics, National Taiwan University	VP, CTBC Bank Co., Ltd.

### **3. Business overview**

#### **3.1. Business performance**

##### **3.1.1. Scope of business**

###### **1) Institutional banking, capital markets, and overseas business**

###### **(1) Commercial banking**

We provide customers with comprehensive and specialized financial services, including loans, trade finance, cash management, corporate trusts, and proxy services.

###### **(2) International business**

We provide cross-border financial services by leveraging our global network, with a focus on customers in Greater China, Southeast Asia, North America, and Japan.

###### **(3) Capital markets**

We provide tailored solutions to meet clients' financing needs. These solutions include syndicated lending, structured finance, financial advisory, and fixed-income securities underwriting services. In addition to managing our own market risk exposure and liquidity position, we offer a wide range of services to meet our institutional clients' hedging and financial needs. These services include foreign exchange, derivative, and structural investment products.

###### **2) Retail banking**

###### **(1) Wealth management**

We provide target customer groups with financial planning, asset allocation planning, and advisory services as well as assistance in the acquisition of a variety of financial products.

###### **(2) Loan services**

We provide small and medium-sized enterprises as well as individuals with diverse loan services including home mortgages, refinancing, installment loans, policy-based loans, financial planning mortgages, unsecured term loans, and revolving loans.

###### **(3) Payment services**

We provide payment solution services, such as card issuing and merchant acquiring services, for credit as well as debit cards. CTBC Bank also provides digital and mobile payment solutions, including digital wallets and mechanisms for third-party payments, bill payments, and cross-border transactions.



**Revenue breakdown** (Note)

Unit: NT\$ million

Revenue source	Amount	Percentage
Institutional banking, capital markets, and overseas business	53,286	51%
Retail banking	46,245	45%
Other	4,178	4%
Total	103,709	100%

Note: On a consolidated basis

**3.1.2. Business discussion****1) Institutional banking, capital markets, and overseas business**

CTBC Bank's institutional banking and capital market business continues to lead the sector in Taiwan. Amid financial liberalization and globalization, we have maintained expansion in Taiwan by optimizing our core business and growing our emerging businesses. Furthermore, we have been leveraging our global networks to accelerate the growth of international business by expanding the scale of overseas markets and connecting cross-border opportunities to boost synergy.

We keep our thumb on the market pulse as we lead the financial industry in creative, specialized financial products and have become an indispensable partner to our customers. Each of our main products has been honored with international awards such as the Best Transaction Bank in Taiwan, Best Foreign Exchange Provider in Taiwan, Best Cash Management Bank in Taiwan, Best Trade Finance Bank in Taiwan, Taiwan Loan House, Taiwan House of the Year, and Best Custodian Bank in Taiwan. The management direction and achievements of our primary products are as follows:

**(1) Transaction banking**

2019 was a year in which both cash management and trade finance encountered fierce challenges, while most of our target markets saw geopolitical uncertainties and the rapid escalation of trade tensions between countries. However, the market share of CTBC Bank in total deposits continued to grow; we maintained our leading position, especially in foreign currency deposits, and took an increased share of competitive overseas markets across all businesses. Furthermore, we retained our leading position in the trade and factoring market and remained among the top three banks turnover-wise—a position we have now obtained for five consecutive years. Our transaction banking business in Greater China and Southeast Asia continued to see double-digit growth; however, we do expect a degree of volatility in 2020. We will continue to prioritize growth in these regions and will leverage our extensive networks in key markets such as Asia and the U.S.

Our digital strategy has also transformed us from a traditional transaction bank into one that supports its customers' growth by providing multi-channel, digital services. The Bank provides a comprehensive range of channels to meet customers' needs, such as by increasing the use of mobile devices and application-to-application banking services. Indeed, we have closed a record number of deals because of these digital capabilities and the solutions that we provide. In addition, whether for corporates or individual users like financial managers, we are improving customers' banking experience through disruptive new technologies. We were the first bank in Taiwan to use blockchain to develop an end-to-end solution for a cross-border trade transaction. The solution leverages the joint efforts of our digital and trade teams; more importantly regarding the solution, we work with our customers to create ecosystems and re-engineer the related trade processes to make them more efficient.

(2) Custody and corporate trust business

Our custody and corporate trust business, which includes transfer agent, trust, and custody business, showed solid growth in 2019. Notably, CTBC Bank's assets under custody reached NT\$2.79 trillion (US\$95 billion) at the end of 2019. The corporate trust business revenue from all segments in 2019 reached a record high of NT\$1.26 billion. In terms of asset size, we retained our No. 1 position in the transfer agent and employee benefit business.

(3) Syndicated loans

CTBC Bank is a leading arranger of loan syndication in Asia, with an extensive presence in the region as well as a strong commitment to its home market. The Bank has strong origination and structuring capabilities providing innovative solutions, and has extensive distribution channels. We specialize in financing solutions requiring higher levels of sectorial knowledge, such as private equity-sponsored leveraged financing, merger and acquisition financing, and aviation/shipping/real estate/project financing. The Bank has developed extensive networking and firm partnerships with key players in the region.

(4) Fixed income underwriting

In 2019, we had another record year in fixed income underwriting, with a number of successful issuances for regional deals. In addition, we remained in the top spot among our Taiwanese peers in Asian G3 currency bond underwriting. With our strengthened debt capital market franchise together with our loan syndication business, we are well positioned to serve our clients across Asia with comprehensive corporate finance solutions.

(5) Treasury and derivatives

CTBC Bank provides a wide range of tailored financial solutions to our institutional clients globally. In addition to managing the Bank's market risk exposure and liquidity position, we provide risk management solutions for foreign exchange, interest rates, commodities, debt instruments, and derivative services. In 2019, we

retained our leading position in the Taiwan derivatives market, supported by our strong innovation capabilities and market franchise.

## 2) Retail banking

CTBC Bank remains the pioneer in retail banking service innovation. In addition to enjoying a significant market share, we received 56 international and domestic awards in 2019, including our 15th consecutive Best Private Bank in Taiwan award from *Euromoney* and 13th consecutive Best Retail Bank in Taiwan award from *The Asian Banker*.

With the Bank's competitive advantages in branding and comprehensive services, our number of retail customers as well as our assets under management have shown strong growth over the past few years, with compound annual growth of 4% and 16%, respectively, from 2015.

### (1) Wealth management

With its open platform strategy, CTBC Bank is able to provide comprehensive and innovative wealth management services and products to meet its diverse customer needs. Our diversified wealth management product lines have contributed to the Bank's leading position in Taiwan's wealth management market and its differentiated position in the international private banking business.

### (2) Loan services

CTBC Bank has long been dedicated to providing complete financing solutions with multi-channel customer services, and also continues to maintain superior asset quality and profitability. As a result, we have enjoyed a leadership position in the personal loan and non-government-affiliated mortgage markets. In order to further optimize the customer experience, the Bank has also established an award-winning digital lending platform that radically simplifies the loan application process and reduces turnaround time.

### (3) Payment services

As part of its efforts to provide customers with a convenient payment experience, CTBC Bank has continued working in partnership with various retailers and mobile payment platforms. Our customers are now able to utilize digital payment tools such as QR code payments and embedded payments in partner retailers' services for a seamless payment experience both online and offline.

### (4) Internet and mobile banking

Our internet and mobile banking services continue to be the most popular in the country thanks to their continual improvement, earning numerous awards in the process. The number of customers using our internet and mobile banking services now exceeds 4.5 million and 3.1 million, respectively. These figures continue to grow as the Bank consistently enhances its platforms' designs and launches new industry-first features that make customers' everyday lives easier.

(5) ATM services

CTBC Bank has the largest ATM network in Taiwan. With more than 6,100 machines nationwide, we top the list in terms of interbank withdrawal transactions, accounting for approximately 32% of market share. We are also constantly innovating ATM functionality, such as by introducing biometric authentication.

### 3.2. Employees

As of	Dec. 31, 2019		Dec. 31, 2018	
Number of employees	12,026		11,536	
Average age (years)	38.4		38.3	
Average tenure at CTBC (years)	9.7		9.6	
Education	Employees	Percentage	Employees	Percentage
Graduate school or higher	2,801	23.3%	2,593	22.5%
University/college	8,504	70.7%	8,160	70.8%
Senior high school	685	5.7%	743	6.4%
Below senior high school	36	0.3%	40	0.3%

### 3.3. Social responsibility

CTBC Holding is committed to sustainable business development. In 2007, the Company took the initiative to release its first CSR Report and, in 2012, became the first company in Taiwan's financial industry to obtain ISO 50001 Energy Management System certification. In 2016, it was the first in the field to adopt integrated reporting principles. The CSR Report has since been compiled with reference to the U.N. Sustainable Development Goals (SDGs) and verified according to GRI Standards. CTBC Holding also makes disclosures in reference to standards for commercial banks issued by the U.S. Sustainability Accounting Standards Board (SASB) to align with the latest international best practices.

CTBC Holding's overall corporate sustainability strategy and vision are summed up by "TRUST"—an acronym we coined to emphasize the importance of corporate governance (Transparency), environmental sustainability (Responsibility), employee welfare (Understanding), customer service (Satisfaction), and community engagement (Together).

#### 1) Transparency: Clear governance guidelines

To strengthen its corporate governance and enhance its business performance, CTBC Holding introduced an independent director system in 2008, and in 2016, it became the first company in Taiwan's financial industry with independent directors occupying more than half of its board seats. The diverse professional backgrounds and independence of these independent directors has inexorably strengthened the Company's corporate governance.

In addition, to reinforce the Board's management and supervisory functions, five committees have been established: the Audit Committee, Remuneration Committee, Risk Management Committee, Nomination Committee, and Ethics and Integrity Committee. At the end of each year, all directors are invited to conduct a self-assessment of the Board's operations and of their own individual performance.

Furthermore, CTBC Holding approved in February 2019 the establishment of a managerial-level corporate governance supervisor, who is charged with supervising the Corporate Governance Department and the Board of Directors' Secretariat. The supervisor is responsible for providing the information and assistance that Board directors require in order to perform their duties, and are also responsible for continually advocating corporate governance within CTBC Holding and its subsidiaries.

To keep pace with international trends, meet the expectations of competent authorities, and enforce the Company's own independent Board director requirement, the Corporate Governance Best Practice Principles were revised in 2018 to stipulate that the term of office for independent directors must not exceed three years. The change made CTBC Holding the first financial company in Taiwan to establish such a term limit. The Corporate Governance Best Practice Principles were again revised in 2019 to have CTBC Holding become the first in the industry to limit the number of company boards on which a director may serve simultaneously. Moving forward, CTBC Holding is committed to further improving its corporate governance and strengthening its information disclosure and transparency, balancing the rights and interests of all stakeholders so that the Company may continue to grow and develop sustainably.

CTBC Holding's Articles of Incorporation clearly state that directors are to be elected based on the candidate nomination system. In addition, the Company's Rules for Director Elections, the Nomination Committee Charter, and the Corporate Governance Best Practice Principles stipulate the Board's structure, diversity policy, and overall competency requirements. The guidelines for the composition of the Board of Directors facilitate the arrangement of suitable director successors. Regarding the evaluation of director candidates, in addition to professional qualifications and experience, consideration is also given to the candidate's familiarity with the corporate culture of CTBC Holding, as well as its business operations and subsidiaries. In cooperation with the Company's development blueprint, the Board solicits professionals from the financial industry as well as the business, government, and academic sectors. If a candidate is currently a director of CTBC Holding or a subsidiary, their previous performance evaluations for these roles will be taken into consideration during the selection process.

In order to maintain the professionalism and experience of Board members, the Company uses the following means to build a database of director talent for reference in director succession planning:

- (1) seeks suitable candidates from various fields to serve as Company directors;
- (2) references independent talent pools;
- (3) appoints current directors or appropriate external agencies and consultants to propose suitable director candidates; and
- (4) references the results of the Board performance evaluations when considering the reappointment of incumbent directors.

To keep up-to-date on international developments, CTBC Holding has instituted concrete management policies and a dedicated organization to implement CSR-related measures. For example, the Corporate Sustainability Committee was established with the President serving as its chair, independent Board directors attending and supervising committee meetings, and the presidents of subsidiaries serving as committee members. The committee has also formed subgroups, with each covering a specific issue such as corporate governance, employee care, sustainable finance, community engagement, and environmental sustainability. In addition to protecting the rights and interests of stakeholders, the committee also focuses on ESG planning and follows through with concrete implementation measures.

## **2) Responsibility: Ensuring environmental sustainability**

Climate change is a tremendous global challenge. In line with its sustainable development policies, CTBC Holding has built upon the foundations of energy efficiency, carbon reduction, resource management, and green buildings to expand its sustainability efforts further to include green services, green sourcing, and green consumption.

Indeed, environmental protection and energy conservation are at the core of the design of the Company's headquarters, CTBC Financial Park, which boasts 29,752 square meters of park area and 264,463 square meters of gross floor area. Incorporating various environmental protection and energy-saving techniques, the complex is the largest financial institution building in Taiwan to receive a Diamond-grade Green Building label under Taiwan's EEWH building certification system. At the end of 2019, CTBC Financial Park obtained LEED O+M v4.1 Platinum Certification and the LEED Dynamic Plaque, becoming Taiwan's first recipient of either recognition.

In response to extreme weather patterns, the headquarters' water facilities, fountains, and sprinkler equipment utilize rainwater reclamation and water-recycling technologies, while solar panels are installed to supply electricity for the financial park's public spaces. Aligning with global conservation efforts, CTBC Holding has adopted carton-footprint



reduction measures, such as the purchasing of products that meet strict standards in environmental protection, energy efficiency, water conservation, and green construction. As a result, it has received the Outstanding Contribution to Green Purchasing by a Private Enterprise Award from Taipei City Government's Department of Environmental Protection for 11 consecutive years.

CTBC Holding has a proud history of taking practical measures to realize its commitment to the planet. In 2012, it became one of the first Taiwanese financial institutions to sign on to the CDP. In the same year, the Company established an Environmental Sustainability Group, which holds management review meetings regularly to follow through with the implementation of environment-related policies. In 2018, CTBC Holding continued to grow the scope of its certification in the three major international certification standards of ISO 50001 (Energy Management), ISO 14001 (Environment Management System), and ISO 14064-1 (Greenhouse Gas Emissions Reporting). The following year, this expanded to cover 194 branches across Taiwan as well as all CTBC Holding subsidiaries.

The Company's environmental measures have been honored with an Outstanding Energy Saving Performance Award from the Ministry of Economic Affairs and an R.O.C. Enterprise Environmental Protection Award from Taiwan's Environmental Protection Administration. In addition, CTBC Holding became the first financial institution in Taiwan to obtain renewable energy certification from the Ministry of Economic Affairs.

### **3) Understanding: Caring for our employees**

CTBC Holding firmly believes that its workforce is its most valuable asset. As such, it has for years promoted a function-oriented talent strategy and has mapped out various professional and management training courses. In recent years, the Company has further integrated world-renowned leadership assessment tools to comprehensively review the leadership potential and qualities of management talent in various businesses and roles at all levels in order to elucidate the factors that motivate individuals to grow.

It also maintains talent development committees that examine the performance and potential of personnel at all levels, thereby facilitating the holistic discussion and planning of customized career development paths. The Company can accurately allocate resources to build a complete talent pool by providing employees with on-the-job training, project assignments, and rotations across different countries, businesses, and functions.

Moreover, the Company has cooperated with numerous leading international academic institutions to introduce top teachers and development resources and to provide global, diverse, and systematic development planning (e.g., courses, job rotations, project assignments, coaching feedback, and personal development). These measures are taken in

order to enhance the strategic leadership structure, stimulate innovative thinking, and ensure that the Company has a steady stream of talent sufficient to maintain its leading position in the industry in response to the rapidly changing external operating environment.

CTBC Holding has always firmly believed that talented people are the key to an enterprise maintaining its competitive advantage. In addition to providing competitive remuneration, industry-leading benefits, education, training, and a fair promotions system, the Company also supports global human rights protections and basic rights through its Human Rights Policy and Human Rights Risk Assessment and Management Procedures.

The Company also understands the importance of providing a comfortable and friendly working environment. In doing so, it focuses on three aspects in particular: risk-based thinking, preventive health care, and a culture of safety. In 2018 and 2019, it passed ISO 45001 Occupational Safety and Health Management System certification, strengthening occupational safety management standards and overall performance. Moving forward, CTBC Holding will expand its corporate influence to work with suppliers and related enterprises to form an ecosystem of safety and sustainability.

#### **4) Satisfaction: A full range of products and services**

CTBC Holding also actively integrates CSR considerations into its own business practices and offerings. In 2017, for example, CTBC Bank launched the first qualified green bond in Taiwan, which was oversubscribed by investors. In 2018, it served as the financial adviser for the first cooperation between local banks and an offshore wind power developer, Copenhagen Infrastructure Partners of Denmark, while sparing no effort in supporting endeavors in green energy and environmental protection. And the Company again lent its support to domestic green energy development in 2019, participating in two offshore wind power financing projects and one solar power financing project. In the same year, the Company also signed the Equator Principles and became the 94th financial institution in the world to do so.

CTBC Holding actively supports access to finance for all. Our Bank has ATMs in nearly all of Taiwan's ubiquitous 7-Eleven locations. These stores, open 24 hours a day, often provide the only banking services available to communities in rural areas across Taiwan's mountainous regions and offshore islands.

CTBC Bank also offers special branch office, ATM, and online banking services to ensure the access to finance of people with disabilities. Its branches feature barrier-free office space and ATM services, including a total of 6,000 barrier-free ATM's and 161 ATMs tailored for users with impaired vision, which provided people with disabilities the most convenient financial services.

The Bank's Home Bank app leads the industry in Taiwan with its use of responsive web design to make the app comfortably usable across all sizes and forms of mobile device. This ensures that all customers have access to the app's myriad financial services, regardless of their device. In addition, to meet the financial needs of SMEs, an online SME financial service platform is provided, resulting in 13% annual growth in SME loans over the past three years. The Bank also provides life-changing microfinancing abroad through its overseas branches, having loaned more than NT\$3.1 billion to aspiring micro-enterprises as of the end of 2019. Meanwhile, Taiwan Life has been focused on offering proactive insurance coverage for people with economic, physical, or health challenges, doing so through micro-insurance, insurance policies for those with specific health issues, and small-premium end-of-life insurance.

In terms of digital financing, CTBC Holding developed artificial intelligence and launched CTBC Brain, which integrates "machine thinking", "machine vision", and "machine dialogue" to provide an optimal and consistent cross-channel experience as well as enhance internal operational efficiency in various business applications. Furthermore, blockchain technology has been applied in the digital content, international trade, and health care fields. CTBC Holding also became one of the first vendors to join FinTechSpace, a publicly funded Taipei-based incubator launched by the government as part of its efforts to encourage fintech innovation, with the Company currently collaborating in two projects there: the Digital Sandbox and the Innovation Lab.

To play an active role in the financial industry while fulfilling its commitment to sustainability, CTBC Holding subsidiary CTBC Bank signed the Equator Principles in 2019, becoming one of the global member banks to voluntarily adopt the guidelines. The Bank and Taiwan Life also announced that they would voluntarily abide by the U.N. Principles for Responsible Banking (PRB), the Principles for Sustainable Insurance (PSI), and the Principles for Responsible Investment (PRI) to facilitate sustainable development in the global financial sector.

In April this year, CTBC Holding formally signed on to follow the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). This will empower the Company to more strongly exert its influence as a large financial industry player to promote sustainable operating models, in compliance with global sustainable development trends and in line with related international initiatives.

## **5) Together: Uniting for social change**

"We are family" is more than a slogan—it is the spirit of the whole group's brand, with CTBC Holding caring for its employees and customers in the way family members do each other. This care in turn spreads across the community and country, like ripples in a

pond, as it continues to expand its efforts in five categories of charitable endeavors: social welfare, physical education, drug awareness, education, and culture and the arts. CTBC Holding devotes its resources to creating virtuous cycles with the goal of encouraging public participation and contributing to a better world.

The Light Up a Life charity was established by CTBC Holding founder Jeffrey Koo Sr., who felt compelled to make a difference in the lives of disadvantaged children. Its launch in 1985 was also the starting point of CTBC Holding's involvement in community engagement—an involvement that has persisted and grown stronger in the intervening 35 years. As the longest-running charitable activity of any private enterprises in Taiwan, Light Up a Life has become one of the most effective and most visible platforms for the public to help disadvantaged children. It has raised nearly NT\$2.1 billion in donations and helped more than 500,000 children by giving them a chance to escape poverty and realize their dreams.

Founded in 2004, the CTBC Charity Foundation administers the Taiwan Dream Project, which provides educational and nutritional services for children in remote communities. The initiative, which has so far helped build 24 Taiwan Dream Project sites, works by marshaling central and local government resources and leveraging the efforts of volunteers and the general public to provide children with a warm and loving second home.

Inspired by the microfinancing concept of Nobel Peace Prize winner Dr. Muhammad Yunus's Grameen Bank, we introduced the first such initiative in Taiwan in 2011 with the CTBC Poverty Alleviation Program. It provides disadvantaged and marginalized families with the microloans and financial advice they need to meet their basic needs and beyond. Since its inception, the program has successfully funded 383 family start-up businesses and helped them escape poverty.

In terms of overseas aid, the CTBC Charity Foundation embraces the philosophy that poverty can be overcome through education. As such, in China in 2013, it launched the Caring for China's Next Generation on Campus program alongside the Caring for China's Next Generation Working Committee and the Social Welfare Foundation for China's Next Generation Fund. Priority has been given to underdeveloped, remote, and ethnic minority areas. A school has been selected as an educational demonstration site in each area, with funds provided to purchase teaching equipment. The project has been a concrete demonstration of cross-strait charitable and public welfare cooperation over the past seven years. As of publication, 45 pilot program sites had been set up, and over 56,000 underprivileged students now have access to more learning resources as a result. Learning and living conditions have been greatly improved in general, earning plaudits on both sides of the strait.

During events hosted by CTBC Holding as part of its long-term involvement with disadvantaged children and otherwise marginalized families, the blight of serious drug abuse continually reared its head. The Company saw first-hand the cause-and-effect relationships between drug abuse and other social issues. This spurred it to become involved in educating youngsters about the dangers of substance abuse, and it established the CTBC Anti-Drug Educational Foundation in 2015. The foundation has had great success, largely because of its integration of human and material resources from across the CTBC Holding group and its highly effective awareness campaigns. Furthermore, in consideration of the global scale of the drug abuse problem, the foundation has partnered with the Ministry of Justice Investigation Bureau in Taiwan and the U.S. Drug Enforcement Administration Educational Foundation. Combining the experience and resources of the public sector and the U.S. anti-drug agency, the foundation has become an integral awareness platform for both the government and the private sector. It raises children's awareness of the dangers of drugs in an engaging manner that breaks free of conventional, low-impact methods. For instance, it utilizes interactive 3D activities and drug-detection tools in one of its touring exhibitions, which to date has reached more than 570,000 people all around Taiwan.

Baseball is hailed as the national pastime of Taiwan, and CTBC Holding has become the first enterprise to invest in all five levels of the sport, from little league to the majors. In 2014, the Company began sponsoring the CTBC Brothers pro baseball team. That same year, to support the game at the grassroots level, it launched a sponsorship program for the little and junior leagues, giving the opportunity to play the sport to rural children who otherwise may not have been able to—despite them being among the country's most passionate baseball fans. And, at the big league level, the Company began sponsoring the CTBC Cup Black Panther Flag High School Baseball Games in 2015. It also established a Taiwanese version of Japan's famed Koshien Stadium in order to support and nurture talented high school students players.

In 2018, CTBC Bank evaluated the social return on investment of its sponsorship of the CTBC Brothers. The quantitative analysis, as certified by Social Value International, found that every NT\$1 invested produced NT\$17.59 in social value. This was not only the first social return on investment analysis ever conducted by Social Value International for a baseball team, but the return calculated was the highest it had ever certified for in the field of sports.

Elsewhere in sports, CTBC Bank has been nurturing a new generation of women's golfers, supporting six professional players and three amateur juniors who together won a total of seven championships in 2019. It also sponsors the CTBC Ladies Open, which set a record by attracting a crowd of more than 7,500 people over three days, giving the sport a visible boost in Taiwan.

In the education field, CTBC Holding made a much-needed donation in 2015 and transformed a college on the verge of closure into CTBC Business School, which offers grants and scholarships to disadvantaged students who display outstanding academic performance. The school has achieved a 100% student enrollment rate every year since its establishment and won the Ministry of Education's praise as the new model for "corporate philanthropy in support of higher education". In 2019, all students of the first graduation class were successfully matched with employers, highlighting the important talent pool the college is already producing for Taiwan's financial sector.

The Company also founded the CTBC Foundation for Arts and Culture. In its early years, the foundation focused on operating the Novel Hall performance arts venue. In 2015, it shifted to a new operating model with more emphasis engagement with the wider community. Through efforts such as the CTBC Arts Festival, Love & Arts for Dreams Initiatives, Master Class Series, and CTBC Arts Award, along with support for independent music, the foundation has established a platform that is helping all members of the public engage with the arts.

With a reputation built on the hard work of the diverse programs mentioned above, CTBC Holding rightfully views its brand value as its most important intangible asset. Indeed, in the 2019 Best Taiwan Global Brands survey conducted jointly by the Ministry of Economic Affairs' Industrial Development Bureau and brand consultancy Interbrand, CTBC Holding was ranked as the most valuable brand in Taiwan's financial sector for the fourth consecutive time, with a brand value of US\$604 million. Also last year, CTBC Bank ranked 181st in the British research institute Brand Finance's Global 500 survey of the world's top banking brands, with an estimated brand value of US\$1.091 billion.

Moving forward, CTBC Holding will continue to give ESG-related issues high priority in its decision-making and planning. It will further expand its capacity for sustainably minded corporate operations—and it will do so by upholding its "We are family" brand spirit, "protect and build" corporate mission, and "caring, professional, and trustworthy" brand values. It does this in order to create value for its customers, employees, shareholders, suppliers, and community, working to cement its status as the most trusted financial service institution in the minds of customers and shareholders alike.



## **4. Dividend policy and earnings distribution**

### **4.1. Dividend policy and execution status**

#### **4.1.1. Dividend policy:**

As a subsidiary of CTBC Holding, and in order to satisfy the fund requirements of the parent company, if the Bank reaches a reasonable BIS ratio, cash dividends and bonuses for common shares shall be prioritized and maintained at a stable level every year.

The above policy, however, is to be observed only in principle. The Bank shall take business performance and budgeted capital requirements into consideration and make necessary adjustments to the actual distribution.

Regarding the distribution terms, time, and amount, if there are earnings in the financial statement, the Bank shall first set aside funds for taxes, to be adjusted according to the principles of financial accounting, and offset losses, if any. It shall then set aside 30% of the earnings as a legal reserve and subsequently, per applicable laws and regulations, appropriate or reverse a special reserve. The balance, together with the undistributed retained earnings of the previous year, shall be the distributable earnings. The Board of Directors shall present an earnings distribution proposal at a shareholders' meeting for approval. Prior to the legal reserve reaching the paid-in capital of the Bank, the distributed cash dividends shall not exceed 15% of the Bank's paid-in capital. Upon the Bank's accumulated legal reserve reaching the Bank's paid-in capital, or if the Bank meets the required finance and business operation standards as defined by the competent authority in Paragraph 2 of Article 50 of the Banking Act and has set aside legal reserve according to the Company Act, it shall not be limited by the legal reserve and the cash earning distribution ceiling.

- 4.1.2. The Board has approved the earnings appropriation proposal for 2019. It is proposed that a total of NT\$25,478,245 thousand from the retained earnings of the year be distributed in cash and in stock according to the record shown in the shareholder book on the distribution record date. The dividends are NT\$1.5 per share in cash and NT\$0.26811 per share in stock, total common stock dividends are NT\$1.76811 per share. In the event of a capital increase or decrease affecting the number of outstanding shares on the distribution record date, the Chairman shall be authorized to handle relevant matters.

### **4.2. Impact of proposed stock dividend on the Company's business performance and EPS:**

No financial forecast was announced for the Bank in 2020; therefore, no such disclosure is applicable.

#### **4.3. Information relating to compensation of employees, directors, and supervisors**

4.3.1. The percentages or ranges with respect to employee, director, and supervisor compensation, as set forth in the company's Articles of Incorporation:

The employee bonus allocation is set at 0.05% of the Bank's pretax income before the deduction of employee compensation at the end of the accounting period as employee compensation in the Articles of Incorporation. However, the compensation of directors and supervisors is not mentioned in the Articles of Incorporation.

4.3.2. The basis for estimating the amount of employee, director, and supervisor compensation, for calculating the number of shares to be distributed as employee compensation, and the accounting treatment of any discrepancy between the actual distributed amount and the estimated figure, for the current period:

Estimation of the fair value of employee compensation is recognized as current-period expenses based on the Bank's pretax income before the deduction of employee compensation at the end of the accounting period multiplied by the percentage set by the Bank's Articles of Incorporation. However, if the later actual allocation amount pursuant to a resolution of the Bank's Board of Directors is different from the estimated number, the difference is recognized as the profit or loss of the next year.

4.3.3. Information on any approval by the Board of Directors of the distribution of compensation:

1) The amount of any employee compensation distributed in cash or stocks and compensation for directors and supervisors, and, if there is any discrepancy between that amount and the estimated figure for the fiscal year for which these expenses are recognized, the discrepancy, its cause, and the status of treatment:

- (1) Compensation: The cash compensation of employees was NT\$18,363 thousand.
- (2) Discrepancy: The accrued expenses of employee compensation totaled NT\$18,824 thousand. The discrepancy between the actual allocation amount and accrued expenses for employee compensation was NT\$460 thousand.
- (3) Reason: The discrepancy was because the monthly closing number of net income before tax that was used to estimate accrued expenses differed from the actual closing number of net income before tax at the end of the accounting period.
- (4) Treatment: The difference will be treated as a change in accounting estimates for 2020.

2) The amount of any employee compensation distributed in stocks and the size of that amount as a percentage of the sum of the after-tax net income stated in the parent company-only financial reports or individual financial reports for the current period and total employee compensation:

No employee compensation was distributed in the form of stock; therefore, no such disclosure is applicable.

4.3.4. The actual distribution of employee, director, and supervisor compensation for 2018 (with an indication of the number of shares, monetary amount, and stock price of the shares distributed), and, if there is any discrepancy between the actual distribution and the recognized employee, director, or supervisor compensation, additionally the discrepancy, cause, and how it is treated:

	2018			
	Distributed with the resolution from the Annual General Meeting	Recognized expenses	Difference (Note)	Reason
Distribution status:				
A Employee compensation distributed in the form of cash	NT\$17,022 thousand	NT\$16,997 thousand	NT\$25 thousand	The difference was because the monthly closing number of net income before tax used to estimate accrued expenses differed from the audit one.
B Employee compensation distributed in the form of stock				
(1) shares,	-	-	-	
(2) amount, and	-	-	-	
(3) stock price	-	-	-	
C Remuneration to directors and supervisors	-	-	-	

Note: The difference, amounting to NT\$25 thousand, was regarded as changes in accounting estimates and recognized as a profit or loss for 2019.

## 5. Internal Control Statement

### Internal Control Statement

To: Financial Supervisory Commission,

On behalf of CTBC Bank Co., Ltd., we hereby certify that for the year 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 implementing our internal control system, risk management mechanism, regular reports to the Board of Directors and Audit Committee; and conducting audits by an independent audit department.

For the concurrent securities business, the Bank has evaluated the effectiveness of the design and implementation of the relevant internal control system, in accordance with evaluation requirements under the "Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets", by the Securities and Futures Bureau of Financial Supervisory Commission.

For the concurrent insurance agent business, the Bank has evaluated the effectiveness of the design and implementation of the related internal control system, with required evaluation components included at a minimum: 1.control environment, 2.risk assessment, 3.control activities, 4.information and communication, and 5.monitoring activities, according to the "Regulations Governing the Implementation of Internal Control and Audit System and Business Solicitation System of Insurance Agent Companies and Insurance Broker Companies". Based on the Bank's evaluation, we confirm effectiveness of the design and implementation of the internal control system (including soundness of operations, reliability of reports, and compliance to relevant laws and regulations) during the aforementioned period, and that reasonably ensure the above requirements have been achieved.

Under prudent evaluation, we hereby certify that, with exception to items listed in the attachment, the Bank's compliance with relevant laws and regulations and internal controls have been effectively implemented for the year 2019. This statement will form part of the Bank's annual report and prospectus to be disclosed to the public, and we are liable for false information or omissions in its material contents under Articles 20, 32, 171, and 174 of the Securities and Exchange Act; and relevant articles under the Insurance Act.

This statement was approved by the Board meeting on 2020/2/26.

Sincerely yours,

Chairman



President



General Auditor



Chief Compliance Officer



## Issues and Corrective Actions for CTBC Bank's Internal Control Statement

(As of Dec. 31, 2019)

Issue for improvement	Corrective actions	Target completion date
1. CTBC Bank, the trustee of the "CTBC Bank Trust Account of National Development Fund for Strengthening Investment in Strategic Service Industries", failed to transfer Kuobrothers Corp. shares in accordance with regulations. As a consequence, the FSC imposed an administrative fine of NT\$240,000.	CTBC Bank completed enhancement of the pre- and post-transaction verification mechanism, and improved the training for relevant staff.	Completed
2. The FSC conducted a limited-scope examination of CTBC Bank's concurrent insurance agent business and noted deficiencies in the following areas: calculation of residential fire insurance coverage amounts, retention of copies of insurance applications, the sources of customer premiums and annual income written in the insurance agents' reports, risk attributes evaluation process, phone recordings, and insurance agent delisting, etc. As a result, the FSC imposed three reprimands, two issues demanded to be rectified within a month, and an administrative fine of NT\$300,000.	CTBC Bank revised relevant internal operation guidelines, strengthened and reiterated monitoring and control mechanism.	Completed
3. It was found that a CTBC Bank financial advisor involved in the misappropriation of customer funds and improper fund transfers with customers. As a consequence, the FSC imposed an administrative fine of NT\$4 million, a reprimand, and demanded the dismissal of the financial advisor involved.	CTBC Bank revised relevant internal operation guidelines, established a monitoring mechanism for improper fund transfers between financial advisors and customers, strengthened the control mechanism of underwriting notifications, and reiterated to all relevant bank staff.	Completed

## 6. Audit Committee Report on last year's financial statement

### CTBC Bank Co., Ltd. 2019 Audit Committee Report

The financial statements(unconsolidated and consolidated), business report, and earnings distribution plan submitted by the Board of Directors of CTBC Bank Co., Ltd., among which the financial statements(unconsolidated and consolidated) have been audited by external auditors Jeff Chen and Lin Wu of KPMG, have been duly examined and accepted as correct by the Audit Committee in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, and the committee's report is hereby submitted.

Audit Committee Convener  
Sheng-Yung Yang



Taipei, Taiwan, R.O.C.  
May 8, 2020

## 7. Head office and domestic branches

### 7.1. Domestic branches

Branch Name	Address	Telephone
Head Office (Banking Department)	1F., No.168, Jingmao 2nd Rd., Nangang District, Taipei City 115, Taiwan (R.O.C.)	886-2-33271688
Jhancian Branch	1F., No.4, Sec. 1, Zhongxiao W. Rd., Jhongzheng District, Taipei City 100, Taiwan (R.O.C.)	886-2-23113598
Huashan Branch	1F., No.55, Sec. 1, Zhongsiao E. Rd., Jhongzheng District, Taipei City 100, Taiwan (R.O.C.)	886-2-23413000
Dongmen Branch	1F., No.213, Sec. 2, Sinyi Rd., Jhongjheng District, Taipei City 100, Taiwan (R.O.C.)	886-2-23958000
Chengjhong Branch	1F., No.83, Sec. 1, Chongcing S. Rd., Jhongjheng District, Taipei City 100, Taiwan (R.O.C.)	886-2-23818740
Daan Branch	1F., No.102, Sec. 2, Roosevelt Rd., Jhongjheng District, Taipei City 100, Taiwan (R.O.C.)	886-2-33651988
Mincyuan west road Branch	1F., No.104-1, Mincyuan W. Rd., Datong District, Taipei City 103, Taiwan (R.O.C.)	886-2-25572919
Chengde Branch	1F., No.17, Sec. 1, Chengde Rd., Datong District, Taipei City 103, Taiwan (R.O.C.)	886-2-25562088
Sihu Branch	1F., No.244, Sec. 1, Neihu Rd., Neihu District, Taipei City 114, Taiwan (R.O.C.)	886-2-27999588
Jhongshan Branch	1F., No.106-2, Sec. 2, Jhongshan N. Rd., Jhongshan District, Taipei City 104, Taiwan (R.O.C.)	886-2-25235222
Minsheng Branch	1F., No.58, Sec.1, Minsheng E. Rd., Jhongshan District, Taipei City 104, Taiwan (R.O.C.)	886-2-25641818
East Minsheng Branch	1F., No.51, Sec. 3, Minsheng E. Rd., Zhongshan District, Taipei City 104, Taiwan (R.O.C.)	886-2-25093656
Dazhi Branch	1F., No.638, Mingshuei Rd., Jhongshan District, Taipei City 104, Taiwan (R.O.C.)	886-2-85026002
Chengbei Branch	1F., No.218, Songjiang Rd., Jhongshan District, Taipei City 104, Taiwan(R.O.C.)	886-2-25623789
Nanjing East Road Branch	1F., No.16, Sec. 1, Nanjing E. Rd., Jhongshan District, Taipei City 104, Taiwan (R.O.C.)	886-2-25232238
Chengdong Branch	1F., No.88, Sec. 2, Nanjing E. Rd., Jhongshan District, Taipei City 104, Taiwan (R.O.C.)	886-2-25677377
Longjiang Branch	1F., No.65, Sec. 3, Nanjing E. Rd., Jhongshan District, Taipei City 104, Taiwan (R.O.C.)	886-2-25158811
Chang An Branch	No.26, Fusing N. Rd., Jhongshan District, Taipei City 104, Taiwan (R.O.C.)	886-2- 27785881
Jhunglun Branch	1F., No.85, Sec. 4, Bade Rd., Songshan District, Taipei City 105, Taiwan (R.O.C.)	886-2-27672669
Fujin Branch	1F., No.165, Sec. 5, Minsheng E. Rd., Songshan District, Taipei City 105, Taiwan (R.O.C.)	886-2-27602766
Sisong Branch	1F., No.161, Sec. 5, Nanjing E. Rd., Songshan District, Taipei City 105, Taiwan, (R.O.C.)	886-2-37655588
Fubei Branch	1F., No.363, Fusing N. Rd., Songshan District, Taipei City 105, Taiwan (R.O.C.)	886-2-87705566
Dunbei Branch	1F., No.122, Dunhua N. Rd., Songshan District, Taipei City 105, Taiwan (R.O.C.)	886-2-27133322
Renai Branch	1F., No.341, Sec. 4, Renai Rd., Daan District, Taipei City 106, Taiwan (R.O.C.)	886-2-27754600
Anhe Branch	1F., No.195, Sec. 2, Anhe Rd., Daan District, Taipei City 106, Taiwan (R.O.C.)	886-2-27386171
Yanji Branch	1F., No.298, Sec. 4, Zhongsiao E. Rd., Daan District, Taipei City 106, Taiwan (R.O.C.)	886-2-27716000
Jhongsiao Branch	1F., No.71, Sec. 4, Zhongsiao E. Rd., Daan District, Taipei City 106, Taiwan (R.O.C.)	886-2-27520310
Sinyi Branch	1F., No.236, Sec. 4, Sinyi Rd., Daan District, Taipei City 106, Taiwan (R.O.C.)	886-2-27079977



Branch Name	Address	Telephone
Fusing Branch	1F., No.251, Sec. 1, Dunhua S. Rd., Daan District, Taipei City 106, Taiwan (R.O.C.)	886-2-27771988
Dunnan Branch	1F., No.68, Sec. 2, Dunhua S. Rd., Daan District, Taipei City 106, Taiwan (R.O.C.)	886-2-23253616
Gungguan Branch	1F., No.311, Sec. 3, Roosevelt Rd., Daan District, Taipei City 106, Taiwan (R.O.C.)	886-2-23623377
Wanhua Branch	1F., No.92, Sec. 2, Changsha St., Wanhua District, Taipei City 108, Taiwan (R.O.C.)	886-2-23898188
Yongji Branch	1F., No.18, Yongji Rd., Sinyi District, Taipei City 110, Taiwan (R.O.C.)	886-2-27617999
Songshan Branch	1F., No.550, Sec. 5, Jhongsiao E. Rd., Sinyi District, Taipei City 110, Taiwan (R.O.C.)	886-2-23466711
Shinfu Branch	1F., No.9, Songgao Rd., Sinyi District, Taipei City 110, Taiwan (R.O.C.)	886-2-27221668
Tianmu Branch	1F., No.90, Sec. 6, Jhongshan N. Rd., Shihlin District, Taipei City 111, Taiwan (R.O.C.)	886-2-28322888
Shihlin Branch	1F., No.307, Jhongheng Rd., Shihlin District, Taipei City 111, Taiwan (R.O.C.)	886-2-28839900
North Tianmu Branch	1F., No.10, Tianmu W. Rd., Shilin District, Taipei City 111, Taiwan (R.O.C.)	886-2-28766100
Jiantan Branch	1F., No.150, Sec. 4, Chengde Rd., Shilin District, Taipei City 111, Taiwan (R.O.C.)	886-2-28827979
Shihpai Branch	1F., No.46, Sec. 2, Shihpai Rd., Beitou District, Taipei City 112, Taiwan (R.O.C.)	886-2-28213366
Beitou Branch	1F., No.217, Guangming Rd., Beitou District, Taipei City 112, Taiwan(R.O.C.)	886-2-28983039
Rueiguang Branch	No.514, Sec. 1, Neihu Rd., Neihu District, Taipei City 114, Taiwan (R.O.C.)	886-2-27985600
Chenggong Branch	1F., No.161, Sec. 4, Chenggong Rd., Neihu District, Taipei City 114, Taiwan (R.O.C.)	886-2-87911686
Neihu Branch	1F., No.358, Sec. 4, Chenggong Rd., Neihu District, Taipei City 114, Taiwan (R.O.C.)	886-2-27938668
Donghu Branch	1F., No.182, Sec. 3, Kangning Rd., Neihu District, Taipei City 114, Taiwan (R.O.C.)	886-2-26312288
Mujha Branch	1F., No.69, Sec. 3, Mujha Rd., Wunshan District, Taipei City 116, Taiwan (R.O.C.)	886-2-29375890
Wunshan Branch	1F., No.248, Sec. 4, Sinhai Rd., Wunshan District, Taipei City 116, Taiwan(R.O.C.)	886-2-29335358
Jingmei Branch	No.405, Sec. 6, Roosevelt Rd., Wenshan District, Taipei City 116, Taiwan (R.O.C.)	886-2-29329838
Keelung Branch	1F., No.150, Sinyi Rd., Sinyi District, Keelung City 201, Taiwan (R.O.C.)	886-2-24221166
Pucian Mini Branch	No.409, Sec. 2, Zhongshan Rd., Banqiao Dist., New Taipei City 220, Taiwan (R.O.C.)	886-2-29550666
Bansin Branch	1F., No.293-1, Sec. 1, Jhongshan Rd., Banciao District , New Taipei City 220, Taiwan (R.O.C.)	886-2-89611500
Banciao Branch	1F., No.187, Sec. 1, Wunhua Rd., Banciao District , New Taipei City 220, Taiwan (R.O.C.)	886-2-29606600
Chongcing Branch	1F., No.290, Chongcing Rd., Banciao District , New Taipei City 220, Taiwan (R.O.C.)	886-2-29634567
Sinantecyu Branch	1F., No.88, Sec. 2, Sianmin Blvd., Banqiao District, New Taipei City 220, Taiwan (R.O.C.)	886-2-29619666
Jiangcui Branch	No.242, Sec. 2, Wenhua Rd., Banqiao Dist., New Taipei City 220, Taiwan (R.O.C.)	886-2-22578999
Sijhih Branch	1F., No. 210, Sec. 2, Datong Rd., Sijhih District , New Taipei City 221, Taiwan (R.O.C.)	886-2-26489699
Sindian Branch	No.150, Sec. 1, Beixin Rd., Xindian District, New Taipei City 231, Taiwan (R.O.C.)	886-2-29129988
North Sindian Branch	1F., No.25, Mincyuan Rd., Sindian District , New Taipei City 231, Taiwan (R.O.C.)	886-2-29135000
Baociang Branch	1F., No.31, Baociang Rd., Sindian District, New Taipei City 231, Taiwan (R.O.C.)	886-2-29123366

Branch Name	Address	Telephone
Yonghe Branch	1F., No.215, Sec. 1, Jhongshan Rd., Yonghe District, New Taipei City 234, Taiwan (R.O.C.)	886-2-89235008
Shuanghe Branch	1F., No.588, Jhongheng Rd., Yonghe District, New Taipei City 234, Taiwan (R.O.C.)	886-2-29233333
Nashihjiao Branch	1F., No.65, Jhongheng Rd., Yonghe District, New Taipei City 234, Taiwan (R.O.C.)	886-2-29498838
Banhe Branch	1F., No.726, Jhongheng Rd., Jhonghe District, New Taipei City 235, Taiwan (R.O.C.)	886-2-82261288
Jhonghe Branch	1F., No.261, Sec. 2, Zhongshan Rd., Zhonghe District, New Taipei City 235, Taiwan (R.O.C.)	886-2-22452277
Tucheng Branch	1F., No.304, Sec. 2, Jhongyang Rd., Tucheng District, New Taipei City 236, Taiwan (R.O.C.)	886-2-22630888
Jincheng Branch	1F., No.16, Sec. 3, Jincheng Rd., Tucheng District, New Taipei City 236, Taiwan (R.O.C.)	886-2-22601177
Sanxia Branch	No.113, Daxue Rd., Sanxia Dist., New Taipei City 237, Taiwan (R.O.C.)	886-2-26724088
Shulin Branch	1F., No.122, Sec.1, Jhongshan Rd., Shulin District, New Taipei City 238, Taiwan (R.O.C.)	886-2-26812345
Sanhe Branch	1F., No.119, Sec. 4, Sanhe Rd., Sanchong District, New Taipei City 241, Taiwan (R.O.C.)	886-2-22863286
Sanchong Branch	1F., No.208, Jhengyi N. Rd., Sanchong District, New Taipei City 241, Taiwan (R.O.C.)	886-2-29828121
Erchongpu Mini Branch	1F., No.70-1, Sec. 1, Guangfu Rd., Sanchong District, New Taipei City 241, Taiwan (R.O.C.)	886-2-29959876
Chongyang Branch	1F., No.66, Sec. 1, Chongyang Rd., Sanchong District, New Taipei City 241, Taiwan (R.O.C.)	886-2-89881199
Chongsin Branch	1F., No.42-1, Sec. 2, Chongsin Rd., Sanchong District, New Taipei City 241, Taiwan (R.O.C.)	886-2-89726189
Sinjhuang Branch	1F., No.320, Jhongheng Rd., Sinjhuang District, New Taipei City 242, Taiwan (R.O.C.)	886-2-29929696
Danfong Branch	1F., No.879-15, Jhongheng Rd., Sinjhuang District, New Taipei City 242, Taiwan (R.O.C.)	886-2-29066888
Xinfu Branch	No.333, Zhongyuan Rd., Xinzhuan Dist., New Taipei City 242, Taiwan (R.O.C.)	886-2-89916999
North Sinjhuang Branch	1F., No.57, Sec. 2, Jhonghua Rd., Sinjhuang District, New Taipei City 242, Taiwan (R.O.C.)	886-2-22776789
Minan Branch	1F., No.179, Min-an Rd., Sinjhuang District, New Taipei City 242, Taiwan (R.O.C.)	886-2-22068887
East Linkou Branch	1F., No.677, Jhongshan Rd., Linkou Dist., New Taipei City 244, Taiwan (R.O.C.)	886-2-26019397
Lujhou Branch	1F., No.211, Jhongshan 1st Rd., Lujhou District, New Taipei City 247, Taiwan (R.O.C.)	886-2-28482008
East Lujhou Branch	1F., No.135, Minzu Rd., Lujhou District, New Taipei City 247, Taiwan (R.O.C.)	886-2-22839300
North Lujhou Branch	1F., No.355, Changrong Rd., Lujhou District, New Taipei City 247, Taiwan (R.O.C.)	886-2-22881999
Danshuei Branch	1F., No.123, Jhongshan Rd., Danshuei District, New Taipei City 251, Taiwan (R.O.C.)	886-2-86318822
Yilan Branch	1F., No.271, Sec.2, Jhongshan Rd.,Yilan City, Yilan County 260,Taiwan(R.O.C.)	886-3-9351122
Lohdong Branch	1F., No.232, Singdong S. Rd., Luodong Township, Yilan County 265, Taiwan (R.O.C.)	886-3-9574320
Hsinchu Branch	1F., No.158, Jhongheng Rd., East District, Hsinchu City 300, Taiwan (R.O.C.)	886-3-5222687
Guangfu Branch	No.35, Ln. 19, Guanxin Rd., East District, Hsinchu City 300, Taiwan (R.O.C.)	886-3-5790678
Jhuke Branch	1F., No.2, Jinshan St., East District, Hsinchu City 300 , Taiwan (R.O.C.)	886-3-5638080
East Hsinchu Branch	1F., No.32, Jianjhong Rd., East District, Hsinchu City 300, Taiwan (R.O.C.)	886-3-5749190
Baoshan Branch	No.301, Shihpin Rd., East District, Hsinchu City 300, Taiwan (R.O.C.)	886-3-5628877

Branch Name	Address	Telephone
Liou Jia Jhuang Branch	No.36, Sec. 2, Wenxing Rd., Zhubei City, Hsinchu County 302, Taiwan (R.O.C.)	886-3-5506789
Jhupei Branch	1F., No.49, Guangming 6th Rd., Jhupei City, Hsinchu County 302, Taiwan (R.O.C.)	886-3-6560222
Jhongyuan Branch	1F., No.445, Sec. 2, Jhongbei Rd., Jhongli Dist., Taoyuan City 320, Taiwan (R.O.C.)	886-3-4662211
Neili Branch	1F., No.262, Sec. 1, Zhonghua Rd., Jhongli Dist., Taoyuan City 320, Taiwan (R.O.C.)	886-3-4611998
Jhongli Branch	1F., No.500, Yanping Rd., Jhongli Dist., Taoyuan City 320, Taiwan (R.O.C.)	886-3-4223131
Nan JungLi Branch	No.68, Huannan Rd., Pingzhen Dist., Taoyuan City 324, Taiwan (R.O.C.)	886-3-4028788
Yiwun Branch	No.1247, Zhongzheng Rd., Taoyuan Dist., Taoyuan City 330, Taiwan (R.O.C.)	886-3-3567785
Taoyuan Branch	1F., No.32, Sec. 1, Chenggong Rd., Taoyuan Dist., Taoyuan City 330, Taiwan (R.O.C.)	886-3-3373266
South Taoyuan Branch	1F., No.389, Fusing Rd., Taoyuan Dist., Taoyuan City 330, Taiwan (R.O.C.)	886-3-3388866
North Taoyuan Branch	1F., No.124, Jingguo Rd., Taoyuan Dist., Taoyuan City 330, Taiwan (R.O.C.)	886-3-3150566
Linkou Branch	1F., No.233, Fuxing 1st Rd., Guishan Dist., Taoyuan City 333, Taiwan (R.O.C.)	886-3-3962777
Bade Branch	1F., No.965, Sec. 1, Jieshou Rd., Bade Dist., Taoyuan City 334, Taiwan (R.O.C.)	886-3-3716565
Nankan Branch	1F., No.257, Jhongheng Rd., Lujhu Dist., Taoyuan City 338, Taiwan (R.O.C.)	886-3-3212211
Toufen Branch	1F., No.951, Jhonghua Rd., Toufen City, Miaoli County 351, Taiwan (R.O.C.)	886-3-7695678
Taichung Branch	1F., No.50, Minzu Rd., Central District, Taichung City 400, Taiwan (R.O.C.)	886-4-22292161
Keboguan Branch	1F., No.239, Sec. 2, Taiwan Blvd., West Dist., Taichung City 403, Taiwan (R.O.C.)	886-4-23101258
Chunggang Branch	1F., No.536, Sec. 2, Taiwan Blvd., West Dist., Taichung City 403, Taiwan (R.O.C.)	886-4-23149999
Intercontinental Branch	1F., No.418, Sec. 3, Chongde Rd., Beitun Dist., Taichung City 406, Taiwan (R.O.C.)	886-4-24229391
Wunsin Branch	1F., No.875, Sec. 4, Wunsin Rd., Beitun District, Taichung City 406, Taiwan (R.O.C.)	886-4-22469988
Shizheng Branch	No.88, Sec. 1, Huizhong Rd., Xitun Dist., Taichung City 407, Taiwan (R.O.C.)	886-4-22545333
Liming Branch	1F., No.173, Sec. 3, Liming Rd., Xitun Dist., Taichung City 407, Taiwan (R.O.C.)	886-4-27082200
Situn Branch	1F., No.859, Sec. 4, Taiwan Blvd., Situn Dist., Taichung City 407, Taiwan (R.O.C.)	886-4-23551000
Nantun Branch	1F., No.234, Sec. 2, Wucyuan W. Rd., Nantun District, Taichung City 408, Taiwan (R.O.C.)	886-4-24712268
Taiping Branch	No.500, Yuxian Rd., Taiping Dist., Taichung City 411, Taiwan (R.O.C.)	886-4-23958285
Hueijhong Branch	No.88, Sec. 3, Hueijhong Rd., Nantun Dist., Taichung City 408, Taiwan (R.O.C.)	886-4-23891269
Dali Branch	No.201, Sec. 2, Guoguang Rd., Dali Dist., Taichung City 412, Taiwan (R.O.C.)	886-4-24073777
Fongyuan Branch	1F., No.545, Jhongheng Rd., Fongyuan District, Taichung City 420, Taiwan (R.O.C.)	886-4-25201010
Nantou Branch	1F., No.220, Jhongshan St., Nantou City, Nantou County 540, Taiwan (R.O.C.)	886-49-2207711
Changhua Branch	1F., No.76, Siaoyang Rd., Changhua City, Changhua County 500, Taiwan (R.O.C.)	886-4-7279933
Yuanlin Branch	1F., No.372, Jhongheng Rd., Yuanlin City, Changhua County 510, Taiwan (R.O.C.)	886-4-8368676
Chiayi Branch	1F., No.241, Minsheng N. Rd., Chiayi City 600, Taiwan (R.O.C.)	886-5-2286600

Branch Name	Address	Telephone
Douliou Branch	1F., No.2, Singhua St., Douliou City, Yunlin County 640, Taiwan (R.O.C.)	886-5-5360099
Central Tainan Branch	1F., No.167, Sec. 1, Minsheng Rd., West Central District, Tainan City 700, Taiwan (R.O.C.)	886-6-2412318
Tainan Branch	1F., No.159, Sec. 1, Fucian Rd., West Central District, Tainan City 700, Taiwan (R.O.C.)	886-6-2152345
West Tainan Branch	1F., No.212, Sec. 4, Jinhua Rd., West Central Dist., Tainan City 700, Taiwan (R.O.C.)	886-6-2263636
Jhonghua Branch	1F., No.195, Sec. 2, Zhonghua E. Rd., East District, Tainan City 701, Taiwan (R.O.C.)	886-6-3353535
East Tainan Branch	1F., No.290, Sec. 2, Changrong Rd., East District, Tainan City 701, Taiwan (R.O.C.)	886-6-2085522
South Tainan Branch	1F., No.236, Sec. 2, Jiankang Rd., South District, Tainan City 702, Taiwan (R.O.C.)	886-6-2919999
Yan Hang Branch	1F., No.111, Zhongzheng Rd., Yongkang Dist., Tainan City 710, Taiwan (R.O.C.)	886-6-2539199
Yongkang Branch	1F., No.425, Zhonghua Rd., Yongkang District, Tainan City 710, Taiwan (R.O.C.)	886-6-2025787
Rende Branch	1F., No.478, Zhongshan Rd., Rende District, Tainan City 717, Taiwan (R.O.C.)	886-6-2798099
Jiali Branch	1F., No.410, Zhongshan Rd., Jiali District, Tainan City 722, Taiwan (R.O.C.)	886-6-7221335
Sinying Branch	1F., No.137, Zhongshan Rd., Sinying District, Tainan City 730, Taiwan (R.O.C.)	886-6-6336789
Sinsing Branch	1F., No.206, Minsheng 1st Rd., Sinsing District, Kaohsiung City 800, Taiwan (R.O.C.)	886-7-2262325
Minzu Branch	1F., No.97, Minzu 2nd Rd., Sinsing District, Kaohsiung City 800, Taiwan (R.O.C.)	886-7-2386567
Kaohsiung Branch	1F., No.168, Zhongheng 4th Rd., Cianjin District, Kaohsiung City 801, Taiwan (R.O.C.)	886-7-2318141
East Kaohsiung Branch	1F., No.29, Cingnian 1st Rd., Lingya District, Kaohsiung City 802, Taiwan (R.O.C.)	886-7-5351885
South Kaohsiung Branch	1F., No.21, Yisin 2nd Rd., Cianjhen District, Kaohsiung City 806, Taiwan (R.O.C.)	886-7-3366768
Cianjhen Branch	1F., No.480, Rueilong Rd., Cianjhen District, Kaohsiung City 806, Taiwan (R.O.C.)	886-7-7261066
Jiouru Branch	1F., No.551, Jiouru 1st Rd., Sanmin District, Kaohsiung City 807, Taiwan (R.O.C.)	886-7-3805558
Sanmin Branch	1F., No.366, Jiouru 2nd Rd., Sanmin District, Kaohsiung City 807, Taiwan (R.O.C.)	886-7-3161155
North Kaohsiung Branch	1F., No.52, Mingcheng 2nd Rd., Sanmin District, Kaohsiung City 807, Taiwan (R.O.C.)	886-7-3461199
Youchang Branch	1F., No.803-3, Houchang Rd., Nanzih District, Kaohsiung City 811, Taiwan (R.O.C.)	886-7-3681699
Boai Branch	1F., No.88, Bo-ai 2nd Rd., Zuoying District, Kaohsiung City 813, Taiwan (R.O.C.)	886-7-5567909
Gangshan Branch	1F., No.388, Gangshan Rd., Gangshan District, Kaohsiung City 820, Taiwan (R.O.C.)	886-7-6235500
Fongshan Branch	1F., No.85-1, Zhongshan Rd., Fongshan District, Kaohsiung City 830, Taiwan (R.O.C.)	886-7-7451199
Wujia Branch	1F., No.699, Wujia 2nd Rd., Fongshan District, Kaohsiung City 830, Taiwan (R.O.C.)	886-7-8215101
Cingnian Branch	1F., No.315, Sec. 2, Cingnian Rd., Fongshan District, Kaohsiung City 830, Taiwan (R.O.C.)	886-7-7777668
Pingtung Branch	1F., No.450, Zihyou Rd., Pingtung City, Pingtung County 900, Taiwan (R.O.C.)	886-8-7383000
Taitung Branch	1F., No.279, Zhongshan Rd., Taitung City, Taitung County 950, Taiwan (R.O.C.)	886-8-9339898
Hualien Branch	1F., No.376, Zhongshan Rd., Hualien City, Hualien County 970, Taiwan (R.O.C.)	886-3-8340566
East Hualien Branch	1F., No.1-7, Gongyuan Rd., Hualien City, Hualien County 970, Taiwan (R.O.C.)	886-3-8351101

## 7.2. Overseas services outlets

### Branches

Unit	Address	Telephone	Fax
Hong Kong Branch	Room 2801, 28F and Room 2104-10, 21F Two International Finance Centre, 8 Finance St., Central, Hong Kong	+852-29161888	+852-28109742
Kowloon Branch	20F., Manhattan Place, No.23 Wang Tai Rd., Kowloon Bay, Kowloon, Hong Kong	+852-29161688	+852-28050899
Shanghai Branch	27F., Shanghai World Financial Center, 100 Century Avenue, Pudong New Area, Shanghai 200120, PRC	+86-21-20805888	+86-21-68778788
Guangzhou Branch	6F., International Finance Place, No.8 Huaxia Rd., Pearl River New Town, Guangzhou 510623, PRC	+86-20-38560388	+86-20-38560333
Xiamen Branch	Unit 2902A, 2903, 2904, 2905, No.29 North Donggang Rd., China (Fujian) Pilot Free Trade Zone, Xiamen Subdist. 361000, PRC	+86-592-5669686	+86-592-5668738
Shenzhen Branch	Unit 401A/402A2b, Kerry Plaza, No.1, Zhong Xin Si Rd., Futian CBD, Shenzhen 518048, PRC	+86-755-25767999	+86-755-25767000
Shanghai Pilot Free Trade Zone Sub-Branch	Unit 01, 02, 12, 15F., No.55 Jilong Rd., China (Shanghai) Pilot Free Trade Zone Shanghai 200131, PRC	+86-21-20805888	+86-21-50585112
Shanghai Hongqiao Sub-branch	1104-1105, 11F, 818 Shen Chang Road, Shanghai, 201106, PRC	+86-21-38766006	+86-21-38766030
Singapore Branch	8 Marina View, #29-01, Asia Square Tower 1, Singapore 018960	+65-63514888	+65-65325999
New Delhi Branch	Gr. Floor & 2nd Floor, Aria Tower, JW Marriott Hotel, Delhi-Aerocity, Asset Area-4, New Delhi-110037, India	+91-11-43688888	+91-11-43688873
Sriperumbudur Branch	Plot No. 42 (old No. 105) Chennai Bangalore Highways NH4, Sriperumbudur, Kancheepuram Dist., Tamil Nadu 602105, India	+91-44-67147700	+91-44-67147799
Ho Chi Minh City Branch	Suite 2-9, 9F., MPlaza Saigon, No.39 Le Duan St., Dist. 1, Ho Chi Minh City, Vietnam	+84-28-39101888	+84-28-39101999
Tokyo Branch	Kioi Tower 28F., Tokyo Garden Terrace Kioicho, 1-3 Kioicho, Chiyoda-ku, Tokyo 102-0094, Japan	+81-3-32889888	+81-3-35568892
New York Branch	11F., #521 Fifth Avenue, New York, NY 10175, USA	+1-212-4578888	+1-212-4576666

## Subsidiaries

Unit	Address	Telephone	Fax
The Tokyo Star Bank, Ltd.	2-3-5 Akasaka, Minato-Ku, Tokyo, 107-8480, Japan	+81-3-35863111	+81-3-35838224
CTBC Bank (Philippines) Corp.	16-19F., Fort Legend Towers, 31st St. Corner 3rd Av., Bonifacio Global City, Taguig City, Philippines 1634	+63-2-89889287	+63-2-85767935
CTBC Bank Corp. (Canada)	1518 West Broadway, Vancouver, B.C., Canada, V6J 1W8	+1-604-6833882	+1-604-6833723
CTBC Bank Corp. (USA)	801 S. Figueroa St., Suite 2300 (22-23F.), Los Angeles, CA 90017, USA	+1-310-7912828	+1-424-2774698
PT Bank CTBC Indonesia	Tamara Center, 15-17F., Jl Jenderal Sudirman Kav. 24, Jakarta, 12920, Indonesia	+62-21-25578787	+62-21-30402286

## Representative offices

Unit	Address	Telephone	Fax
Bangkok Rep. Office	Suite 803, 8F., GPF Witthayu, Tower A, 93/1 Wireless Rd., Lumpini, Pathumwan, Bangkok 10330, Thailand	+66-2-2543139	+66-2-2566480
Hanoi Rep. Office	East-3002, 30F., LOTTE Center Hanoi, No.54 Lieu Giai St., Cong Vi Ward, Ba Dinh Dist., Hanoi, Vietnam	+84-24-38249088	+84-24-38249099
Los Angeles Rep. Office	17851 Colima Rd., Suite A2, City of Industry, CA91748, USA	+1-626-8397660	+1-626-9120868
Beijing Rep. Office	B-111, The Grand Pacific Building, 8a, Guanghua Rd., Chao Yang Dist., Beijing, 100026, PRC	+86-10-65813700	+86-10-65815701
Sydney Rep. Office	Suite 2702, Level 27, 259 George St., Sydney, NSW 2000, Australia	+61-2-92513655	+61-2-92513644
Yangon Rep. Office	Unit #506, No.53, Strand Rd., Pabedan Township, Yangon, Myanmar	+95-1-2307348	+95-1-2307347
Kuala Lumpur Rep. Office	Lot 11-09, Level 11, Menara Hap Seng 2, Letter Box 21, Plaza Hap Seng, No.1 Jalan P. Ramlee 50250 Kuala Lumpur, Malaysia	+60-3-20223299	+60-3-20223277

**CTBC BANK CO., LTD. AND SUBSIDIARIES**

**Consolidated Financial Statements**

**With Independent Auditors' Report  
For the Years Ended December 31, 2019 and 2018**

**Address: No.166, 168, 170,186,188, Jingmao 2nd Rd., Nangang Dist., Taipei City  
115, Taiwan, R.O.C.**  
**Telephone: 886-2-3327-7777**

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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## **Representation Letter**

The entities that are required to be included in the consolidated financial statements of CTBC Bank Co., Ltd. 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 Standard No. 10 “ Consolidated Financial Statements” , endorsed by the Financial Supervisory Commission of the Republic of China. In addition, the information required to be disclosed in the consolidated financial statements of the affiliates is fully included in the consolidated financial statements. Consequently, CTBC Bank Co., Ltd. and subsidiaries do not prepare a separate set of consolidated financial statements of the affiliated enterprises.

Company name: CTBC Bank Co., Ltd.

Chairman: Li, Ming-Shieh

Date: March 27, 2020



安侯建業聯合會計師事務所

KPMG

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## Independent Auditors' Report

To the Board of Directors of CTBC Bank Co., Ltd.:

### Opinion

We have audited the consolidated financial statements of CTBC Bank Co., Ltd. ("the Bank") and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2019 and 2018, the consolidated statements of comprehensive income, changes in stockholders' equity and cash flows for the years ended December 31, 2019 and 2018, 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 its subsidiaries as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the the years ended December 31, 2019 and 2018 in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants and International Financial Reporting Standards (IFRSs), International Accounting Standards (IASs), interpretations and pronouncements as endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### Basis for Opinion

We conducted our audit of the consolidated financial statements as of and for the year ended December 31, 2019 in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants, Jin Kuan Yin No.10802731571 issued by the Financial Supervisory Commission, and the auditing standards generally accepted in the Republic of China. Furthermore, we conducted our audit of the consolidated financial statements as of and for the year ended December 31, 2018 in accordance with the Regulations Governing Auditing and Certification of Financial Statements of Financial Institutions 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 Auditors' Responsibilities for the Audit of the consolidated Financial Statements section of our report. We are independent of the Bank and its 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.

### Emphasis of Matter

The judicial cases as stated in Note 9(d) are still under investigation by the judiciary, and the results remain uncertain. Our opinion is not modified in respect of this matter.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In our judgment, the key audit matters which should communicate through the auditors' report were as follows:

## 1. Assessment of the fair value of financial instruments

Please refer to Note 4 (f) for the related accounting policies of the assessment of the fair value of financial instruments, Note 5 for the accounting assumptions and estimation uncertainty, and Note 6 (ao) for the other details.

### Description of key audit matter:

Parts of the financial instruments owned by the Bank and its subsidiaries as of December 31, 2019 were valued via evaluation model due to the lack of transaction prices at active market, and parts of the referred input values could not be obtained from the public market. Thus, it demands significant professional judgments from the management by using different valuation techniques and assumptions for input values. Therefore, the assessment of fair value of financial instruments is one of the key audit matters.

### How the matter was addressed in our audit:

Our principal audit procedures included: Testing the management's control procedures over the classification, measurement and disclosure of fair value of financial instruments, including evaluating how the management determines the classification of financial instruments, chooses the appropriate evaluation method and decides the prime parameter hypothesis, and confirming that the presentation and disclosure of financial instruments are in accordance with the International Financial Reporting Standards (IFRSs). For financial instruments with active market prices, we used sampling test to assess the appropriateness of public quoted prices. As to financial instruments using evaluation model to measure their fair value, we used sampling test to confirm the appropriateness of the evaluation method and the prime input values used by the management.

## 2. Impairment of loans and receivables

Please refer to Note 4 (f) for the related accounting policies of impairment of loans and receivables, Note 5 for the accounting assumptions and estimation uncertainty, and Note 6 (h), (i), (j) and (ao) for the other details.

### Description of key audit matter:

The management assessed the expected credit loss (ECL) of loans and receivables by identifying whether the credit risk of credit assets has significantly increased since initial recognition, then dividing ECL into 12-month ECL and lifetime ECL, and dividing them into collective assessment and individual assessment to measure them by using different impairment methods. For collective assessment, the impairment is calculated by establishing an impairment model and using the past loss experience, current market conditions and forward-looking estimation on assets with similar credit risk characteristic to form basic estimation. For individual assessment, the measurement is based on expected future recoverable cash flows. The aforementioned measurement methods involved significant professional judgments and estimation by the management; therefore, the impairment of loans and receivables is one of the key audit matters.

### How the matter was addressed in our audit:

Our principal audit procedures included: Understanding the methodology and related control procedures on how the management assesses and measures the impairment amount of loans and receivables. For collective assessment, we assessed the impairment model adopted by the management and reviewed the appropriateness of the calculation of the impairment parameters (including probability of default, loss given default, exposure at default and recovery rate) via sampling. For individual assessment, we used sampling test to assess the appropriateness of the estimation of future recoverable amounts and the value of collateral. Meanwhile, we assessed whether the allowance for loans and receivables meets the regulation requirement.

## Other Matter

Individual financial statements of the Bank were additionally prepared, and we have expressed an unqualified opinion with emphasis of matter and other matter on it for user reference.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, International Financial Reporting Standards (IFRSs), International Accounting Standards (IASs), interpretations, and pronouncements as 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 its 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 its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including audit committee) are responsible for overseeing the Bank and its 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 its 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 its 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 its 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 Bank and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit and developing the Bank and its subsidiaries' 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 audit resulting in this independent auditors' report are Chen, Chun-Kuang and Wu, Lin.

KPMG

Taipei, Taiwan (Republic of China)  
March 27, 2020

#### **Notes to Readers**

The accompanying consolidated financial statements are intended only to present the consolidated statement of 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' audit 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' audit report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
CTBC BANK CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	ASSETS	December 31, 2019		December 31, 2018		LIABILITIES AND EQUITY	
		Amount	%	Amount	%	Amount	%
11000	Cash and cash equivalents (note 4, 6(a) and (f))	\$ 71,132,119	2	87,559,487	2		
11500	Due from Central Bank and call loans to banks (note 6(b), 7)	250,751,058	6	252,880,081	6	\$ 53,200,298	1
12000	Financial assets measured at fair value through profit or loss (note 4, 6(c) and (t), and 7)	168,688,304	4	163,460,604	4	12,841,645	-
12100	Financial assets measured at fair value through other comprehensive income (note 4, 6(d) and (t), and 8)	320,550,304	8	253,666,127	7	113,902,464	3
12200	Investment in debt instruments at amortized cost (note 4, 6(e) and (t), and 8)	694,995,472	17	595,630,666	15		
12300	Financial assets-hedging (note 4 and 6(f))	330,764	-	34,212	-	37,437	-
12500	Securities purchased under resell agreements (note 4 and 6(g))	852,440	-	1,481,876	-	92,542,347	2
13000	Receivables-net (note 4, 6(h), (j) and (ao), 7 and 8)	158,589,562	4	163,682,849	4	79,401,366	2
13200	Current income tax assets (note 4)	742,438	-	912,682	-	3,038,409	-
13500	Loans-net (note 4, 6(i), (j) and (ao), and 7)	2,417,691,180	57	2,313,708,156	59	3,381,818,453	80
15000	Investment under equity method-net (note 4 and 6(k))	20,967,614	-	19,536,750	1	58,999,992	1
15500	Other financial assets-net (note 4, 6(j) and (l), and 8)	1,202,761	-	2,316,623	-	86,473,304	2
18500	Premises and equipment-net(note 4 and 6(n))	44,333,954	1	47,996,997	1	5,238,059	-
18600	Right-of-use assets-net (note 4 and 6(o))	15,969,575	-	-	-	13,763,018	-
18700	Investment property-net (note 4 and 6(m))	5,032,906	-	1,841,957	-	2,774,469	-
19000	Intangible assets-net (note 4 and 6(p))	15,765,904	-	15,813,711	-		
19300	Deferred income tax assets (note 4 and 6(ac))	6,529,966	-	6,968,418	-	1,099,178	-
19500	Other assets-net (note 4 and 6(q))	33,044,449	1	32,086,622	1	13,810,194	-
						3,917,841,455	91

See accompanying notes to consolidated financial statements.



(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**CTBC BANK CO., 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 Share)**

		<b>2019</b>		<b>2018</b>		<b>Change</b>
		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>	<b>%</b>
41000	Interest income(note 6(ah) and 7)	\$ 86,044,324	83	78,042,305	82	10
51000	Less: Interest expenses(note 6(ah) and 7)	(29,454,383)	(28)	(25,248,942)	(26)	17
	<b>Net interest income(note 6(ah))</b>	<b>56,589,941</b>	<b>55</b>	<b>52,793,363</b>	<b>56</b>	<b>7</b>
	<b>Net non-interest income</b>					
49100	Service fee and commission income(note 6(ai) and 7)	34,165,757	33	30,913,601	32	11
49200	Gains on financial assets or liabilities measured at fair value through profit or loss(note 6(aj))	8,649,999	8	10,449,589	11	(17)
49310	Realized gains (losses) on financial assets measured at other comprehensive income	3,246,357	3	(100,051)	-	3,345
49450	Gains on derecognition of financial assets measured at amortized cost	23,185	-	30,064	-	(23)
49600	Foreign exchange gains	1,080,048	1	707,426	1	53
49700	Reversal of (provision for) impairment losses on assets	17,774	-	(11,146)	-	259
49750	Proportionate share of gains from associates or joint ventures under equity method(note 6(k))	1,282,548	1	1,300,212	1	(1)
49800	Other net non-interest income	1,359,532	1	1,992,633	2	(32)
49815	(Losses) gains on investment property	(6,140)	-	1,087	-	(665)
49899	Public-welfare lottery payment	(2,700,000)	(2)	(2,700,000)	(3)	-
	<b>Net revenue</b>	<b>103,709,001</b>	<b>100</b>	<b>95,376,778</b>	<b>100</b>	<b>9</b>
58200	<b>Provision for bad debt expenses, commitment and guarantee liability provision(note 6(j))</b>	<b>(5,390,943)</b>	<b>(5)</b>	<b>(4,740,162)</b>	<b>(5)</b>	<b>14</b>
	<b>Operating expenses:</b>					
58500	Employee benefits expenses(note 6(ak) and (am))	(32,050,407)	(31)	(29,652,544)	(31)	8
59000	Depreciation and amortization expenses(note 6(al))	(6,526,546)	(6)	(3,494,837)	(4)	87
59500	Other general and administrative expenses(note 6(an))	(21,282,037)	(21)	(21,757,716)	(23)	(2)
	<b>Total operating expenses</b>	<b>(59,858,990)</b>	<b>(58)</b>	<b>(54,905,097)</b>	<b>(58)</b>	<b>9</b>
	<b>Net income before tax from continuing operations</b>	<b>38,459,068</b>	<b>37</b>	<b>35,731,519</b>	<b>37</b>	<b>8</b>
61003	<b>Less: Income tax expenses (note 6(ac))</b>	<b>7,557,363</b>	<b>7</b>	<b>6,048,906</b>	<b>6</b>	<b>25</b>
	<b>Net income</b>	<b>30,901,705</b>	<b>30</b>	<b>29,682,613</b>	<b>31</b>	<b>4</b>
65000	<b>Other comprehensive income:</b>					
65200	<b>Items that will not be reclassified subsequently to profit or loss</b>					
65201	Remeasurements gains related to defined benefit plans	114,052	-	315,568	-	(64)
65205	Changes in designated as financial liabilities measured at fair value through profit or loss attributable to credit risk	1,396,988	1	1,112,346	1	26
65204	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	939,146	1	(133,778)	-	802
65206	Proportionate share of other comprehensive (losses) income from associates or joint ventures under the equity method	(4,785)	-	2,850	-	(268)
65220	Less: Income tax related to items that will not be reclassified to profit or loss	11,187	-	36,354	-	(69)
	<b>Subtotal</b>	<b>2,434,214</b>	<b>2</b>	<b>1,260,632</b>	<b>1</b>	<b>93</b>
65300	<b>Items that are or may be reclassified subsequently to profit or loss</b>					
65301	Exchange differences of overseas subsidiaries' financial reports translation	(545,607)	(1)	1,991,563	2	(127)
65308	Unrealized gains from investments in debt instruments measured at fair value through other comprehensive income	2,115,516	2	110,971	-	1,806
65306	Proportionate share of other comprehensive income (losses) from associates or joint ventures under the equity method	10,231	-	(244,007)	-	104
65320	Less: Income tax related to items that are or may be reclassified to profit or loss	300,379	-	50,221	-	498
	<b>Subtotal</b>	<b>1,279,761</b>	<b>1</b>	<b>1,808,306</b>	<b>2</b>	<b>(29)</b>
65000	<b>Other comprehensive income (net amount after tax)</b>	<b>3,713,975</b>	<b>3</b>	<b>3,068,938</b>	<b>3</b>	<b>21</b>
66000	<b>Total comprehensive income</b>	<b>\$ 34,615,680</b>	<b>33</b>	<b>32,751,551</b>	<b>34</b>	<b>6</b>
	<b>Net Income attributable to:</b>					
67101	Parent company	\$ 30,899,235	30	29,680,076	31	4
67111	Non-controlling interest	2,470	-	2,537	-	(3)
		<b>\$ 30,901,705</b>	<b>30</b>	<b>29,682,613</b>	<b>31</b>	
	<b>Comprehensive income attributable to:</b>					
67301	Parent company	\$ 34,615,138	33	32,752,086	34	6
67311	Non-controlling interest	542	-	(535)	-	201
		<b>\$ 34,615,680</b>	<b>33</b>	<b>32,751,551</b>	<b>34</b>	
	<b>Earnings per share (unit: NT dollars) (note 6(ag))</b>	<b>\$ 2.14</b>		<b>2.06</b>		

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
CTBC BANK CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Stockholders' Equity

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	Stockholders' Equity - Parent Company			Other equity interest			Change in designated as financial liabilities measured at fair value through profit or loss attributable to credit risk	Stockholders' equity - parent company	Non-controlling interests	Total equity
	Capital stock	Retained earnings	Undistributed earnings	Exchange differences of overseas subsidiaries' financial reports translation	Unrealized (losses) gains on financial assets measured at fair value through other comprehensive income	Unrealized (losses) gains on available-for-sale financial assets				
<b>Balance at January 1, 2018</b>	\$ 140,685,719						(973,883)	279,632,639	77,480	279,710,119
Effects of retrospective application of new standards	-			(8,500,761)	(670,662)	(973,883)	-	(1,422,950)	-	(928)
Balance at January 1, 2018 after adjustments	140,685,719			(8,501,565)	(670,662)	-	-	(1,422,950)	816,200	815,272
Net income	-			(8,501,565)	-	-	-	280,448,839	76,552	280,525,391
Other comprehensive income (losses)	-			29,680,076	-	-	-	29,680,076	2,537	29,682,613
Total comprehensive income (losses)	-			1,879,320	-	-	-	3,072,010	(3,072)	3,068,938
Appropriation and distribution of retained earnings:				1,879,320	(199,063)	-	-	32,752,086	-	32,751,551
Legal reserve appropriated	-			29,959,483	-	-	-	-	-	-
Special reserve appropriated	-			(9,006,435)	-	-	-	-	-	-
Cash dividends of common share	-			3,669,391	-	-	-	-	-	-
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-			(17,462,052)	-	-	-	(17,462,052)	-	(17,462,052)
<b>Balance at December 31, 2018</b>	140,685,719			(6,622,245)	(822,370)	-	-	(310,604)	76,017	295,814,890
Net income	-			30,899,235	-	-	-	30,899,235	2,470	30,901,705
Other comprehensive income (losses)	-			(692,833)	2,922,769	-	-	1,396,988	(1,928)	3,713,975
Total comprehensive income (losses)	-			30,988,214	-	-	-	34,615,138	542	34,615,680
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-			(8,904,023)	-	-	-	-	-	-
Special reserve appropriated	-			148,400	-	-	-	-	-	-
Cash dividends of common share	-			-	-	-	-	(21,102,858)	-	(21,102,858)
Stock dividends of common share	3,413,035			(3,413,035)	-	-	-	-	-	-
Reversal of special reserve	-			(3,142,375)	-	-	-	-	-	-
Changes in ownership interests in subsidiaries	-			2,773	-	-	-	(4,592)	4,592	-
Share-based payment transactions	-			1,603	-	-	-	1,603	-	1,603
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-			-	-	-	-	-	-	-
<b>Balance at December 31, 2019</b>	\$ 144,098,754			(7,315,078)	2,227,570	-	-	1,086,384	81,151	309,329,315

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Consolidated Statements of Cash Flows**  
**For the years ended December 31, 2019 and 2018**  
**(Expressed in Thousands of New Taiwan Dollars)**

	2019	2018
<b>Cash Flows from Operating Activities:</b>		
Net Income Before Tax	\$ 38,459,068	35,731,519
<b>Adjustments:</b>		
Income and expenses items:		
Depreciation expense	5,138,986	2,282,530
Amortization expense	1,399,898	1,224,125
Provision for expected credit loss / bad debt expenses, commitment and guarantee liability provision	5,390,943	4,740,162
Net gains on financial assets or liabilities measured at fair value through profit or loss	(3,220,474)	(2,161,258)
Interest expense	29,454,383	25,248,942
Interest income	(86,044,324)	(78,042,305)
Dividend income	(892,926)	(474,688)
Net change in other provisions	(44,652)	63,570
Share based payments	1,603	-
Proportionate share of gains from associates and joint ventures under the equity method	(1,282,548)	(1,300,212)
(Gains) losses on disposal and retirement of premises and equipment	(848,639)	35,277
Gains on disposal of investment properties	-	(4,072)
Losses on disposal and retirement of intangible assets	57,385	6,267
(Reversal of) provision for impairment losses on financial assets	(23,487)	7,716
Impairment losses on non-financial assets	5,713	3,430
(Gains) losses on disposal of foreclosed properties	(7,894)	2,979
Other adjustments	(423,759)	1,513,849
Subtotal of income and expense items	(51,339,792)	(46,853,688)
<b>Changes in Operating Assets and Liabilities:</b>		
Net Changes in Operating Assets:		
(Increase) decrease in due from Central Bank and call loans to banks	(16,806,951)	10,889,278
Decrease (increase) in financial assets measured at fair value through profit or loss	3,432,028	(15,922,842)
Increase in financial assets measured at fair value through other comprehensive income	(63,948,858)	(42,915,349)
(Increase) decrease in investments in debt instruments at amortized cost	(99,353,292)	60,183,471
(Increase) decrease in hedging financial assets	(296,552)	102,798
Decrease (increase) in receivables	5,904,841	(41,110,114)
Increase in loans	(109,493,548)	(175,505,281)
Decrease in other financial assets	1,103,382	487,151
Net Changes in Operating Assets	(279,458,950)	(203,790,888)
Net Changes in Operating Liabilities:		
Decrease in deposits from Central Bank and other banks	(21,298,394)	(376,091)
Increase in financial liabilities measured at fair value through profit or loss	17,491,118	22,002,742
(Decrease) increase in hedging financial liabilities	(146,758)	167,330
Increase in payables	1,224,545	3,748,024
Increase in deposits and remittances	225,051,478	174,921,759
Decrease in other financial liabilities	(32,499,670)	(13,680,336)
Decrease in employee benefits reserve	(144,496)	(115,952)
Net Changes in Operating Liabilities	189,677,823	186,667,476
Net Changes in Operating Assets and Liabilities	(89,781,127)	(17,123,412)
Sum of Adjustments	(141,120,919)	(63,977,100)
Cash Used in Operating Activities	(102,661,851)	(28,245,581)
Interest received	85,491,024	76,347,867
Dividends received	1,570,566	1,434,308
Interest paid	(25,546,674)	(20,409,453)
Income taxes paid	(4,880,172)	(6,397,795)
Net Cash Flows (Used in) Provided by Operating Activities	(46,027,107)	22,729,346

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Consolidated Statements of Cash Flows**  
**For the years ended December 31, 2019 and 2018**  
**(Expressed in Thousands of New Taiwan Dollars)**

	2019	2018
<b>Cash Flows from Investing Activities:</b>		
Purchase of investment under equity method	\$ (14,626)	(1,072,394)
Increase in prepayments for investments	(100,000)	-
Proceeds from capital reduction of investee company under equity method	26,503	-
Purchase of premises and equipment	(3,104,272)	(2,704,624)
Disposal of premises and equipment	1,337,254	7,046
Purchase of intangible assets	(1,219,609)	(2,417,029)
Disposal of intangible assets	574	115,274
Disposal of foreclosed properties	44,176	3,834
Disposal of investment properties	-	10,239
Increase in other assets	(5,041,071)	(11,679,321)
<b>Net Cash Flows Used in Investing Activities</b>	<b>(8,071,071)</b>	<b>(17,736,975)</b>
<b>Cash Flows from Financing Activities:</b>		
Increase (decrease) in due to Central bank and other banks	9,231,462	(713,693)
Repayments of financial debentures	-	(10,331,360)
Increase (decrease) in securities sold under repurchase agreements	31,584,721	(1,785,270)
Increase in financial liabilities designated at fair value through profit or loss	-	6,914,925
Payment of lease liabilities	(2,673,173)	-
Increase in other liabilities	3,140,433	661,701
Cash dividends paid	(21,102,858)	(17,462,052)
Interest paid	(1,711,303)	(1,870,745)
<b>Net Cash Flows Provided by (Used in) Financing Activities</b>	<b>18,469,282</b>	<b>(24,586,494)</b>
<b>Effect of Exchange Rate Changes on Cash and Cash Equivalents</b>	<b>(363,882)</b>	<b>1,983,613</b>
<b>Decrease in Cash and Cash Equivalents</b>	<b>(35,992,778)</b>	<b>(17,610,510)</b>
<b>Cash and Cash Equivalents at the Beginning of Period</b>	<b>296,501,786</b>	<b>314,112,296</b>
<b>Cash and Cash Equivalents at the End of Period</b>	<b>\$ 260,509,008</b>	<b>296,501,786</b>
<b>Composition of Cash and Cash Equivalents:</b>		
Cash and cash equivalents recognized in balance sheet	\$ 71,132,119	87,559,487
Due from Central Bank and call loans to bank which meet IAS 7 definition of cash and cash equivalents	188,524,449	207,460,423
Securities purchased under resell agreements which meet IAS 7 definition of cash and cash equivalents	852,440	1,481,876
<b>Cash and Cash Equivalents at the End of Period</b>	<b>\$ 260,509,008</b>	<b>296,501,786</b>

See accompanying notes to consolidated financial statements.

**(English Translation of Consolidated Financial Statements Originally Issued in Chinese)**  
**CTBC BANK CO., 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) History and Organization:**

CTBC Bank Co., Ltd. (the “Bank”) was originally incorporated in March 1966 as “China Securities Investment Corporation.” In December 1970, the Bank changed its organization and was renamed China Trust Co., Ltd. Twenty one years later, on July 2, 1992, it was approved to conduct commercial banking business and changed its name to CTBC Bank Co., Ltd.

In order to restructure overall resources, lower costs, expand the business scope, enhance competitiveness, and improve the quality of financial services and operating efficiency, on September 30, 2003, the Bank’s board of directors resolved to acquire Grand Commercial Bank, a wholly owned subsidiary of CTBC Financial Holding Co., Ltd., and to merge with it, with the Bank as the surviving entity. The acquisition date of record was December 1, 2003.

On August 1, 1991, Grand Commercial Bank was approved to conduct commercial banking business, and it began operations on December 30, 1991. As of November 30, 2003, Grand Commercial Bank had a business department, a trust department, a domestic banking unit, an offshore banking unit, and 42 domestic branches.

In order to develop the business units, enhance competitiveness, and provide customers with more convenient and varied financial services, the Bank assumed the outstanding assets, liabilities and operations of Fengshan Credit Cooperative (“FSCC”) and Enterprise Bank of Hualien (“EBH”) on October 1, 2004, and September 8, 2007, respectively.

In order to enhance the effectiveness of the overall operation of CTBC Financial Holding Company and to reduce operational risk and cost, the Bank merged with Chinatrust Bills Finance Corp., a wholly owned subsidiary of CTBC Financial Holding Co., Ltd., by issuing common shares in a 0.77-for-1 exchange for the shares of Chinatrust Bills Finance Corp. on April 26, 2008. The Bank is the surviving entity from this merger.

In order to restructure overall resources and fulfill operating efficiency, the Bank merged with CTBC Insurance Brokers Co., Ltd., a wholly owned subsidiary of CTBC Financial Holding Co., Ltd. by issuing common shares in a 10.47-for-1 exchange for the shares of CTBC Insurance Brokers Co., Ltd. on November 30, 2015. The Bank is the surviving entity from this merger.

The Bank has been approved to conduct business in the following areas:

- (a) Checking accounts, savings accounts, and time deposits;
- (b) Short, medium, and long-term loans;
- (c) Note discounting;
- (d) Investment in marketable securities;
- (e) Domestic foreign exchange business;
- (f) Banker’s acceptances;

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- (g) Issuance of domestic standby letters of credit;
- (h) Domestic endorsement guarantees business;
- (i) Collection and payment agency;
- (j) Agency for government bonds, treasury bills, corporate bonds, and securities transactions;
- (k) Agency transactions and proprietary trading of short-term bills;
- (l) Credit card-related products;
- (m) Agency for sale of gold nuggets, gold coins, and silver coins;
- (n) Financial derivative businesses as approved by the Financial Supervisory Commission;
- (o) Custody and warehouse services;
- (p) Renting of safe-deposit boxes;
- (q) Financial advisory services on corporate banking;
- (r) Foreign exchange business in connection with exports and imports, fund remittance and repatriation, foreign currency deposits and loans; guarantee for secured repayment, and attestation on exports and imports;
- (s) Non-discretionary trust funds for investment in foreign and domestic marketable securities;
- (t) Account receivable factoring business as approved by the Financial Supervisory Commission;
- (u) Endorsement and issuance of corporate bonds;
- (v) Issuance of financial debentures;
- (w) Underwriting, agency transactions, and proprietary trading of marketable securities;
- (x) Proprietary trading of government bonds;
- (y) All businesses related thereto as specified in the license or other agency services as approved by the Financial Supervisory Commission;
- (z) Trust and fiduciary services;
- (aa) Margins on foreign currency transactions;
- (ab) Issuance of cash value cards;
- (ac) Public welfare lottery sales;

## CTBC BANK CO., LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

- (ad) Futures proprietary trading business; and
- (ae) Other businesses as approved by the Financial Supervisory Commission.

The Bank's headquarters coordinate corporate wide operations and establishes domestic and overseas banking units to expand business. As of December 31, 2019, the Bank had 152 domestic branches, 13 foreign branches and 7 overseas representative offices, whereas its subsidiaries had 95 overseas offices.

The Bank's parent company and ultimate parent company is CTBC Financial Holding Co., Ltd.

#### (2) Approval Date and Procedures of the Consolidated Financial Reports:

The consolidated financial statements were approved by the board of directors on March 27, 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 Bank and subsidiaries are required to conform to 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. The related new standards, amendments and interpretations are as follows:

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

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

#### IFRS 16 "Leases"

IFRS 16 has replaced the existing 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 have applied IFRS 16 using the modified retrospective approach. The related changes of accounting policies are described below:

IFRS 16 introduces a single and an on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. In addition, the nature of expenses related to those leases will now be changed since IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. There are recognition exemptions for short-term leases and leases of low-value items. The lessor accounting remains similar to the current standard – i.e. the lessors will continue to classify leases as finance or



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operating leases. For the accounting policy of lease transactions under IFRS16 of the Bank and subsidiaries, please refer to note 4(o).

During the period of transition, the Bank and subsidiaries measure lease liabilities by using the present value of remaining lease payments - which applies 2.70% weighted average rate. Right-of-use assets are measured by lease liabilities and adjusted by all lease-related prepaid lease payment. In addition, for the lease contracts which lease period are less than 12 months after initial application date of IFRS16, they are exempt from recognizing right-of-use assets and lease liabilities, and use hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

The amount of right-of-use assets and lease liabilities that the Bank and subsidiaries recognize at the initial application date of IFRS16 are \$16,331,155 and \$13,903,273, respectively. The difference between right-of-use assets and the increase amount of lease liabilities is the reclassification from prepaid rent payment to right-of-use assets under IFRS16.

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:

	<b>January 1, 2019</b>
Lease liabilities recognized at January 1, 2019	\$ 14,555,589
Deduct:	
Finance lease liabilities recognized as of December 31, 2018	(652,316)
Variable lease payment based on an index or a rate	(6,936,262)
Extension options reasonably certain to be exercised	(4,169,758)
Add: Recognition exemption for	
Total rental payments of short-term leases or leases of low-value assets	188,166
Others	<u>95,500</u>
Operating lease commitment discounted by using the incremental borrowing rate at December 31, 2018	3,080,919
Discount effects	<u>339,559</u>
Operating lease commitment at December 31, 2018	<u><u>\$ 3,420,478</u></u>

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- (b) The impact of IFRS endorsed by 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:

<b>New, Revised or Amended Standards and Interpretations</b>	<b>Effective date per IASB</b>
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 assessed that the adoption of the abovementioned standards would not have any material impact on its consolidated financial statements.

- (c) Newly released or amended standards and interpretation not yet endorsed by the FSC

List as below were the new standards and amendments issued by the IASB, but not yet endorsed by the FSC:

<b>New, Revised or Amended Standards and Interpretations</b>	<b>Effective date per IASB</b>
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

Those which may be relevant to the Bank and subsidiaries are set out below:

<b>Issuance / Release Dates</b>	<b>Standards or Interpretations</b>	<b>Content of amendment</b>
September 11, 2014	Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”	<p>The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture.</p> <p>The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.</p>

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The impact of applying new standards on the financial position and financial performance of the Bank and subsidiaries is under evaluation. Once the evaluation is completed, the Bank and subsidiaries will disclose the effect on the financial reports.

#### **(4) Summary of Significant Accounting Policies:**

##### **(a) Assertion of compliance**

The consolidated financial reports were prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, the Regulations Governing the Preparation of Financial Reports by Securities Firms, the Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, IFRSs, IAS, interpretations and pronouncements as accepted by the FSC (“IFRSs as accepted by the FSC”).

##### **(b) Basis of compilation**

The consolidated financial reports have been prepared on a historical cost basis except for the following material items in the balance sheet:

- (i) Financial instruments measured at fair value through profit or loss (including derivative financial instruments);
- (ii) Financial instruments measured at fair value through other comprehensive income;
- (iii) Hedging derivative financial instruments measured at fair value;
- (iv) Cash-settled share-based payment agreements liability measured at fair value; and
- (v) Defined benefit assets, which are recognized as the net amount of pension plan assets plus unrecognized prior service cost and unrecognized actuarial losses, minus unrecognized actuarial gains and present value of defined benefits obligation.

##### **(c) Basis of consolidation**

###### **(i) Basis of compilation for consolidated financial reports**

The consolidated financial reports encompass the Bank itself and controlled entities. All significant of the Bank and subsidiaries intra-group transactions are written-off.

- (ii) The control of a special purpose entity (“SPE”) by the Bank and subsidiaries may be indicated if the following criteria are met simultaneously.
  - 1) The entity has powers to obtain the majority of the benefits of the SPE's activities through voting rights or other rights;
  - 2) By having a right to the majority of the SPE's benefits, the entity is exposed to the SPE's business risks;
  - 3) The entity is capable of using its leverage over the SPE to influence the benefits of the SPE.

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(iii) Subsidiaries and special purpose entities included in the consolidated financial reports:

Name of Investor Company	Name of Subsidiary	Primary Business	Percentage of Ownership	
			December 31, 2019	December 31, 2018
CTBC Bank Co., Ltd.	CTBC Bank (Philippines) Corp. (Note 2)	Commercial banking and financing business	99.67 %	99.60 %
"	PT. Bank CTBC Indonesia	Commercial banking and financing business	99.00 %	99.00 %
"	CTBC Bank Corp.(Canada)	Commercial banking and financing business	100.00 %	100.00 %
"	The Tokyo Star Bank, Ltd.	Commercial banking and financing business	100.00 %	100.00 %
"	CTBC Capital Corp.	Investment business	100.00 %	100.00 %
CTBC Capital Corp.	CTBC Bank Corp. (USA)	Commercial banking and financing business	100.00 %	100.00 %
The Tokyo Star Bank, Ltd.	Tokyo Star Business Finance, Ltd.	Financing and assurance business	100.00 %	100.00 %
"	TSB Servicer, Ltd.	Debt management business	100.00 %	100.00 %
"	Pecuniary Trust Contract (Note 1)	Mortgage management / Collection NPL	- %	- %
"	Credit Linked Notes (Note 1)	A security with an embedded credit default swap	- %	- %
"	Asset-back Securities (Note 1)	Consumer loan management	- %	- %

Note 1 : The reason the listed entities are included in the consolidated financial reports of the Bank and subsidiaries is because the Bank and subsidiaries have leverage over these entities through direct or indirect investment, voting rights of these entities, and rights to either benefit from the majority of these entities' profits or sustain the risks. As of December 31, 2019, the Bank and subsidiaries have not, either under the terms of any contractual arrangements or non-contractual arrangements, provided financial or other support to its special purpose entities. Pecuniary trust contract, credit linked notes and asset-back securities have successively been due in March 2019, October, 2018 and December, 2018, respectively.

Note 2 : In September 2019, the Bank increased its capital contribution to CTBC Bank (Philippines) Corp., increasing its percentage of ownership from 99.60% to 99.67%.

(d) Foreign currency

- (i) A foreign currency transaction, which is denominated or requires settlement in a foreign currency, shall be recorded on initial recognition in the functional currency by applying the foreign currency spot exchange rate between the functional currency and the foreign currency at the date of the transaction.
- (ii) At each balance sheet date, foreign currency monetary items shall be translated using the closing rate. Non-monetary items that are measured in terms of historical cost in a foreign currency shall be translated using the exchange rate at the date of the transaction; and non-monetary items that are measured at fair value in a foreign currency shall be translated using the exchange rates at the date when the fair value was determined.

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- (iii) Foreign currency differences arising on the settlement of a foreign currency transaction are recognized in current profit or loss. Foreign currency differences arising on the retranslation of monetary items, except for differences arising on the retranslation of monetary items designated as hedging instruments in a hedge of the net investments in foreign operations or in a qualifying cash flow hedge are recognized directly in other comprehensive income, are recognized in profit or loss when it incurred.
- (iv) When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange difference of that gain or loss shall be recognized in other comprehensive income. Otherwise, when a gain or loss on a non-monetary item is recognized in profit or loss, any exchange difference of that gain or loss shall be recognized in profit or loss.
- (v) Functional currency and presentation currency

The functional currency of the Bank and subsidiaries is the currency of the primary economic environment in which they operate. The financial reports are presented in New Taiwan Dollars, the functional currency of the Bank.

(e) Cash and cash equivalents

The statements of cash flows are compiled based upon cash and cash equivalents. Cash comprises cash on hand, savings accounts, checking accounts, and unrestricted time deposits or negotiable certificates of deposit which may be terminated anytime without impairing the principal. Cash equivalents consist of short-term and highly liquid investments that are readily convertible to known amounts of cash and will mature within a short period so that interest rate fluctuations have little effect on their values. Cash equivalents include short-term bills with maturities within three months from the investment date.

Cash and cash equivalents comprise time deposits that are used by the Bank and subsidiaries in the management of its short-term cash commitments and are not for investment or other purposes. Additionally, the aforementioned deposits are readily convertible to fixed amount of cash and are subject to an insignificant risk of changes in their fair value.

(f) Financial instruments

Financial assets held by the Bank and subsidiaries are recorded on the trading date, the fair value is recorded at the time of initial recognition. Except for financial instruments classified as fair value through profit or loss (FVTPL), other financial instruments are initially recognized at acquiring or issuing cost plus transaction costs. However, if the handling fee arising from the sale and purchase does not reach the principle of materiality, it will be charged to current expenses. Upon disposition, the cost of sale of equity securities is determined by the moving-average method, and the cost of sale of debt securities is determined by the first-in, first-out (FIFO) method.

(i) Financial assets

Financial assets are classified into the following categories: fair value through profit or loss (FVTPL), fair value through other comprehensive income (FVOCI) and measured at amortized cost.

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1) Financial assets measured at fair value through profit or loss

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

- a) Financial assets held for trading.
  - i) Its main purpose is to sell or repurchase in the near future.
  - ii) When it was originally recognized, it was part of the identifiable financial commodity investment of a group of merged management with evidence showing the mode of operation in which this combination is actually a short-term profit in the near term.
- b) Financial assets that are not measured at amortized cost or fair value through other comprehensive income.
- c) In addition to being designated as a hedged item by hedge accounting, financial assets designated as at fair value through profit or loss at initial recognition.
- d) Derivative financial instrument.

At each balance sheet date, the fair value is remeasured, and the resulting gain or loss from such remeasurement is recognized in current profit or loss.

2) Financial assets measured at fair value through other comprehensive income

- a) Financial assets measured at fair value through other comprehensive income, if both of the following conditions are met and financial assets were not designated as financial assets measured at fair value through profit or loss :
  - i) The financial assets is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
  - ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
    - 1. Principal is the fair value of the financial asset at initial recognition. Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.
    - 2. However, in some cases, the time value of money element may be modified (i.e. imperfect). In such cases, the Bank and subsidiaries must assess the modification to determine whether the contractual cash flows represent solely payments of principal and interest on the principal amount outstanding.

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The fair value of debt instruments measured at fair value through other comprehensive income shall be remeasured at each balance sheet date. The resulting gain or loss from such remeasurement is recognized directly in other comprehensive income. Interest on a debt instrument shall be recorded under the accrual basis, with the relevant premium/discount amortized by using the effective-interest-rate method. Credit losses on the financial instrument shall be recognized as well. If, in a subsequent period, the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss. The balance of impaired adjustment amount in other comprehensive income after the reversal shall not be negative. A gain or loss on financial assets is recognized directly in other comprehensive income, except for foreign exchange gains or losses arising from monetary financial assets, until the financial assets are derecognized, at which time the cumulative gain or loss previously recognized in other comprehensive income is charged to profit or loss.

- b) At initial recognition, an irrevocable election is made to present changes in the fair value of an equity instrument that is not held for trading in other comprehensive income. When the equity instrument is derecognized, the amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss. However, the cumulative gain or loss may be transferred within equity or into retained earnings directly. Dividends are recognized in profit or loss unless the dividend represents the recovery of part of the investment costs clearly.

3) Financial assets at amortized cost

Financial assets measured at amortized cost include cash and cash equivalents, debt instruments measured at amortized cost, securities under repurchase/resell agreements, loans and receivables, deposits pledged and other financial assets that are not measured at fair value, etc.

Financial assets measured at amortized cost are initially recognized at whose fair value plus transaction costs. After initial recognition, the amortized cost minus impairment loss are determined by using the effective-interest-rate method. The interest income and impairment loss are recognized in profit or loss. Until the financial assets are derecognized, at which time the cumulative gain or loss is charged to profit or loss.

a) Debt instruments at amortized cost

The debt instrument investments held by the Bank and subsidiaries shall be measured at amortized cost if both of the following conditions are met:

- i) The financial assets is held within a business model whose objective is achieved by collecting contractual cash flows.
- ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.



## **CTBC BANK CO., LTD. AND SUBSIDIARIES**

### **Notes to the Consolidated Financial Statements**

The Bank and subsidiaries, whose business model is to hold assets in order to collect contractual cash flows, may sell financial assets when there is an increase in the assets' credit risk. Sales made for other reasons may be consistent with a business model whose objective is to hold financial assets in order to collect contractual cash flows if those sales are infrequent (even if significant in value) or insignificant in value both individually and in aggregate (even if frequent). For debt instruments measured at amortized cost, the effective-interest-rate method shall be used to calculate amortized cost and interest revenue. Credit-impaired loss shall be recognized for assets measured at amortized cost. If, in a subsequent period, the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss. The carrying amount after the reversal shall not exceed the recoverable amount.

b) Securities under repurchase/resell agreements

Securities sold/purchased with a commitment to repurchase/resell at predetermined price are treated as financing transactions. The difference between the cost and the repurchase/resell price is treated as interest expenses/revenue and recognized over the term of the agreement. On the selling/purchasing date, these agreements are recognized as securities sold under repurchase agreements or securities purchased under resell agreements.

c) Loans and receivables

At initial recognition, loans and receivables include incremental direct transaction costs, and the subsequent measurement recognizes interest revenues through the effective interest method on accrual basis, under which the loans and receivables are carried at amortized cost less impairment losses. Loans are reclassified as a non-accrual account if either of the following conditions is met, and interest collected while accruing of interest has been suspended is included in earnings only to the extent of cash actually received.

- Collection of payment of principal or interest accrued is considered highly unlikely; or
- Payment of principal or interest accrued is over 3 or 6 months past due; or
- Payment of principal, interest accrued and other suspense account of credit card is over 90 days past due.

Loans and receivables are assessed on each reporting day and the credit risk of loans and receivables have been significantly increased since the initial recognition. Comparing the risk of breach of contract on the reporting date and the original date of recognition, and considering the credit risk from the original recognition, the significant increase of reasonable and verifiable information as a basis for the estimation of default risk and expected loss rate. In accordance with the expected credit losses and with reference to the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/Non-accrual Loans" and relevant regulations issued by the FSC. The provision will be determined based on the higher of the amount calculated in accordance with regulatory requirements.

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Nonaccrual accounts deemed uncollectible are written off upon approval of the board of directors. The recovery of written-off loans and accounts receivable is accounted for under the reversal of the allowance for credit losses.

Off-balance-sheet loan commitments and financial guarantee contracts should be evaluated for the possibility of bad debts and the provisions of guarantee or financial commitments should be recognized.

4) Financial asset impairment

The Bank and subsidiaries should consider the past events, the current situation and the forecast of future economic conditions, to identify whether the credit risk of financial instruments have been significantly increased since the initial recognition; After the credit risk has increased significantly, these financial instruments should be recognized lifetime expected credit loss; If there is no significant increase in credit risk after recognition, the impairment loss should be measured against the 12-month expected credit loss. For the judgment and forward-looking adjustment method after the recognition of whether the credit risk has increased significantly, please refer to Note 6(ao).

5) Derecognition of financial assets

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.

Securities lending agreement or repurchase transactions, where 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. The transaction of asset backed securitization is applying to such situation when the Bank and subsidiaries still retained partial risks.

6) Reclassification of financial assets

The Bank and subsidiaries reclassify all affected financial assets in accordance with regulations only when changing the business model of managing financial assets.

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(ii) Financial liabilities

The financial liability held by the Bank and subsidiaries includes a financial liability measured at fair value through profit or loss (including the instruments designated as at fair value through profit or loss), amortized cost of a financial liability and hedge derivatives.

1) Financial liabilities measured at fair value through profit or loss

- a) Financial liability measured at fair value through profit or loss, if one of the following conditions is met:
  - i) 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. Financial liabilities held for trading include obligations to deliver financial assets borrowed by a short seller.
  - ii) Financial liability designated as measured at fair value through profit or loss initial recognition, except that designated as a hedged item in accordance with the hedge accounting.

Financial liabilities falling under this category are measured at fair value in the balance sheet at the balance sheet date. Moreover, the changes in fair value are recognized as current profit or loss. While for financial liabilities designated at fair value through profit or loss, its fair value changed in the liability's credit risk should be recognized under other comprehensive income, except for avoiding accounting mismatch or in the circumstances of loan commitments and financial guarantee contract to provide a loan that should be accounted as current profit or loss.

Under certain circumstances, the Bank may not recognize profit or loss of a financial asset or financial liability at initial recognition, if a fair value is not derived from a quoted market price in an active market and is based on the evaluation method with data retrieved from unobservable market. In the above scenario, the recognition of the difference between fair value at initial recognition and transaction price is deferred. After initial recognition, the entity shall recognize the aforesaid deferred difference as a gain or loss only to the extent that it arises from a change in a factor that market participants would take into account when pricing the asset or liability.

2) Amortized cost of a financial liability

Financial liabilities are classified at amortized cost of a financial liability, except for financial liabilities measured at fair value through profit or loss, hedged derivatives financial liability, financial bonds payable, financial guarantee contracts, commitments to provide a loan at a below-market interest rate and financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies.

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
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3) Derecognition of a financial liability

The Bank and subsidiaries shall remove a financial liability from its statement of financial position when, and only when, it is extinguished.

4) Offsetting financial assets and financial liabilities

Financial assets and financial liabilities will be offset and recognized in the net amount on the balance sheet only when the Bank and subsidiaries have statutory rights to offset and intend to net settle or realize assets and to pay off liabilities at the same time.

5) The Bank and subsidiaries shall not reclassify any financial liability.

(iii) Derivatives and hedging accounting

Derivative instruments are initially recognized at fair value on contract date and subsequently measured at fair value. Fair value includes quoted price in an active market, occurring market transaction prices or model valuation technique. All derivatives instruments are recognized as assets with positive fair value and as liability with negative fair value.

The Bank and subsidiaries should account for financial liabilities embedded in derivatives if the economic characteristics and risks of the embedded derivatives are closely related to the economic characteristics of the host contract. If not, the host contract is not a financial liability that is measured at fair value through profit or loss. Unless choosing to designate an overall hybrid contract to measure financial liabilities at fair value through profit or loss, the Bank and subsidiaries should recognize the host contract and embedded derivatives separately. In addition, the embedded derivative is recognized as financial liability as measured at fair value through profit or loss.

When a fair value hedge, cash flow hedge, and hedge of a net investment in a foreign operation are in conformity with all the conditions for applying hedge accounting, the affected profit or loss is recognized by offsetting the changes in the fair value of hedging instruments and hedged items. The related accounting treatments are as follows:

- 1) Fair value hedge: Changes in the fair value of derivatives that are designated and qualified as fair value hedging instruments against the exposure to changes in fair value of a recognized asset or liability or an unrecognized firm commitment are recognized through profit or loss in the current period.
- 2) Cash flow hedge: Where a derivative financial instrument is designated as a hedge of the variability in cash flow of a recognized asset or liability or a highly probable forecast transaction, the effective portion of any gain or loss on remeasurement of the derivative financial instrument to fair value is recognized directly under other comprehensive income. When the hedged transaction actually affects the profit or loss, the gain or loss previously recognized under other comprehensive income shall be recognized through current profit or loss. Any gain or loss from the change in fair value relating to an ineffective portion of the hedge transaction is recognized immediately through profit or loss in the current period.

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- 3) Hedge of a net investment in a foreign operation: The effective portion of any gain or loss on a hedging instrument relating to a hedge against foreign currency fluctuation in a foreign operation is recognized directly in other comprehensive income until the disposal of the foreign operation, at which time the cumulative gain or loss recognized directly under other comprehensive income is recognized in profit or loss in the current period.

(iv) Financial guarantee contracts

The Bank and subsidiaries recognize financial guarantee liabilities initially at their fair value at the date of providing guarantee. The Bank and subsidiaries receive commission income with non-arm's-length transaction at contract date; this is, the income could represent the fair value of financial guarantee contract. The advanced service fee is recognized as deferred item and amortized by straight-line method over the life of the financial guarantee.

Financial guarantee contracts shall be subsequently measured by the Bank and subsidiaries at the higher of:

- 1) The amount determined in accordance with "Provisions"; and
- 2) The amount initially recognized less, when appropriate, cumulative amortization recognized from deferred revenues.

(g) Investment properties

Investment property could be recognized by the Bank and subsidiaries only to earn rentals or for capital appreciation or both.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use by the Bank and subsidiaries. If these portions could be sold separately, the Bank and subsidiaries account for the portions separately. The portion that is held for use is treated following "Premises and equipment", and another portion that is held to earn rentals or for capital appreciation or both is regarded as investment property. If the portions could not be sold separately, and if an insignificant portion is held for use, then the whole property is regarded as investment property.

Investment property shall be recognized as an asset when, and only when it is probable that the future economic benefits that are associated with the investment property will flow to the Bank and subsidiaries, and the cost of the investment property can be measured reliably. Subsequent expenditure is capitalized as cost only when it is probable that the future economic benefits that are associated with the investment property will flow to the Bank and subsidiaries, and the cost of the investment property can be measured reliably. Regular repair costs are recognized as expenses in the period they are incurred.

If the recognition criteria are met, the Bank and subsidiaries recognize the cost of replacement in the carrying amount of the replaced investment property at the time the cost is incurred. The carrying amount of the part that is replaced is derecognized.

After initial recognition, real estate property is subsequently measured by using cost model, and amortized by the depreciable amount. Its depreciation method, useful life and residual value can be referred to the regulation of premises and equipment.

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When the use of a property changes such that it is reclassified as premises and equipment, the book value at the date of reclassification become its cost for subsequent accounting.

(h) Non-financial asset impairment

At each balance sheet date, the recoverable amount of an asset is estimated and compared with the carrying amount whenever there is an indication that the non-financial asset may be impaired. An impairment loss is recognized when the recoverable amount, higher of fair market value or value in use, is less than the carrying amount. For assets other than goodwill, reversal of impairment loss is recognized when the recoverable amount of the asset has increased from its prior-period estimation. The carrying amount after the reversal shall not exceed the recoverable amount or the depreciated or amortized balance of the assets assuming no impairment loss was recognized in prior periods.

(i) Assets held for sale

For an asset or disposal group to be classified as held for sale, it needs to be disposed of through sale rather than through continuing use to recover its carrying amount. Assets or disposal groups that meet the criteria to be classified as such must be subject only to terms that are usual and customary and be available for immediate sale, which is highly probable, within one year of such classification. After being classified as held for sale, it is measured at the lower of carrying amount and fair value less costs to sell.

Amortization or depreciation on intangible assets, premises and equipment ceases once they are classified as held for sale.

(j) Investments in associates

Investments in associates in which the Bank is able to exercise significant influence and subsidiaries the Bank has control over are accounted for under the equity method and initially recognized at cost. Goodwill, deducting accumulated impairment loss, related to an associate is included in the carrying amount of the investment. The equity method discontinues to be used from the date when it ceases to have significant influence, and the book value is taken as the new cost of the investment.

The Bank has significant influence if holding, directly or indirectly 20% or more of the voting right of the investee. However, an exception will apply if the Bank can specify that it has no significant influence over an investee.

After the date of acquisition the Bank or its subsidiaries' share of the profit or loss of the associates is recognized in profit or loss. Distributions received from an associate reduce the carrying amount of the investment. Adjustments to the carrying amount of the investment may also be necessary for changes in the Bank or its subsidiaries' proportionate interest in the associates arising from changes in the associates' other comprehensive income. If the Bank or its subsidiaries' share of losses of an associate equals or exceeds their interest in the associate (including non-guarantee long-term receivables), the Bank or its subsidiaries discontinues recognizing its share of further losses. Additional losses are provided for, and a liability is recognized, only to the extent that the Bank or its subsidiaries has incurred legal or constructive obligations or made payments on behalf of the associate.

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Changes in ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances the carrying amounts of the parent's ownership interest and non-controlling interests shall be adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received shall be recognized directly in equity.

(k) Interest in joint ventures

The joint agreements include joint operations and joint ventures, and have the following characteristics:

- (i) The parties are bound by a contractual arrangement;
- (ii) The contractual arrangement gives two or more of those parties joint control of the arrangement.

The Bank or its subsidiaries distinguish between joint operations and joint ventures by considering the structure and legal form of the arrangement, the contractual terms agreed to by the parties to the arrangement and, when relevant, other facts and circumstances. In joint operations, the Bank or its subsidiaries accounts for its share of the joint assets, liabilities, revenues and expenses in accordance with the contractual arrangement. In joint ventures, the Bank or its subsidiaries account for its investment using the equity method.

(l) Cash surrender value of life insurance

The Bank's U.S. subsidiary purchased single-premium life insurance under which the executive officers and directors are the insured, while the subsidiary is the owner and beneficiary thereof. The cash surrender value indicates the amount that would be received if the life insurance is terminated prior to the maturity date, and is accounted for under "other assets."

(m) Premises and equipment

The Bank and subsidiaries' premises and equipment are recognized after deducting any accumulated depreciation and accumulated impairment losses from historical cost. The historical cost includes any costs directly attributable to acquiring the assets.

Subsequent expenditure of premises and equipment shall be recognized as an asset or be included in the carrying amount of assets, when, and only when it is probable that the future economic benefits that are associated with premises and equipment will flow to the Bank or its subsidiaries, and the cost of premises and equipment can be measured reliably. The carrying amount of those parts that are replaced is derecognized. A major improvement or repair expense that can extend the benefits over afterward period is regarded as capital expenditure; while frequent maintenance or repairs are charged to current expenses.

If the Bank and subsidiaries have obligations to dismantle, remove and restore the premises and equipment, the obligation for which the Bank and subsidiaries incur either when the item is acquired or as a consequence of having used the item during a particular period shall be recognized as the cost of the premises and equipment as well as liability.



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Depreciation is computed using the straight-line method; the useful lives are calculated based on the normal economic lives. Each part of an item of premises and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. The residual value and the useful life of an asset shall be reviewed or adequately adjusted at each financial year-end. Useful lives of major premises and equipment are as follows:

Buildings and premises	2~56 years
Transportation equipment	4~ 6 years
Miscellaneous equipment	2~20 years

The gain or loss arising from the disposition of an item of premises and equipment shall be recognized in current profit or loss and determined as the difference between the disposal proceeds and the carrying amount of the item.

A property is reclassified to investment property at its carrying amount when the use of the property changes from owner-occupied to investment property.

(n) Intangible assets

(i) Computer software

Computer software system expenses, which are recorded on the basis of the actual cost of acquisition, are amortized using a straight-line method over a period of 3 to 15 years. Its amortization method, useful life and residual value are referred to the regulation of properties and equipment. The Bank and subsidiaries use cost model to proceed subsequently measurement.

(ii) Goodwill

The Bank and subsidiaries account a business combination by applying the acquisition method. The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition-date fair values of the assets transferred by the acquirer, the liabilities assumed by the acquirer and the equity interests issued by the acquirer. In addition, other expense directly contributed to the acquisition is included. The acquirer shall measure the identifiable assets acquired from business combination and the liabilities or contingent liabilities assumed at their acquisition-date fair values without considering non-controlling interest. The acquirer shall recognize goodwill as of the acquisition date measured as the excess of the consideration transferred over the fair value of net identifiable assets held according to holding proportion. Adversely, the difference may result in directly recognizing a gain on a purchase.

Goodwill relating to cash-generating units is tested for impairment periodically each year. An impairment loss is recognized when the recoverable amount is less than the carrying amount. Impairment losses cannot be reversed once an impairment loss has been recognized.

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(o) Leases (applicable from January 1, 2019)

(i) Identifying a lease

At inception of a contract, the Bank and subsidiaries assess 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.

(ii) As a lessor

The leases are classified as finance leases, if the Bank and subsidiaries transfer substantially the entire risks and rewards incidental to the ownership of the assets. Otherwise, the leases are classified as operating leases.

- 1) Operating lease: Lease payments or receivables under an operating lease shall be recognized in current profit or loss using a straight-line method over the lease term.
- 2) Finance lease: As lessors, the Bank and subsidiaries shall derecognize assets held under a finance lease at contract date and recognize them as lease payment receivable at an amount equal to the present value of lease payments. The difference between gross amount and present value of lease payment receivables is recognized as unrealized interest income and transferred to interest income of current period on an accrual basis. Lease revenue is calculated based on the interest rate implicit in the lease on the remaining balance of lease payment receivables and recognized in current profit or loss over the lease term.

(iii) As a lessee

The Bank and subsidiaries recognize a right-of-use asset and a lease liability at the lease commencement date. The initial amount of the right-of-use asset 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 restore the underlying asset, 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 underlying asset or the end of the lease term. Refer to 「Premises and equipment」 for the review of useful life and the impairment assessment policy.

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 the Bank and subsidiaries' incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise the following:

- 1) Fixed payments, including payments that may, in form, contain variability but that, in substance, are unavoidable.
- 2) Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

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- 3) Amounts expected to be payable under a residual value guarantee; and
- 4) Amounts expected for the exercise price under a purchase option, lease payments under an extension option, and penalties for early termination, if the Bank and subsidiaries are reasonably certain to exercise or early terminate.

The lease liability is measured by the effective interest method to recognize the interest expense, and remeasured to reflect the changes as follow:

- 1) The lease term changes;
- 2) The future lease payments changes to reflect a change in an index or rate; or
- 3) If there is a change in the Bank and subsidiaries' estimate of the amount expected to be payable under a residual value guarantee, or if the Bank and subsidiaries change its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured to reflect above changes, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Bank and subsidiaries don't 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 recognize the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(p) **Foreclosed properties**

Foreclosed properties received are stated at acquired cost, and the difference between it and the nominal value of the original claim is reflected as a credit loss. On the balance sheet date, if the foreclosed properties received are still unsold, they shall be evaluated at the lower of carrying amount and net fair market value. If there is sufficient evidence indicating that the net fair market value is lower than the carrying amount of foreclosed properties, the difference after reassessment is accounted for under impairment loss on assets. Gain or loss on disposal of foreclosed properties is recognized in current profit or loss as well.

(q) **Provisions**

The Bank and subsidiaries recognize provisions only if all of the following conditions are met:

- (i) An entity has a present obligation, legal or constructive, as a result of a past event;
- (ii) It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- (iii) A reliable estimate can be made of the amount of the obligation.

The Bank and subsidiaries shall not recognize provisions for future operating losses.

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Where there are a number of similar obligations the probability that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Although the likelihood of outflow for any one item may be small, it may well be probable that some outflow of resources will be needed to settle the class of obligations as a whole. If that is the case, a provision is recognized.

The amount of a provision is measured subsequently as the present value of the expenditures expected to be required to settle the obligation. The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The deficiency is recognized as profit or loss of the current period.

(r) Revenue recognition

The Bank and subsidiaries' incomes are recognized on an accrual basis. Please refer to Note 4(f)(i)3) for more information on interest income from receivables and loans.

(s) Employee benefit

(i) Short-term employee benefit: The Bank or its subsidiaries expects to settle all short-term non-discounted benefits in twelve months after the end of annual financial reporting date in which the services are rendered by employees, and recognize as current expenses.

(ii) Post-employment benefit: The Bank and subsidiaries' pension plan comprises defined contribution plan and defined benefit plan.

- 1) A defined contribution plan is a post-employment benefit plan under which the Bank pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that is due more than 12 months after the end of the period in which the employees render the service are discounted to their present value.
- 2) A defined benefit plan is a post-employment benefit plan under which benefit is paid to an employee on the basis of their ages, service periods and compensated salaries at the date of retirement. The Bank recognizes remeasurements of the defined benefit plan which are incurred by the change of actual experience and actuarial assumption in other comprehensive income, and recognize pension asset or liability in balance sheet in which asset or liability is the amount of actuarial present value of defined benefits obligation deducting fair value of plan assets. The calculation of defined benefits obligation is performed annually by an actuary using the projected unit credit method. The actuarial present value of defined benefits obligation is calculated by discounting future cash flow at the yield rate on AA credit rated bonds that have maturity dates approximating the terms of the obligation and that are denominated in the same currency in which the benefits are expected to be paid. In accordance with the article 30 of the Regulations Governing the Preparation of Financial Reports by Public Bank's, when the interest incurred from retiree deposits with favorable rates exceed the interest generated from market rate, it should be considered the actuarial amount according to defined benefit plan regulated on IAS 19 "Employee Benefits" since the employee's retirement date.

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Otherwise, the parameter of actuarial assumption of competent authority should be followed (if have). The interim amount of defined benefit plan is determined based on the pension cost rate, which is the actuarial rate at the end of last fiscal year, and the amount, which is from the beginning of the year to the end of current period. In addition, an adjustment would be made if significant market fluctuation, significant decrease, pay-off or other significant one-time event occurs after the end of period.

- 3) The defined contribution plan of overseas unit is in accordance with respective authorities' regulation.
- (iii) Termination benefits: Termination benefits are incurred when the Bank or its subsidiaries terminate employment prior to qualifying for retirement, or the employees accepted voluntary redundancy to get termination benefits in return. Termination benefits are recognized as a liability when the Bank and subsidiaries are committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to provide termination benefits or make an offer of termination benefits to encourage voluntary redundancy. Termination benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.
- (t) Share based payment transactions
- The Bank's accounting treatments of share-based payment are as below.
- (i) Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed over the vesting period, and the corresponding increase in owners' equity is recognized. The vesting period is estimated based on the ultimate vesting conditions that must be satisfied. The vesting conditions include service conditions and performance conditions, including market conditions. In valuing equity-settled payments, no account is taken of any vesting conditions other than market conditions.
- (ii) For cash-settled share-based payment transactions, a liability equal to the portion of the goods or services received is recognized at its current fair value determined at each balance sheet date and at the date of settlement, with any changes in the fair value recognized in profit or loss of the period.
- (iii) Fair value of the share options at the grant date is measured with the use of an option pricing model based on management's best estimate of the exercise price, expected term, underlying share price, expected volatility, expected dividend yield, risk-free interest rate, and any other inputs to the model.
- (u) Compensations of employees and directors

The Bank's employees' and directors' (including independent directors) compensations are recognized as personnel expenses. Any difference lies between the actual allocation amount and previously recognized in the financial report is considered as change in accounting estimates which is then recognized as profit or loss in next year.

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(v) Income taxes

Income tax expenses include both 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 shall be recognized in profit or loss. Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the years calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years. Income tax expense is measured by interim reporting period net income before tax multiplied by best estimate effective annual tax rate. And the best estimate effective annual tax rate is determined by the management. Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax assets and liabilities may be offset against each other if the following criteria are met by the Bank and subsidiaries:

- (i) The entity has the legal right to settle tax assets and liabilities on a net basis; and
- (ii) The deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
  - 1) Levied by the same taxing authority; or
  - 2) Levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

A deferred tax asset should be 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 profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized. Such unused tax losses, unused tax credits, and deductible temporary differences shall also be re-evaluated every year on the financial reporting date, and adjusted based on the probability that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized.

As a subsidiary of CTBC Financial Holding Co., Ltd., the Bank files a consolidated corporate income tax return with its parent company and subsidiaries. The difference between the consolidated income tax and the Bank's ordinary income tax is adjusted at the parent-company level, and the Bank recognizes such difference as payables or receivables.

(w) Contingent liabilities

A contingent liability is defined as a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank or its subsidiaries; or a present obligation that arises from past events but is not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability. The Bank and subsidiaries shall not recognize a contingent liability; instead, contingent liability shall be appropriately disclosed.



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(x) Operating segments

An operating segment is a 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 its affiliates). The segment's operating results are reviewed regularly by the Bank's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance for which discrete financial information is available.

The prime responsibility of the Bank's parent company CTBC Financial Holding Co., Ltd. is the management of its subsidiaries, whose operational performance and resource allocation are executed under board approval of the parent company. The Bank and subsidiaries periodically report actual financial results to the Group's Management Board, and thereby leading to its role as the chief operating decision maker.

**(5) Primary Sources of Significant Accounting Judgments, Estimates and Assumptions Uncertainty:**

When preparing the consolidated financial reports in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, the Regulations Governing the Preparation of Financial Reports by Securities Firms, the Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants and International Financial Report Standards (IFRSs) endorsed by the FSC, the management needs to make judgments, estimates, and assumptions that affect the adoption of accounting policies, reported amounts of assets, liabilities, revenues, and expenses. Actual results could differ from these estimates.

The management should continuously evaluate the estimates and assumptions. Changes in accounting estimates are recognized at the occurrence and the impacted future periods.

Please refer to the following for accounting policies and management judgments which have significant impacts on the financial statements of the Bank and subsidiaries.

(a) Impairment of financial assets

The impairment of financial assets of the Bank and subsidiaries is recognized as the 12-month expected credit loss or the lifetime credit loss by identifying whether the credit risk of financial instruments has been significantly increased since the initial recognition. To evaluate the expected credit losses for 12-month and lifetime, the Bank and subsidiaries consider the default probability (Probability of default, "PD") of financial assets or issuers or counterparties, 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. The Bank and subsidiaries consider historical experiences, current market conditions and forward-looking estimates to decide the assumptions and input values to be used in determining the impairment loss. For the details of the relevant assumptions and input values, please refer to Note 6(ao).

(b) Assessment of goodwill impairment

Assessment of goodwill impairment depends on subjective judgment by the Bank and subsidiaries, including identifying cash-generating units, allocating goodwill to related cash generating units, and deciding recoverable amount of related cash generating units. The management of the Bank and subsidiaries shall estimate the expected future cash flow from cash generating units and decide proper discount rate for calculating present value. If the actual cash flow is less than expected, significant impairment losses may incur.



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(c) Assessment of the fair value of financial instruments

The Bank and subsidiaries hold certain financial instruments without active markets, including financial instruments lacking active market quotes and financial instruments that turned out to be inactive due to market conditions (e.g., low market liquidity). When a market is inactive, there are usually only a few or no observable market data available to measure the fair value of financial instruments. Determination of the existence of an active market for a financial instrument requires management's judgement. If the market for an investment held by the Bank and subsidiaries are not active, the fair value of the instrument is determined using valuation techniques. The Bank and subsidiaries use quotes from independent third parties or prices derived from internally developed models to determine the fair value of those financial instruments. When the fair value may be publicly obtained from independent sources it shall be adopted first. Overall, the Bank and subsidiaries would decide a source or a technique as a fair value determination method that can reflect the price achieved between market participants through regular trading as of the reporting date. Valuation techniques include adoption of recent arm's-length transactions, reference to other instruments with a substantially identical basis, application of discounted cash flow analysis, etc., which may also include a number of assumptions related to each variable (such as credit risk and interest rate). Adoption of different valuation techniques or assumptions may lead to significant discrepancies in fair value determination results.

Please refer to note 6(ao) for the estimated fair value of the above financial instruments.

**(6) Summary of Major Accounts:**

(a) Cash and cash equivalents

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Cash on hand	\$ 33,524,378	31,711,183
Petty cash and revolving fund	21,828	22,332
Checks for clearance	1,820,385	4,168,156
Cash in transit	3,020,210	5,128,157
Due from other banks	<u>32,745,318</u>	<u>46,529,659</u>
Total	<b><u>\$ 71,132,119</u></b>	<b><u>87,559,487</u></b>

(b) Due from Central Bank and call loans to bank

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Required reserve—Account A	\$ 50,558,617	40,668,559
Required reserve—Account B	58,129,287	50,779,809
Required reserve—Foreign Currency	316,113	-
Due from Central Bank	90,901,828	115,515,402
Call loans to banks	50,845,213	45,898,349
Bank overdrafts	<u>-</u>	<u>17,962</u>
Total	<b><u>\$ 250,751,058</u></b>	<b><u>252,880,081</u></b>

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The reserves for deposits are calculated at prescribed rates, using the average monthly balances of various deposit accounts, and are appropriated and deposited in the reserve account of the Central Bank of the Republic of China (Taiwan). Deposits in “Required reserve— Account A” are interest free and can be withdrawn at any time; deposits in “Required reserve— Account B” are interest bearing and cannot be withdrawn except for the monthly adjustment to the required reserve permitted by relevant regulations.

(c) Financial instruments measured at fair value through profit or loss

Financial assets measured at fair value through profit or loss of the Bank and subsidiaries were as follows:

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Designated as financial assets measured at fair value through profit or loss		
Other securities and bonds	\$ -	1,113,200
Valuation adjustment of financial assets	<u>-</u>	<u>17,084</u>
Subtotal	<u>-</u>	<u>1,130,284</u>
Mandatorily measured at fair value through profit or loss		
Commercial paper	96,066,860	101,208,363
Negotiable certificates of deposits	842,030	4,000,301
Treasury bills	445	587
Government bonds	789,520	711,768
Corporate bonds	5,363,529	4,261,034
Convertible bonds	-	8,945
Financial debentures	3,003,981	6,309,948
Stocks	1,795,897	4,097,546
Beneficiary certificates	522,245	910,908
Derivative financial assets	60,223,960	41,623,835
Valuation adjustment of financial assets	<u>79,837</u>	<u>(802,915)</u>
Subtotal	<u>168,688,304</u>	<u>162,330,320</u>
Total	<b><u>\$ 168,688,304</u></b>	<b><u>163,460,604</u></b>

Please refer to Note 6(t) for information with regard to repurchase conditions for financial assets measured at fair value through profit or loss shown above.

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Financial liabilities measured at fair value through profit or loss of the Bank and subsidiaries were as follows:

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Derivative financial liabilities	\$ 72,834,151	55,343,033
Financial liabilities designated at fair value through profit or loss	<u>41,068,313</u>	<u>37,930,181</u>
Total	<b><u>\$ 113,902,464</u></b>	<b><u>93,273,214</u></b>

The aforementioned financial liabilities designated at fair value through profit or loss were issued by the Bank, with the related terms and conditions disclosed in Note 6(w). The amounts of fair value and its changes which were attributable to changes in the credit risk were as follows:

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Financial debentures at fair value	\$ 41,068,313	37,930,181
Cumulative changes in fair value that is attributable to changes in the credit risk	(1,086,384)	310,604
The difference between book value and the amount payable upon maturity as specified in the contract	2,344,539	6,386,805

The Bank assesses changes in fair value that was not attributable to changes in market conditions that give rise to swing of market risk to evaluate changes in fair value due to shift of credit risk. For the years ended December 31, 2019 and 2018, there was no transfer of the cumulative gain or loss within equity.

The fair value of the callable financial debentures issued by the Bank was evaluated based on the internal evaluation model, with evaluation variables retrieved from parameters unobservable in the market. In consideration of the discrepancy between evaluated price and transaction price, the Bank has recognized reserve for day one profits. The changes in reserve for day one profits were as follows:

	<b>For the years ended December 31 2019</b>	<b>2018</b>
Beginning balance	\$ 1,430,916	3,545,835
Current increase	-	1,256,405
Current decrease	(503,877)	(3,476,155)
Foreign exchange (losses) gains	<u>(16,746)</u>	<u>104,831</u>
Ending balance	<b><u>\$ 910,293</u></b>	<b><u>1,430,916</u></b>

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(d) Financial assets measured at fair value through other comprehensive income

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Debt investments measured at fair value through other comprehensive income		
Negotiable certificates of deposits	\$ 3,730,735	16,014,499
Treasury bills	2,708,389	954,637
Government bonds	79,114,620	57,507,819
Corporate bonds	16,398,938	14,566,497
Financial debentures	146,517,077	126,297,054
Asset-backed securities	51,716,667	31,581,823
Other securities and bonds	3,220,502	1,518,273
Valuation adjustment of financial assets	<u>2,131,314</u>	<u>15,209</u>
Subtotal	<u>305,538,242</u>	<u>248,455,811</u>
Equity investments measured at fair value through other comprehensive income		
Stocks	13,531,709	4,730,145
Beneficiary certificates	474,056	548,664
Valuation adjustment of financial assets	<u>1,006,297</u>	<u>(68,493)</u>
Subtotal	<u>15,012,062</u>	<u>5,210,316</u>
Total	<u><b>\$ 320,550,304</b></u>	<u><b>253,666,127</b></u>

The changes in allowance for credit losses attribute to the financial assets above were as follows :

	For the year ended December 31, 2019					
	12-month ECL	Lifetime ECL (Collectively assessed)	Lifetime ECL (Individually assessed)	Lifetime ECL (Not purchased or originated credit- impaired financial assets)	Lifetime ECL (Purchased or originated credit- impaired financial assets)	The provision of impairment in accordance with IFRS 9
Beginning balance	\$ 69,280	-	-	-	-	69,280
Changes in financial instruments that have been identified at the beginning of the period :						
— The financial assets that have been derecognized	(40,704)	-	-	-	-	(40,704)
New financial assets originated or purchased	31,382	-	-	-	-	31,382
Foreign exchange and other movement	(4,169)	-	-	-	-	(4,169)
Ending balance	\$ 55,789	-	-	-	-	55,789

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	For the year ended December 31, 2018				
	12-month ECL	Lifetime ECL (Collectively assessed)	Lifetime ECL (Individually assessed)	Lifetime ECL (Not purchased or originated credit- impaired financial assets)	Lifetime ECL (Purchased or originated credit- impaired financial assets)
Beginning balance	\$ 61,863	-	-	-	-
Changes in financial instruments that have been identified at the beginning of the period :					
— The financial assets that have been derecognized	(25,510)	-	-	-	-
New financial assets originated or purchased	38,973	-	-	-	-
Foreign exchange and other movement	(6,046)	-	-	-	-
Ending balance	\$ 69,280	-	-	-	-

For the years ended December 31, 2019 and 2018, the dividends of the Bank and subsidiaries related to equity investments at fair value through other comprehensive income were as follows:

	For the years ended December 31	
	2019	2018
Disposal in the reporting period	\$ 16,816	1,740
Amounts held by the end of the reporting period	807,821	316,866
Total	\$ 824,637	318,606

The Bank and subsidiaries disposed the equity investments measured at fair value through other comprehensive income based on investment consideration for the years ended December 31, 2019 and 2018. The gains (losses) of disposal were recognized in Retained Earnings. The information of fair value at the date of derecognition and losses on disposal were as follows:

	The fair value at the date of derecognition		Losses on disposal	
	For the years ended December 31,		For the years ended December 31,	
	2019	2018	2019	2018
Stocks	\$ 664,856	465,071	(129,730)	(49,961)

Please refer to Notes 6(t) and 8 for information with regard to the repurchase conditions for, or restrictions on, financial assets measured at fair value through other comprehensive income shown above.

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(e) Investment in debt instruments at amortized cost

	December 31, 2019	December 31, 2018
Negotiable certificates of deposits	\$ 382,111,188	379,516,000
Treasury bills	7,454,154	9,700,256
Government bonds	177,874,988	133,664,855
Corporate bonds	55,998,220	49,326,261
Financial debentures	17,567,065	20,268,822
Asset-backed securities	50,230,010	613,886
Others	3,791,280	2,583,921
Less: Allowance for credit losses	(31,433)	(43,335)
Total	<u>\$ 694,995,472</u>	<u>595,630,666</u>

The changes in allowance for credit losses attributed to the above assets were as follows :

For the year ended December 31, 2019						
	12-month ECL	Lifetime ECL (Collectively assessed)	Lifetime ECL (Individually assessed)	Lifetime ECL (Not purchased or originated credit-impaired financial assets)	Lifetime ECL (Purchased or originated credit-impaired financial assets)	The provision of impairment in accordance with IFRS 9
Beginning balance	\$ 43,335	-	-	-	-	43,335
Changes in financial instruments that have been identified at the beginning of the period :						
— Transfer to lifetime ECL	(4,955)	3,988	967	-	-	-
— The financial assets that have been derecognized	(2,854)	-	-	-	-	(2,854)
New financial assets originated or purchased	6,350	-	-	-	-	6,350
Foreign exchange and other movement	(14,959)	(3,988)	3,549	-	-	(15,398)
Ending balance	<u>\$ 26,917</u>	<u>-</u>	<u>4,516</u>	<u>-</u>	<u>-</u>	<u>31,433</u>
For the year ended December 31, 2018						
	12-month ECL	Lifetime ECL (Collectively assessed)	Lifetime ECL (Individually assessed)	Lifetime ECL (Not purchased or originated credit-impaired financial assets)	Lifetime ECL (Purchased or originated credit-impaired financial assets)	The provision of impairment in accordance with IFRS 9
Beginning balance	\$ 39,974	-	-	-	-	39,974
Changes in financial instruments that have been identified at the beginning of the period :						
— The financial assets that have been derecognized	(6,648)	-	-	-	-	(6,648)
New financial assets originated or purchased	12,015	-	-	-	-	12,015
Foreign exchange and other movement	(2,006)	-	-	-	-	(2,006)
Ending balance	<u>\$ 43,335</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>43,335</u>

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The Bank and subsidiaries derecognized investment in debt instruments measured at amortized cost for the purpose of fund management for the years ended December 31, 2019 and 2018. The information of the carrying amounts at the date of derecognition and gains on disposal were as follows:

	The fair value at the date of derecognition		Gains on disposal	
	For the years ended December 31,		For the years ended December 31,	
	2019	2018	2019	2018
Government bonds	\$ 490,886	1,841,570	23,185	30,064
Corporate bonds	-	1,912,309	-	-
	<u>\$ 490,886</u>	<u>3,753,879</u>	<u>23,185</u>	<u>30,064</u>

Please refer to Notes 6(t) and 8 for information with regard to the repurchase conditions for, or restrictions on, investment in debt instruments measured at amortized cost shown above.

(f) Financial instruments — hedging

Hedging derivative financial assets of the Bank were as follows:

	December 31, 2019	December 31, 2018
Fair value hedge:		
Non-delivery forwards	\$ 33,196	980
Hedge of a net investment in a foreign operation:		
Currency swaps	297,568	33,232
Total	<u>\$ 330,764</u>	<u>34,212</u>

Hedging derivative financial liabilities of the Bank were as follows:

	December 31, 2019	December 31, 2018
Fair value hedge:		
Non-delivery forwards	\$ -	15,426
Hedge of a net investment in a foreign operation:		
Currency swaps	37,437	168,769
Total	<u>\$ 37,437</u>	<u>184,195</u>

(i) For the years ended December 31, 2019 and 2018, the hedging financial instruments of the Bank have no ineffective portion of hedging.





**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
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- (iv) The amounts applicable to the hedge accounting that affects the statements of comprehensive income for the years ended December 31, 2019 and 2018 were as follows :

				<u>Provision of hedge reclassified to profit or loss</u>		
	<u>Recognized in other comprehensive income</u>	<u>Recognized in profit or loss of the ineffective portion of hedging</u>	<u>The separate line items of the hedged items included in the statements of comprehensive income</u>	<u>The hedged items no longer expected to occur and transfer</u>	<u>The hedged items have affected profit or loss and transferred</u>	<u>The separate line items affected by reclassification</u>
<b>December 31, 2019</b>						
<b>Hedge of net investment</b>						
Currency swaps						
— Hedge of a net investment in a foreign operation	\$ 228,897	-	-	-	-	-
				<u>Provision of hedge reclassified to profit or loss</u>		
	<u>Recognized in other comprehensive income</u>	<u>Recognized in profit or loss of the ineffective portion of hedging</u>	<u>The separate line items included in the statements of comprehensive income</u>	<u>The hedged items no longer expected to occur and transfer</u>	<u>The hedged items have affected profit or loss and transferred</u>	<u>The separate line items affected by reclassification</u>
<b>December 31, 2018</b>						
<b>Hedge of net investment</b>						
Currency swaps						
— Hedge of a net investment in a foreign operation	\$ (740,474)	-	-	-	-	-

- (v) The amount, timing and uncertainty of the aforementioned hedging instruments affecting the Bank's future cash flow were as follows :

	Maturity date				
	Up to 1 month	1-3 months	3 months to 1 year	1-5 years	Over 5 years
<b>December 31, 2019</b>					
<b>Fair value hedge</b>					
Non-delivery forwards					
Notional Amount	USD 15,000	USD 20,000	-	-	-
Range of FX(TWD/USD)	31.054~31.090	31.415			
<b>Hedge of net investment</b>					
Exchange transaction					
Notional Amount	USD 291,500	-	-	-	-
Range of FX(TWD/USD)	30.480~30.497				
Notional Amount	CAD 10,000	-	-	-	-
Range of FX(TWD/CAD)	23.120				
Notional Amount	JPY 52,970,726	-	-	-	-
Range of FX(TWD/JPY)	0.2782~0.2813				

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
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	Maturity date				
	Up to 1 month	1-3 months	3 months to 1 year	1-5 years	Over 5 years
<b>December 31, 2018</b>					
<b>Fair value hedge</b>					
Non-delivery forwards					
Notional Amount	-	-	USD 35,000	-	-
Range of FX(TWD/USD)			30.509~30.700		
<b>Hedge of net investment</b>					
Exchange transaction					
Notional Amount	USD 204,500	-	-	-	-
Range of FX(TWD/USD)	30.80~30.84				
Notional Amount	CAD 10,000	-	-	-	-
Range of FX(TWD/CAD)	22.922				
Notional Amount	JPY 52,970,726	-	-	-	-
Range of FX(TWD/JPY)	0.2740~0.2768				

(g) Securities purchased under resell agreements

	December 31, 2019	December 31, 2018
Securities purchased under resell agreements	\$ <u>852,440</u>	<u>1,481,876</u>
Face value of securities	\$ <u>852,440</u>	<u>1,483,020</u>

(h) Receivables — net

	December 31, 2019	December 31, 2018
Notes receivable	\$ 27,421	30,540
Accounts receivable	90,138,609	90,891,694
Accounts receivable factoring	16,424,280	21,578,332
Interest receivable	9,630,084	9,224,066
Acceptances receivable	11,592,297	12,150,952
Accrued income	38,745	32,476
Financial transaction receivable	4,272,632	7,889,053
Interbank clearing receivable	2,560,302	2,206,146
Premium receivable	20,254,105	17,769,081
Other receivables	<u>5,913,035</u>	<u>4,516,593</u>
Subtotal	160,851,510	166,288,933
Less: Allowance for credit losses	<u>(2,261,948)</u>	<u>(2,606,084)</u>
Total	<u>\$ 158,589,562</u>	<u>163,682,849</u>

The accounts receivable shown above included the receivables from credit card holders who were involved in debt repayment negotiation with the Bank.

Please refer to Note 8 for information with regard to the restrictions on other receivables shown above.

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
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Please refer to Note 6(j) for changes in allowance for credit losses of receivables listed above.

Please refer to Note 6(ao) for credit risk and market risk information listed above. Receivables of the Bank and subsidiaries should be included in impairment assessment, excluding that of credit card receivables, which is accounted for under provisions. Total receivables do not encompass investments in security-related and other receivables whose impairment assessments are consistent with corresponding assets.

(i) Loans — net

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Corporate loans	\$ 578,203,183	537,654,561
Micro business loans	12,808,882	10,649,313
Mortgage loans	693,411,878	639,376,024
Automobile loans	229	359
Consumer loans	<u>128,946,061</u>	<u>115,548,807</u>
Subtotal of NTD loans	1,413,370,233	1,303,229,064
Foreign currency loans	1,029,578,390	1,032,120,066
Non-accrual loans	<u>8,126,855</u>	<u>9,522,741</u>
Subtotal	2,451,075,478	2,344,871,871
Less: Allowance for credit losses	(32,359,494)	(29,991,629)
Less: Adjustment of discount and premium	(1,024,804)	(1,189,317)
Fair value adjustment resulting from acquisition	<u>-</u>	<u>17,231</u>
Total	<b><u>\$ 2,417,691,180</u></b>	<b><u>2,313,708,156</u></b>

The loans shown above included the loans to cash card holders and fiduciary loans to clients who were involved in debt repayment negotiation with the Bank.

Please refer to Note 6(ao) for the industry information.

Non-performing loans of the Bank and subsidiaries were as follows:

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Non-performing loans	<b><u>\$ 8,369,430</u></b>	<b><u>10,123,335</u></b>

Suspended interest on non-performing loans of the Bank and subsidiaries were as follows:

	<b>For the years ended December 31 2019</b>	<b>2018</b>
Suspended interest on non-performing loans	<b><u>\$ 124,994</u></b>	<b><u>78,602</u></b>

For the years ended December 31, 2019 and 2018, there were no loans written off without recourse.

Please refer to Note 6(j) for changes in allowance for credit losses of loans listed above.

Please refer to Note 6(ao) for credit risk and market risk information listed above.

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(j) Allowance for credit losses

The changes in allowance for credit losses, attributed to loans, receivables, other financial assets, and financing guarantee etc., were as follows:

(i) Receivables

For the year ended December 31, 2019								
	12-month ECL	Lifetime ECL (Collectively assessed)	Lifetime ECL (Individually assessed)	Lifetime ECL (Not purchased or originated credit- impaired financial assets)	Lifetime ECL (Purchased or originated credit- impaired financial assets)	The provision of impairment in accordance with IFRS 9	Additional provision of impairment in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/ Non-accrual Loans"	Total
Beginning balance	\$ 663,699	93,910	-	1,502,492	12	2,260,113	345,971	2,606,084
Changes in financial instruments that have been identified at the beginning of the period :								
— Transfer to lifetime ECL	(6,475)	6,940	27	(492)	-	-	-	-
— Transfer to the credit-impaired financial assets	(38,573)	(62,478)	-	101,051	-	-	-	-
— Transfer to 12-month ECL	34,826	(24,521)	-	(10,305)	-	-	-	-
— The financial assets that have been derecognized	(52,981)	(4,063)	-	(262,855)	(6)	(319,905)	-	(319,905)
New financial assets originated or purchased	127,079	15,936	795	51,891	-	195,701	-	195,701
Additional provision of impairment in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/ Non- accrual Loans"	-	-	-	-	-	-	(45,787)	(45,787)
Write-offs	-	-	-	(775,923)	-	(775,923)	-	(775,923)
Recoveries of amounts previously written off	-	-	-	844,286	-	844,286	-	844,286
Foreign exchange and other movement	(65,792)	61,961	3,970	(242,646)	(1)	(242,508)	-	(242,508)
Ending balance	<u>\$ 661,783</u>	<u>87,685</u>	<u>4,792</u>	<u>1,207,499</u>	<u>5</u>	<u>1,961,764</u>	<u>300,184</u>	<u>2,261,948</u>

# CTBC BANK CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

	12-month ECL	Lifetime ECL (Collectively assessed)	Lifetime ECL (Individually assessed)	Lifetime ECL (Not purchased or originated credit- impaired financial assets)	Lifetime ECL (Purchased or originated credit- impaired financial assets)	The provision of impairment in accordance with IFRS 9	Additional provision of impairment in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/ Non-accrual Loans"	Total
Beginning balance	\$ 588,178	201,450	2	1,781,795	11	2,571,436	161,772	2,733,208
Changes in financial instruments that have been identified at the beginning of the period :								
— Transfer to lifetime ECL	(7,043)	7,679	-	(636)	-	-	-	-
— Transfer to the credit-impaired financial assets	(37,729)	(172,369)	-	210,098	-	-	-	-
— Transfer to 12-month ECL	31,950	(23,038)	-	(8,912)	-	-	-	-
— The financial assets that have been derecognized	(35,161)	(3,382)	(1)	(243,149)	-	(281,693)	-	(281,693)
New financial assets originated or purchased	145,655	16,935	-	101,294	2	263,886	-	263,886
Additional provision of impairment in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/ Non- accrual Loans"	-	-	-	-	-	-	184,199	184,199
Write-offs	-	-	-	(1,068,792)	-	(1,068,792)	-	(1,068,792)
Recoveries of amounts previously written off	-	-	-	881,874	-	881,874	-	881,874
Foreign exchange and other movement	(22,151)	66,635	(1)	(151,080)	(1)	(106,598)	-	(106,598)
Ending balance	<u>\$ 663,699</u>	<u>93,910</u>	<u>-</u>	<u>1,502,492</u>	<u>12</u>	<u>2,260,113</u>	<u>345,971</u>	<u>2,606,084</u>

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
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(ii) Loans

For the year ended December 31, 2019								
	12-month ECL	Lifetime ECL (Collectively assessed)	Lifetime ECL (Individually assessed)	Lifetime ECL (Not purchased or originated credit- impaired financial assets)	Lifetime ECL (Purchased or originated credit- impaired financial assets)	The provision of impairment in accordance with IFRS 9	Additional provision of impairment in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/ Non-accrual Loans"	Total
Beginning balance	\$ 5,523,107	706,109	10,634	7,767,965	55,056	14,062,871	15,928,758	29,991,629
Changes in financial instruments that have been identified at the beginning of the period :								
— Transfer to lifetime ECL	(63,228)	43,861	31,362	(9,343)	(2,652)	-	-	-
— Transfer to the credit-impaired financial assets	(131,592)	(165,560)	(10,940)	307,981	111	-	-	-
— Transfer to 12-month ECL	208,969	(144,614)	-	(64,355)	-	-	-	-
— The financial assets that have been derecognized	(1,557,351)	(294,322)	(384)	(1,051,445)	(3,246)	(2,906,748)	-	(2,906,748)
New financial assets originated or purchased	2,191,542	143,044	128,819	2,206,810	103,090	4,773,305	-	4,773,305
Additional provision of impairment in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/ Non- accrual Loans"	-	-	-	-	-	-	1,568,212	1,568,212
Write-offs	(20,438)	(12,461)	(3,085)	(4,249,446)	(240)	(4,285,670)	-	(4,285,670)
Recoveries of amounts previously written off	1,647	-	-	1,220,985	-	1,222,632	-	1,222,632
Foreign exchange and other movement	(1,130,022)	257,613	173,876	2,701,251	(6,584)	1,996,134	-	1,996,134
Ending balance	<u>\$ 5,022,634</u>	<u>533,670</u>	<u>330,282</u>	<u>8,830,403</u>	<u>145,535</u>	<u>14,862,524</u>	<u>17,496,970</u>	<u>32,359,494</u>



**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
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For the year ended December 31, 2018								
	12-month ECL	Lifetime ECL (Collectively assessed)	Lifetime ECL (Individually assessed)	Lifetime ECL (Not purchased or originated credit- impaired financial assets)	Lifetime ECL (Purchased or originated credit- impaired financial assets)	The provision of impairment in accordance with IFRS 9	Additional provision of impairment in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/ Non-accrual Loans"	Total
Beginning balance	\$ 5,366,851	608,624	117,454	7,538,548	36,347	13,667,824	13,642,605	27,310,429
Changes in financial instruments that have been identified at the beginning of the period :								
— Transfer to lifetime ECL	(57,150)	73,397	-	(14,694)	(1,553)	-	-	-
— Transfer to the credit-impaired financial assets	(140,728)	(177,782)	(100,862)	419,291	81	-	-	-
— Transfer to 12-month ECL	232,054	(166,961)	(7,453)	(57,640)	-	-	-	-
— The financial assets that have been derecognized	(1,579,754)	(159,399)	(4,977)	(761,703)	(5,768)	(2,511,601)	-	(2,511,601)
New financial assets originated or purchased	2,120,424	175,677	10,647	1,700,431	22,161	4,029,340	-	4,029,340
Additional provision of impairment in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/ Non- accrual Loans"	-	-	-	-	-	-	2,286,153	2,286,153
Write-offs	(31,008)	(11,927)	-	(3,589,371)	-	(3,632,306)	-	(3,632,306)
Recoveries of amounts previously written off	6,582	-	-	1,375,117	-	1,381,699	-	1,381,699
Foreign exchange and other movement	(394,164)	364,480	(4,175)	1,157,986	3,788	1,127,915	-	1,127,915
Ending balance	<u>\$ 5,523,107</u>	<u>706,109</u>	<u>10,634</u>	<u>7,767,965</u>	<u>55,056</u>	<u>14,062,871</u>	<u>15,928,758</u>	<u>29,991,629</u>

# CTBC BANK CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

### (iii) Short term advances, non-accrual loans and others

For the year ended December 31, 2019								
	12-month ECL	Lifetime ECL (Collectively assessed)	Lifetime ECL (Individually assessed)	Lifetime ECL (Not purchased or originated credit- impaired financial assets)	Lifetime ECL (Purchased or originated credit- impaired financial assets)	The provision of impairment in accordance with IFRS 9	Additional provision of impairment in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/ Non-accrual Loans"	Total
Beginning balance	\$ 21,328	39	-	122,857	-	144,224	3,472	147,696
Changes in financial instruments that have been identified at the beginning of the period :								
— Transfer to lifetime ECL	-	-	-	-	-	-	-	-
— Transfer to the credit-impaired financial assets	-	(12)	-	12	-	-	-	-
— Transfer to 12-month ECL	1,101	(3)	-	(1,098)	-	-	-	-
— The financial assets that have been derecognized	(4,672)	(23)	-	(8,231)	-	(12,926)	-	(12,926)
New financial assets originated or purchased	5,760	13	-	46,990	-	52,763	-	52,763
Additional provision of impairment in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/ Non- accrual Loans"	-	-	-	-	-	-	(369)	(369)
Write-offs	-	-	-	(84,039)	-	(84,039)	-	(84,039)
Recoveries of amounts previously written off	-	-	-	2,183	-	2,183	-	2,183
Foreign exchange and other movement	(10,774)	38	-	90,563	-	79,827	-	79,827
Ending balance	\$ 12,743	52	-	169,237	-	182,032	3,103	185,135
For the year ended December 31, 2018								
	12-month ECL	Lifetime ECL (Collectively assessed)	Lifetime ECL (Individually assessed)	Lifetime ECL (Not purchased or originated credit- impaired financial assets)	Lifetime ECL (Purchased or originated credit- impaired financial assets)	The provision of impairment in accordance with IFRS 9	Additional provision of impairment in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/ Non-accrual Loans"	Total
Beginning balance	\$ 36,893	39	-	114,267	-	151,199	-	151,199
Changes in financial instruments that have been identified at the beginning of the period :								
— Transfer to lifetime ECL	-	16	-	(16)	-	-	-	-
— Transfer to the credit-impaired financial assets	-	(12)	-	12	-	-	-	-
— Transfer to 12-month ECL	1,233	(2)	-	(1,231)	-	-	-	-
— The financial assets that have been derecognized	(13,691)	(24)	-	(76,618)	-	(90,333)	-	(90,333)
New financial assets originated or purchased	5,822	7	-	47,212	-	53,041	-	53,041
Additional provision of impairment in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/ Non- accrual Loans"	-	-	-	-	-	-	3,472	3,472
Write-offs	-	-	-	(91,579)	-	(91,579)	-	(91,579)
Foreign exchange and other movement	(8,929)	15	-	130,810	-	121,896	-	121,896
Ending balance	\$ 21,328	39	-	122,857	-	144,224	3,472	147,696

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(iv) Financing commitment and guarantee reserve

For the year ended December 31, 2019								
	12-month ECL	Lifetime ECL (Collectively assessed)	Lifetime ECL (Individually assessed)	Lifetime ECL (Not purchased or originated credit- impaired financial assets)	Lifetime ECL (Purchased or originated credit- impaired financial assets)	The provision of impairment in accordance with IFRS 9	Additional provision of impairment in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/ Non-accrual Loans"	Total
Beginning balance	\$ 369,666	10,483	-	216,447	136	596,732	540,319	1,137,051
Changes in financial instruments that have been identified at the beginning of the period :								
— Transfer to lifetime ECL	(1,007)	1,010	-	(3)	-	-	-	-
— Transfer to the credit-impaired financial assets	(2,597)	(520)	-	3,117	-	-	-	-
— Transfer to 12-month ECL	7,505	(6,677)	-	(828)	-	-	-	-
— The financial assets that have been derecognized	(72,958)	(1,649)	-	(30,844)	-	(105,451)	-	(105,451)
New financial assets originated or purchased	88,273	108	-	5,401	-	93,782	-	93,782
Additional provision of impairment in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/ Non- accrual Loans"	-	-	-	-	-	-	129,790	129,790
Write-offs	-	-	-	(175)	-	(175)	-	(175)
Recoveries of amounts previously written off	-	-	-	4,011	-	4,011	-	4,011
Foreign exchange and other movement	(75,449)	821	-	(16,174)	(19)	(90,821)	-	(90,821)
Ending balance	<u>\$ 313,433</u>	<u>3,576</u>	<u>-</u>	<u>180,952</u>	<u>117</u>	<u>498,078</u>	<u>670,109</u>	<u>1,168,187</u>

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
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For the year ended December 31, 2018

	12-month ECL	Lifetime ECL (Collectively assessed)	Lifetime ECL (Individually assessed)	Lifetime ECL (Not purchased or originated credit- impaired financial assets)	Lifetime ECL (Purchased or originated credit- impaired financial assets)	The provision of impairment in accordance with IFRS 9	Additional provision of impairment in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/ Non-accrual Loans"	Total
Beginning balance	\$ 364,120	9,052	12	167,192	1,951	542,327	524,571	1,066,898
Changes in financial instruments that have been identified at the beginning of the period :								
— Transfer to lifetime ECL	(2,644)	4,491	-	(1,847)	-	-	-	-
— Transfer to the credit-impaired financial assets	(2,732)	(516)	-	3,248	-	-	-	-
— Transfer to 12-month ECL	5,642	(4,778)	-	(864)	-	-	-	-
— The financial assets that have been derecognized	(77,784)	(1,906)	(12)	(843)	-	(80,545)	-	(80,545)
New financial assets originated or purchased	96,801	2,625	-	52,619	-	152,045	-	152,045
Additional provision of impairment in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/ Non- accrual Loans"	-	-	-	-	-	-	15,748	15,748
Write-offs	-	-	-	(2,973)	-	(2,973)	-	(2,973)
Recoveries of amounts previously written off	-	-	-	1,806	-	1,806	-	1,806
Foreign exchange and other movement	(13,737)	1,515	-	(1,891)	(1,815)	(15,928)	-	(15,928)
Ending balance	\$ 369,666	10,483	-	216,447	136	596,732	540,319	1,137,051

(k) Investment under equity method—net

	December 31, 2019	
	%	Book value
<u>Associates</u> :		
Grand Bills Finance Corporation (original investment at 1,010,880 thousand)	21.15	\$ 2,061,092
AZ-Star Co., Ltd. (original investment at JPY12,000 thousand)	40.00	26,753
AZ-Star 1 Investment Limited Partnership (original investment at JPY2,333,068 thousand)	43.98	99,700
AZ-Star 3 Investment Limited Partnership (original investment at JPY494,502 thousand)	23.56	115,473
LH Financial Group Public Company Limited (original investment at THB16,598,915 thousand)	35.62	17,891,631
<u>Joint venture</u> :		
Xiamen Jinmeixin Consumer Finance Co., Ltd. (original investment at CNY170,000 thousand)	34.00	772,965
Total		\$ 20,967,614

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
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	<b>December 31, 2018</b>	
	<b>%</b>	<b>Book value</b>
<u>Associates :</u>		
Grand Bills Finance Corporation (original investment at 1,010,880 thousand)	21.15	\$ 1,975,668
AZ-Star Co., Ltd. (original investment at JPY12,000 thousand)	40.00	20,511
AZ-Star 1 Investment Limited Partnership (original investment at JPY2,333,368 thousand)	43.98	105,543
AZ-Star 3 Investment Limited Partnership (original investment at JPY550,500 thousand)	30.86	153,204
LH Financial Group Public Company Limited (original investment at THB16,598,915 thousand)	35.62	16,520,616
<u>Joint venture :</u>		
Xiamen Jinmeixin Consumer Finance Co., Ltd. (original investment at CNY170,000 thousand)	34.00	761,208
Total		<u><u>\$ 19,536,750</u></u>

For the years ended December 31, 2019 and 2018, the amounts of profit and loss from associates recognized under equity-method investments were as below:

	<b>For the years ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Associates	\$ 1,243,620	1,299,756
Joint venture	38,928	456
Total	<u><u>\$ 1,282,548</u></u>	<u><u>1,300,212</u></u>

(i) Information of significant associates:

The relevant information of associates which were material to the Bank and subsidiaries was as follows:

<b>Name of Associates</b>	<b>Nature of Relationship with the Bank</b>	<b>Main operating location/Registered Country of the Company</b>	<b>Percentage of Ownership</b>	
			<b>December 31, 2019</b>	<b>December 31, 2018</b>
LH Financial Group Public Company Limited	Investment under equity method	Thailand	35.62 %	35.62 %

The fair value of associates listed on the Stock Exchange (over the counter) which were material to the Bank and subsidiaries was as follows:

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
LH Financial Group Public Company Limited	\$ 10,242,780	9,646,112

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Summarized financial information of LH Financial Group Public Company Limited was as follows:

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Total assets	\$ 242,897,869	233,390,597
Total liabilities	<u>(201,364,625)</u>	<u>(195,706,681)</u>
Net assets	<b><u>\$ 41,533,244</u></b>	<b><u>37,683,916</u></b>
	<b><u>For the years ended December 31</u></b>	
	<b>2019</b>	<b>2018</b>
Net revenue	\$ <u>4,874,612</u>	<u>4,005,195</u>
Net income from continuing operations	3,198,845	2,900,562
Other comprehensive income	<u>(65,883)</u>	<u>(538,569)</u>
Comprehensive income	<b><u>\$ 3,132,962</u></b>	<b><u>2,361,993</u></b>
	<b><u>December 31,</u></b>	<b><u>December 31,</u></b>
	<b>2019</b>	<b>2018</b>
Proportionate share of net assets of associates	\$ 14,792,895	13,421,880
Add: Premium on the investment under equity method	<u>3,098,736</u>	<u>3,098,736</u>
Book value of associates	<b><u>\$ 17,891,631</u></b>	<b><u>16,520,616</u></b>

(ii) Information of insignificant associates:

The following was the collected prorated financial information of the associates that were individually insignificant to the Bank and subsidiaries. The financial information was derived from the consolidated financial report.

	<b>For the years ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Net income from continuing operations	\$ 104,287	266,663
Other comprehensive income	<u>44,295</u>	<u>(9,478)</u>
Comprehensive income	<b><u>\$ 148,582</u></b>	<b><u>257,185</u></b>

(iii) Joint venture

Xiamen Jinmeixin Consumer Finance Co., Ltd. was jointly invested by the Bank, GOME Holdings Group Co., Ltd. and Xiamen Jin Yuan Financial Holding Co., Ltd. on October 10, 2018. The investment was joint ventures accounted for using equity method. The Bank had 34% ownership of the joint venture and with the investment amounted to RMB170,000 thousand.

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
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The amounts of the investments in individually insignificant joint venture accounted for using equity method by the Bank and subsidiaries were shown below:

	<b>For the year ended December 31,</b>	
	<b>2019</b>	<b>2018</b>
Net income from continuing operations	\$ 38,928	456
Other comprehensive income	(27,171)	(34,719)
Comprehensive income	<u><u>\$ 11,757</u></u>	<u><u>(34,263)</u></u>

(l) Other financial assets — net

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Short term advances	\$ 664,809	1,914,653
Less: Allowance for credit losses — short-term advances	(68,213)	(49,128)
Deposits pledged	369,580	368,742
Non-accrual loans transferred from non-loan financial assets	131,716	106,119
Less: Allowance for credit losses— non-accrual loans transferred from non-loan financial assets	(77,958)	(71,681)
Prepayment for investments	100,000	-
Others	82,827	47,918
Total	<u><u>\$ 1,202,761</u></u>	<u><u>2,316,623</u></u>

The prepayment for investments was the investment of 100,000 thousand dollars in Line Bank, which had approved by Financial Supervisory Commission R.O.C (Taiwan) on September 9, 2019. As of December 31, 2019, the investment in Line Bank had not yet been registered.

Please refer to Note 6(j) for information with regard to the changes of short term advances and allowance for credit losses of non-accrual loans transferred from non-loan financial assets shown above.

Please refer to Note 8 for information with regard to the restrictions on the other financial assets shown above.

(m) Investment property — net

	<b>December 31, 2019</b>			
<b>Asset</b>	<b>Cost</b>	<b>Accumulated depreciation</b>	<b>Accumulated impairment</b>	<b>Book value</b>
Land	\$ 4,203,312	-	134,598	4,068,714
Buildings	1,575,780	558,991	52,597	964,192
Total	<u><u>\$ 5,779,092</u></u>	<u><u>558,991</u></u>	<u><u>187,195</u></u>	<u><u>5,032,906</u></u>
Fair value				<u><u>\$ 7,137,276</u></u>



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Asset	December 31, 2018			
	Cost	Accumulated depreciation	Accumulated impairment	Book value
Land	\$ 1,558,106	-	134,598	1,423,508
Buildings	690,309	219,263	52,597	418,449
Total	<u>\$ 2,248,415</u>	<u>219,263</u>	<u>187,195</u>	<u>1,841,957</u>
Fair value				<u>\$ 2,905,723</u>

Changes in the cost were as follows:

	January 1, 2019	Current increase	Current decrease	Others	December 31, 2019
Land	\$ 1,558,106	2,746,145	100,939	-	4,203,312
Buildings	690,309	915,358	29,887	-	1,575,780
Total	<u>\$ 2,248,415</u>	<u>3,661,503</u>	<u>130,826</u>	<u>-</u>	<u>5,779,092</u>

	January 1, 2018	Current increase	Current decrease	Others	December 31, 2018
Land	\$ 1,807,400	95,476	344,770	-	1,558,106
Buildings	840,511	25,005	175,207	-	690,309
Total	<u>\$ 2,647,911</u>	<u>120,481</u>	<u>519,977</u>	<u>-</u>	<u>2,248,415</u>

Changes in accumulated depreciation were as follows:

	January 1, 2019	Current increase	Current decrease	Others	December 31, 2019
Buildings	<u>\$ 219,263</u>	<u>350,454</u>	<u>10,726</u>	<u>-</u>	<u>558,991</u>

	January 1, 2018	Current increase	Current decrease	Others	December 31, 2018
Buildings	<u>\$ 255,215</u>	<u>20,558</u>	<u>56,510</u>	<u>-</u>	<u>219,263</u>

Changes in accumulated impairment were as follows:

	January 1, 2019	Current increase	Current decrease	Others	December 31, 2019
Land	\$ 134,598	-	-	-	134,598
Buildings	52,597	-	-	-	52,597
Total	<u>\$ 187,195</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>187,195</u>

	January 1, 2018	Current increase	Current decrease	Others	December 31, 2018
Land	\$ 132,725	2,304	431	-	134,598
Buildings	52,848	-	251	-	52,597
Total	<u>\$ 185,573</u>	<u>2,304</u>	<u>682</u>	<u>-</u>	<u>187,195</u>

(Continued)

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
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The fair value of investment property is based on a valuation by an independent appraiser who holds a recognized and relevant professional qualification and has recent experience in the location and category of the investment property being valued. The value of investment properties is estimated through application of market value method.

The Bank and subsidiaries have no pledged investment properties.

(n) Premises and equipment—net

<b>December 31, 2019</b>	<b>Cost</b>	<b>Accumulated depreciation</b>	<b>Accumulated impairment</b>	<b>Net</b>
Land	\$ 13,817,591	-	41,383	13,776,208
Buildings	32,514,804	6,984,297	23,610	25,506,897
Transportation equipment	65,001	34,278	-	30,723
Miscellaneous equipment	9,601,915	4,907,155	-	4,694,760
Construction in progress	278,517	-	-	278,517
Prepayment for equipment	46,849	-	-	46,849
<b>Total</b>	<b>\$ 56,324,677</b>	<b>11,925,730</b>	<b>64,993</b>	<b>44,333,954</b>

<b>December 31, 2018</b>	<b>Cost</b>	<b>Accumulated depreciation</b>	<b>Accumulated impairment</b>	<b>Net</b>
Land	\$ 13,370,636	-	41,383	13,329,253
Buildings	30,819,331	6,361,423	23,610	24,434,298
Transportation equipment	58,169	34,186	-	23,983
Miscellaneous equipment	9,143,939	4,770,082	-	4,373,857
Construction in progress	74,257	-	-	74,257
Prepayment for equipment	175,626	-	-	175,626
Prepayment for land and buildings	4,928,334	-	-	4,928,334
Leased premises	1,172,611	515,222	-	657,389
<b>Total</b>	<b>\$ 59,742,903</b>	<b>11,680,913</b>	<b>64,993</b>	<b>47,996,997</b>

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
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Changes in the cost were as follows:

	January 1, 2019	Current increase	Current decrease	Others (exchange difference)	December 31, 2019
Land	\$ 13,370,636	3,610,704	3,168,245	4,496	13,817,591
Buildings	31,061,673	2,835,975	1,310,354	(72,490)	32,514,804
Transportation equipment	58,169	19,986	14,019	865	65,001
Miscellaneous equipment	9,143,939	1,544,474	1,075,424	(11,074)	9,601,915
Construction in progress	74,257	1,193,768	988,298	(1,210)	278,517
Prepayment for equipment	175,626	552,421	681,194	(4)	46,849
Prepayment for land and buildings	4,928,334	240,621	5,168,955	-	-
Total	<u>\$ 58,812,634</u>	<u>9,997,949</u>	<u>12,406,489</u>	<u>(79,417)</u>	<u>56,324,677</u>

	January 1, 2018	Current increase	Current decrease	Others (exchange difference)	December 31, 2018
Land	\$ 13,097,269	340,533	95,476	28,310	13,370,636
Buildings	28,831,851	2,296,049	370,829	62,260	30,819,331
Transportation equipment	63,308	8,762	12,408	(1,493)	58,169
Miscellaneous equipment	7,830,080	1,700,501	431,540	44,898	9,143,939
Construction in progress	1,006,291	1,061,989	1,996,724	2,701	74,257
Prepayment for equipment	86,878	251,161	162,413	-	175,626
Prepayment for land and buildings	4,644,205	284,129	-	-	4,928,334
Leased premises	1,267,926	76	134,339	38,948	1,172,611
Total	<u>\$ 56,827,808</u>	<u>5,943,200</u>	<u>3,203,729</u>	<u>175,624</u>	<u>59,742,903</u>

Changes in accumulated depreciation were as follows:

	January 1, 2019	Current increase	Current decrease	Others (exchange difference)	December 31, 2019
Buildings	\$ 6,582,983	1,113,412	694,042	(18,056)	6,984,297
Transportation equipment	34,186	10,263	10,685	514	34,278
Miscellaneous equipment	4,770,082	1,174,937	1,033,652	(4,212)	4,907,155
Total	<u>\$ 11,387,251</u>	<u>2,298,612</u>	<u>1,738,379</u>	<u>(21,754)</u>	<u>11,925,730</u>

	January 1, 2018	Current increase	Current decrease	Others (exchange difference)	December 31, 2018
Buildings	\$ 5,576,903	1,062,138	332,578	54,960	6,361,423
Transportation equipment	33,293	9,981	8,380	(708)	34,186
Miscellaneous equipment	4,072,783	1,090,175	420,223	27,347	4,770,082
Leased premises	467,461	163,732	131,600	15,629	515,222
Total	<u>\$ 10,150,440</u>	<u>2,326,026</u>	<u>892,781</u>	<u>97,228</u>	<u>11,680,913</u>

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
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Changes in accumulated impairment were as follows :

	<b>January 1, 2019</b>	<b>Current increase</b>	<b>Current decrease</b>	<b>Others (exchange difference)</b>	<b>December 31, 2019</b>
Land	\$ 41,383	-	-	-	41,383
Buildings	23,610	-	-	-	23,610
Total	<u>\$ 64,993</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>64,993</u>

	<b>January 1, 2018</b>	<b>Current increase</b>	<b>Current decrease</b>	<b>Others (exchange difference)</b>	<b>December 31, 2018</b>
Land	\$ 41,383	-	-	-	41,383
Buildings	23,590	20	-	-	23,610
Total	<u>\$ 64,973</u>	<u>20</u>	<u>-</u>	<u>-</u>	<u>64,993</u>

Part of leased premises are classified to right-of-use assets under IFRS16 since 2019. Please refer to note6(o).

(o) Right-of-use assets

<b>December 31, 2019</b>	<b>Cost</b>	<b>Accumulated depreciation</b>	<b>Accumulated impairment</b>	<b>Net</b>
Superficies	\$ 9,454,385	254,429	-	9,199,956
Buildings	8,493,423	2,298,054	-	6,195,369
Transportation equipment	136,267	53,516	-	82,751
Miscellaneous equipment	1,081,972	590,473	-	491,499
Total	<u>\$ 19,166,047</u>	<u>3,196,472</u>	<u>-</u>	<u>15,969,575</u>

Changes in the cost were as follows:

	<b>January 1, 2019</b>	<b>Current increase</b>	<b>Current decrease</b>	<b>Others (exchange difference)</b>	<b>December 31, 2019</b>
Superficies	\$ 9,453,760	625	-	-	9,454,385
Buildings	6,783,247	1,904,151	129,288	(64,687)	8,493,423
Transportation equipment	118,940	55,158	36,951	(880)	136,267
Miscellaneous equipment	1,105,630	5,687	25,617	(3,728)	1,081,972
Total	<u>\$ 17,461,577</u>	<u>1,965,621</u>	<u>191,856</u>	<u>(69,295)</u>	<u>19,166,047</u>

Changes in accumulated depreciation were as follows:

	<b>January 1, 2019</b>	<b>Current increase</b>	<b>Current decrease</b>	<b>Others (exchange difference)</b>	<b>December 31, 2019</b>
Superficies	\$ -	254,429	-	-	254,429
Buildings	-	2,376,101	51,174	(26,873)	2,298,054
Transportation equipment	29,760	53,261	28,991	(514)	53,516
Miscellaneous equipment	464,054	155,441	25,617	(3,405)	590,473
Total	<u>\$ 493,814</u>	<u>2,839,232</u>	<u>105,782</u>	<u>(30,792)</u>	<u>3,196,472</u>

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(p) Intangible assets — net

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Goodwill	\$ 10,385,891	10,385,891
Computer software	<u>5,380,013</u>	<u>5,427,820</u>
Total	<u><b>\$ 15,765,904</b></u>	<u><b>15,813,711</b></u>

Goodwill of the Bank and subsidiaries was acquired from business combination.

Changes in intangible assets were as follows:

	<b>January 1, 2019</b>	<b>Current increase</b>	<b>Current decrease</b>	<b>Others (exchange difference)</b>	<b>December 31, 2019</b>
Goodwill	\$ 10,385,891	-	-	-	10,385,891
Computer software	<u>5,427,820</u>	<u>1,638,883</u>	<u>1,681,056</u>	<u>(5,634)</u>	<u>5,380,013</u>
Total	<u><b>\$ 15,813,711</b></u>	<u><b>1,638,883</b></u>	<u><b>1,681,056</b></u>	<u><b>(5,634)</b></u>	<u><b>15,765,904</b></u>

	<b>January 1, 2018</b>	<b>Current increase</b>	<b>Current decrease</b>	<b>Others (exchange difference)</b>	<b>December 31, 2018</b>
Goodwill	\$ 10,385,891	-	-	-	10,385,891
Computer software	<u>4,481,299</u>	<u>3,104,387</u>	<u>2,259,073</u>	<u>101,207</u>	<u>5,427,820</u>
Total	<u><b>\$ 14,867,190</b></u>	<u><b>3,104,387</b></u>	<u><b>2,259,073</b></u>	<u><b>101,207</b></u>	<u><b>15,813,711</b></u>

(q) Other assets — net

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Prepayments	\$ 11,869,406	7,038,339
Foreclosed properties received — net	160,784	170,918
Temporary payments	179,635	1,493,920
Refundable deposits — net	17,912,211	17,944,419
Long-term prepaid rent	-	2,517,498
Cash surrender value of life insurance	1,813,905	1,801,928
Others	<u>1,108,508</u>	<u>1,119,600</u>
Total	<u><b>\$ 33,044,449</b></u>	<u><b>32,086,622</b></u>

In May 2006, the Bank acquired the superficies of lots 43, 43-1, 45 and 45-1 of Jingmao Section, Nankang, Taipei, from Taiwan Fertilizer Co., Ltd. for 50 years through a public tender. The acquisition cost amounted to \$3,364,140 (including business tax and other related expenses of the superficies). The rental is determined annually at the rate of 8% of the government assessed present value and accounted under long-term prepaid rent in 2018. The rental has been classified as right-of-use assets under IFRS16 since 2019 which stated at Note 6(o). Please refer to Note 8 for information on performance guarantee deposits.

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In order to fulfill the Bank's social responsibility, improve the image of the Bank and receive a long term benefit from advertisements, the Bank sponsored a professional baseball team by signing a sponsorship and cooperative advertisement contract with Hua Yi Entertaining Co. Ltd. on December 5, 2013, amounting to \$400,000 and accounted under prepaid expenses. The duration of the name of the baseball team will last for 10 years, starting from the date the Bank appointed the team name. As of December 31, 2019, the account balance was \$160,000.

(r) Deposits from Central Bank and other banks

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Deposits from Central Bank	\$ 208,314	210,705
Deposits from other banks	21,379,727	27,508,521
Deposits from post offices	353,582	493,473
Overdraft against other banks	1,454,648	7,220,370
Due to other banks	<u>29,804,027</u>	<u>39,065,623</u>
Total	<b><u>\$ 53,200,298</u></b>	<b><u>74,498,692</u></b>

(s) Due to Central Bank and other banks

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Financing from Central Bank	\$ 11,960,095	1,323,294
Financing from other banks	<u>881,550</u>	<u>2,286,889</u>
Total	<b><u>\$ 12,841,645</u></b>	<b><u>3,610,183</u></b>

Financing from Central Bank:

(i) The Bank

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Borrowings (USD)	\$ -	12,903
Interest rate	-	2.52%
	-	6M LIBOR
Maturity date	-	July 26, 2019
Interest payment	-	semi-annually and at the maturity date

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(ii) The Tokyo Star Bank, Ltd.

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Borrowings (JPY)	\$ 43,177,240	3,330,000
Interest rate	0.00%~2.04%	2.53%~2.88%
Maturity date	December 4, 2020	December 4, 2019
Interest payment	at the maturity date	at the maturity date

Financing from other banks:

(i) CTBC Bank Corp. (USA)

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Inter bank borrowings (USD)	\$ -	55,000
Interest rate	-	2.57%~2.96%
Maturity date	-	December 31, 2020

(ii) PT. Bank CTBC Indonesia

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Inter bank borrowings (IDR)	\$ 138,825,000	300,000,000
Interest rate	2.80%	8.71%
Maturity date	August 30, 2021	March 19, 2019

(iii) CTBC Bank (Philippines) Corp.

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Inter bank borrowings (PHP)	\$ 931,481	-
Interest rate	7.38%	-
Maturity date	April 29, 2022	-



**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
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(t) Securities sold under repurchase agreements

<b>December 31, 2019</b>				
<b>Assets</b>	<b>Par value</b>	<b>Selling price (Note)</b>	<b>Designated repurchase amount</b>	<b>Designated repurchase date</b>
Financial assets measured at fair value through profit or loss	\$ 16,009,090	15,857,463	15,860,087	Before January 30, 2020
Financial assets measured at fair value through other comprehensive income	51,887,158	50,078,737	50,150,555	Before February 4, 2020
Investment in debt instruments at amortized cost	25,010,100	26,606,147	26,644,681	Before January 20, 2020
Total	<u><u>\$ 92,906,348</u></u>	<u><u>92,542,347</u></u>	<u><u>92,655,323</u></u>	
<b>December 31, 2018</b>				
<b>Assets</b>	<b>Par value</b>	<b>Selling price (Note)</b>	<b>Designated repurchase amount</b>	<b>Designated repurchase date</b>
Financial assets measured at fair value through profit or loss	\$ 10,366,606	10,246,333	10,258,642	Before January 29, 2019
Financial assets measured at fair value through other comprehensive income	25,071,635	23,881,233	23,978,146	Before March 19, 2019
Investment in debt instruments at amortized cost	27,374,133	26,830,060	26,917,294	Before February 25, 2019
Total	<u><u>\$ 62,812,374</u></u>	<u><u>60,957,626</u></u>	<u><u>61,154,082</u></u>	

Note : Recognized under securities sold under repurchase agreements.

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(u) Payables

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Accounts payable	\$ 6,449,645	9,235,653
Accounts payable factoring	4,889,813	5,158,097
Accrued expenses	18,977,030	17,808,819
Interest payable	12,071,959	9,875,553
Acceptances payable	11,497,859	11,198,063
Collection payable	5,211,305	3,960,175
Checks for clearance	1,542,261	3,782,978
Miscellaneous lottery accounts payable	9,290,408	6,588,088
Premium payable	3,898,586	2,120,278
Other payables	<u>5,572,500</u>	<u>6,252,711</u>
Total	<b><u>\$ 79,401,366</u></b>	<b><u>75,980,415</u></b>

(v) Deposits and remittances

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
NTD deposits		
Checking accounts	\$ <u>12,678,722</u>	<u>10,731,101</u>
Demand deposits		
Demand deposits	222,016,675	200,706,950
Demand savings deposits	802,911,760	733,530,119
Public treasury deposits	<u>8,849,902</u>	<u>9,226,288</u>
Subtotal of demand deposits	<u>1,033,778,337</u>	<u>943,463,357</u>
Time deposits		
Time deposits	272,829,380	209,469,169
Time savings deposits	486,906,262	443,003,524
Negotiable certificates of deposits	1,272,600	1,215,600
Public treasury deposits	24,307,171	30,547,750
Others	<u>12,020,500</u>	<u>14,248,500</u>
Subtotal of time deposits	<u>797,335,913</u>	<u>698,484,543</u>
Subtotal of NTD deposits	<u>1,843,792,972</u>	<u>1,652,679,001</u>
Foreign currency deposits	1,536,788,401	1,498,342,159
Stored value cards	166	167
Remittances under custody	131,908	83,521
Remittances outstanding	<u>1,105,006</u>	<u>5,662,127</u>
Total	<b><u>\$ 3,381,818,453</u></b>	<b><u>3,156,766,975</u></b>

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
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(w) Financial debentures

Bonds	December 31, 2019	December 31, 2018
2008-1	\$ 2,000,000	2,000,000
2011-1	4,000,000	4,000,000
2014-1	20,000,000	20,000,000
2014-2	15,000,000	15,000,000
2015-1 (Note 3)	7,737,242	7,898,381
2015-2	12,000,000	12,000,000
2015-3	5,000,000	5,000,000
2016-1 (Note 3)	23,482,680	23,971,740
2017-1 (Note 3)	5,419,080	5,531,940
2017-2	1,000,000	1,000,000
2018-1 (Note 3)	6,773,850	6,914,925
Unamortized discount	(8)	(8)
Less: financial liability designated at fair value through profit or loss(Note 3)	(43,412,852)	(44,316,986)
Total	<u><u>\$ 58,999,992</u></u>	<u><u>58,999,992</u></u>

Bonds	Terms of transactions			Bond issued
	Issue date	Maturity date	Interest rate	Type
2008-1	04/10/2008	04/10/2023	3.49%	Unsecured subordinated financial debentures
2011-1	09/27/2011	09/27/2021	B=1.95%. From the 4th year after the issue date, the interest rate will be the prime rate plus 0.55%. (Note 1)	"
2014-1	06/18/2014	N/A	A=3.70%, B=4.00%.	Perpetual non accumulated subordinated financial debentures
2014-2	06/26/2014	06/26/2029	A=2.00%, B=The prime rate plus 0.45%. (Note 2)	Unsecured subordinated financial debentures
2015-1	01/27/2015	01/27/2045	0% (Note 3)	Unsecured financial debentures
2015-2	06/10/2015	N/A	3.60%	Perpetual non accumulated subordinated financial debentures
2015-3	06/18/2015	06/18/2025	A=1.83%, B=2.00%, C=2.05%	Unsecured subordinated financial debentures
2016-1	11/29/2016	11/29/2044	0% (Note 3)	Unsecured financial debentures
2017-1	03/29/2017	03/29/2047	0% (Note 3)	"
2017-2	05/19/2017	05/19/2020	0.83%	"
2018-1	03/29/2018	03/29/2048	0% (Note 3)	"

Note 1: The original prime rate is based on page code 6165 of Reuters, the fixed interest rate of 90-day CP/BA at 11:00 am on the interest reset date. With the consensus reached among creditors through forward rate agreement, the prime rate will be changed to the 3-month Taipei Interbank Offered Rate (TAIBOR) from January 1, 2015.

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Note 2: The prime rate is based on page code 6165 of Reuters, the fixed interest rate of 90-day CP/BA at 11:00 am on the interest reset date. If no quotation is available on page code 6165 of Reuters, no page is displayed, or no prime rate is retrievable from Reuters, the Bank would change the resource of the rate. The Bank would set the prime rate as Secondary Market Fixing Rate of 90-day TAIBIR 02 from the “TAIBIR Section” in the webpage of Taiwan Depository and Clearing Corporation.

Note 3: Financial debentures of 2015-1, 2016-1, 2017-1 and 2018-1 are recognized as financial liabilities designated at fair value through profit or loss. For more information, please refer to Note 6(c).

(x) Other financial liabilities

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Lease payable	\$ -	652,316
Structured products	74,679,251	99,921,393
Guarantee deposit-securities lending transaction	11,794,013	19,337,702
Others	40	-
Total	<u><u>\$ 86,473,304</u></u>	<u><u>119,911,411</u></u>

Lease payable has been classified to lease liabilities under IFRS16 since 2019. Please refer to Note 6(aa).

(y) Provisions

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Settlement compensation provision	\$ 112,035	242,512
Employee benefits provision	3,609,917	3,868,465
Guarantee reserve	923,996	857,258
Financing commitment provision	244,191	279,793
Other provisions	347,920	266,963
Total	<u><u>\$ 5,238,059</u></u>	<u><u>5,514,991</u></u>

(z) Other liabilities

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Amount received in advance	\$ 348,578	376,991
Payable in custody	468,181	212,842
Deferred income	1,532,764	1,760,027
Guarantee deposits received	9,193,976	6,180,527
Temporary receipt	2,053,055	2,003,154
Others	213,640	136,220
Total	<u><u>\$ 13,810,194</u></u>	<u><u>10,669,761</u></u>

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(aa) Lease liabilities

	<b>Summary</b>	<b>Leased period</b>	<b>Discount rate</b>	<b>December 31, 2019</b>
Superficies	Superficies	2019/01~2056/06	3.50%	\$ 6,843,446
Buildings	Leased Buildings	2019/01~2029/05	0.07%~10.00%	6,326,737
Transportation equipment	Leased official cars	2019/01~2024/04	2.32%~7.00%	84,033
Miscellaneous equipment	Leased office equipments	2019/01~2024/12	0.80%~7.00%	508,802
Total				<b>\$ 13,763,018</b>

Few real estate include lease extension options to extend the lease while some of them are not reasonably assured that options will be exercised, so the measurement of lease liabilities didn't reflect the terms.

Maturity analysis of lease liabilities ( undiscounted ) for the Bank and subsidiaries was as follows:

	<b>December 31, 2019</b>
Less than one year	\$ 2,785,902
Between one and five years	5,373,370
More than five years	11,230,894
Total	<b>\$ 19,390,166</b>

The total cash outflow of leases was \$3,628,264 for the year ended December 31, 2019.

(ab) Employee benefits

(i) Defined contribution plan

The Bank's defined contribution plan follows the Labor Pension Act of the R.O.C. and makes monthly cash contributions to the employees' individual pension accounts at the Bureau of Labor Insurance at the rate of 6% of the employees' monthly salary. Under this plan, the Bank has no legal or constructive obligation to make other payments after the Bank makes the fixed amount of contribution to the Bureau of Labor Insurance.

For the years ended December 31, 2019 and 2018, the pension expense under defined contribution plan of the Bank and subsidiaries amounted to \$696,405 and \$668,590, respectively, and were contributed to the Bureau of Labor Insurance or labor agencies designated by local authorities in the case of overseas units.

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ii) Employee benefits provision

Employee benefits provision recognized by the Bank in the balance sheet was as follows:

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Defined benefits plan	\$ 2,687,475	3,072,283
Retiree deposits with favorable rates and other post-employment benefits	468,746	423,560
Total	<u><u>\$ 3,156,221</u></u>	<u><u>3,495,843</u></u>

1) Defined benefits plan

The reconciliations between present value of the Bank's defined benefits obligation and fair value of plan assets were as follows:

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Present value of defined benefits obligation	\$ 8,307,733	8,547,998
Fair value of plan assets	<u>(5,620,258)</u>	<u>(5,475,715)</u>
Net defined benefit liability	<u><u>\$ 2,687,475</u></u>	<u><u>3,072,283</u></u>

The Bank's defined benefits plan contributes to designated depository account with Bank of Taiwan. Payments of pension benefits to employees who are covered by the Labor Standards Act are calculated based on the employee's average monthly salary for the last 6 months prior to approved retirement and base point (b.p.) entitlement based on years of service.

a) Composition of plan assets

The Bank's labor pension fund contributed in compliance with Labor Standard Act is managed by Bureau of Labor Funds, Ministry of Labor. According to Regulations for Revenues, Expenditures Safeguard and Utilization of the Labor Retirement Fund with regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statement shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Please refer to the website of Bureau of Labor Funds, Ministry of Labor for information on labor pension fund assets utilization including earning rate and fund assets allocation.

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

b) Movements in present value of the defined benefits obligation

The movements in present value of defined benefits obligation for the Bank for the years ended December 31, 2019 and 2018 were as follows:

	<b>For the years ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Defined benefits obligation at January 1	\$ 8,547,998	8,997,332
Current service costs and interest	140,861	164,133
Remeasurements of net defined benefit liability		
Actuarial gains and losses arising from experience adjustments	40,975	(114,937)
Benefits paid by the plan	(422,101)	(498,530)
Defined benefits obligation at December 31	<u><u>\$ 8,307,733</u></u>	<u><u>8,547,998</u></u>

c) Movements in fair value of defined benefit plan assets

The movements in fair value of the defined benefit plan assets for the Bank for the years ended December 31, 2019 and 2018 were as follows:

	<b>For the years ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Fair value of plan assets at January 1	\$ 5,475,715	5,453,918
Interest income	41,068	40,904
Remeasurements of net defined benefit liability		
Return on plan assets (exclude current interest)	233,120	160,774
Contribution plans made	292,456	318,649
Benefits paid by the plan	(422,101)	(498,530)
Fair value of plan assets at December 31	<u><u>\$ 5,620,258</u></u>	<u><u>5,475,715</u></u>

d) Expense recognized in profit or loss

The expenses recognized in profit or loss for the Bank for the years ended December 31, 2019 and 2018 were as follows:

	<b>For the years ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Current service costs	\$ 76,751	97,043
Net interest of net defined benefit liability	23,042	26,576
Total	<u><u>\$ 99,793</u></u>	<u><u>123,619</u></u>



**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- e) Net remeasurement of defined benefit liability recognized in other comprehensive income

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

	<b>For the years ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Cumulative amount at January 1	\$ (1,004,446)	(1,280,157)
Recognized during the period	192,145	275,711
Cumulative amount at December 31	<u><u>\$ (812,301)</u></u>	<u><u>(1,004,446)</u></u>

- f) Primary actuarial assumptions

The following were the primary actuarial assumptions at the reporting date:

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Discount rate	0.75 %	0.75 %
Increasing rate of future compensation levels	3.00 %	3.00 %

The Bank expected \$94,387 in contributions to be paid to defined benefit plans within a year after report date of 2019.

Weighted average duration base on defined benefits plan was 4 years.

- g) Sensitivity analysis

When adopted primary actuarial assumption changes, the effects of present value of the benefits obligation as at December 31, 2019 and 2018 were as follows:

	<b>Present value of the benefits obligation effects</b>	
	<b>Increase 0.25%</b>	<b>Decrease 0.25%</b>
December 31, 2019		
Discount rate	(59,052)	60,457
December 31, 2018		
Discount rate	(79,354)	81,292

The sensitivity analysis above analyzing the effects of changes in single assumptions is based on other assumptions remain unchanged. In practice, changes in many assumptions may link together. Sensitivity analysis and net pension liability of balance sheet were calculated under the same approach.

The methodology for sensitivity analysis and assumptions adopted are the same as last year.

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

2) Retiree deposits with favorable rates and other post-employment benefits

The reconciliations between present value of the Bank's defined benefits obligation and fair value of plan assets were as follows:

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Present value of defined benefits obligation	\$ 468,746	423,560
Fair value of plan assets	-	-
Net defined benefit liability	<b>\$ 468,746</b>	<b>423,560</b>

The Bank's obligation to grant retirees, including current employees retiring in the future, fixed-amount deposits with favorable rates is based on the Bank's Regulations for Subsidizing the Retiree Benefits.

a) Movements in value of the defined benefits obligation

The movements in present value of defined benefits obligation for the Bank for the years ended December 31, 2019 and 2018 were as follows:

	<b>For the years ended December 31 2019</b>	<b>2018</b>
Defined benefits obligation at January 1	\$ 423,560	397,046
Current service costs and interest	19,169	18,337
Past service costs	24,005	21,684
Remeasurements of net defined benefit liability		
Actuarial gains and losses arising from changes in demographic assumptions	-	(3,204)
Actuarial gains and losses arising from changes in financial assumptions	14,330	5,113
Actuarial gains and losses arising from experience adjustments	9,087	4,939
Benefits paid by the plan	(21,405)	(20,355)
Defined benefits obligation at December 31	<b>\$ 468,746</b>	<b>423,560</b>

b) Expense recognized in profit or loss

The expense recognized in profit or loss for the Bank for the years ended December 31, 2019 and 2018 were as follows:

	<b>For the years ended December 31 2019</b>	<b>2018</b>
Past service costs	\$ 24,005	21,684
Current service costs	8,862	8,177
Net interest of net defined benefit liability	10,307	10,160
Total	<b>\$ 43,174</b>	<b>40,021</b>

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- c) Net remeasurement of defined benefit liability recognized in other comprehensive income

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

	<b>For the years ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Cumulative amount at January 1	\$ (22,694)	(13,618)
Recognized during the period	(23,417)	(9,076)
Cumulative amount at December 31	<u><u>\$ (46,111)</u></u>	<u><u>(22,694)</u></u>

- d) Primary actuarial assumptions

	<b>December 31, 2019</b>		<b>December 31, 2018</b>	
	<b>Favorable rates for employee deposits</b>	<b>Other post- employment benefits</b>	<b>Favorable rates for employee deposits</b>	<b>Other post- employment benefits</b>
Discount rate	4.00%	1.000%	4.00%	1.375%~1.5%
Expected rate of return on deposited fund	2.00%	1.000%	2.00%	1.375%~1.5%
Yearly rate of decrease on account balance/utilization rate on subsidy for health examination and social networking	2.00%	32%~69%	2.00%	33%~69%
Probability of future changes in favorable rates deposits scheme	50.00%	-	50.00%	-

- e) Sensitivity analysis

When adopted primary actuarial assumption changes, the effects of present value of the benefits obligation as at December 31, 2019 and 2018 were as follows:

<b>Favorable rates for employee deposits</b>	<b>Present value of the benefits obligation effects</b>	
	<b>Increase 0.25%</b>	<b>Decrease 0.25%</b>
December 31, 2019		
Discount rate	\$ (5,344)	5,592
Yearly rate of decrease on account balance	(5,678)	5,927
December 31, 2018		
Discount rate	(4,855)	5,082
Yearly rate of decrease on account balance	(5,158)	5,387

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
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	<b>Present value of the benefits obligation effects</b>	
	<b><u>Increase 0.25%</u></b>	<b><u>Decrease 0.25%</u></b>
<b>Other post- employment benefits</b>		
December 31, 2019		
Discount rate	\$ (9,722)	10,321
December 31, 2018		
Discount rate	(8,699)	9,228

The sensitivity analysis above analyzing the effects of changes in single assumptions is based on other assumptions remain unchanged. In practice, changes in many assumptions may link together. Sensitivity analysis and net pension liability of balance sheet were calculated under the same approach.

The methodology for sensitivity analysis and assumptions adopted are the same as last year.

3) Defined benefits plan of overseas branches and subsidiaries

Defined benefits plan of overseas branches and subsidiaries recognized in consolidated balance sheets was as follows:

	<b><u>December 31, 2019</u></b>	<b><u>December 31, 2018</u></b>
Defined benefits plan	\$ 453,696	372,622

For the years ended December 31, 2019 and 2018, expenses recognized by overseas branches and subsidiaries in profit and loss amounted to \$175,263 and \$143,050, respectively.

For the years ended December 31, 2019 and 2018, other comprehensive income recognized by overseas subsidiaries in actuarial profit and loss amounted to \$(54,676) and \$48,933, respectively.

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ac) Income tax

According to the amendments to the “Income Tax Act” enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, the corporate income tax rate increased from 17% to 20%.

(i) Income tax

For the years ended December 31, 2019 and 2018 the income tax expenses and related accounts were as follows:

	<b>For the years ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Current income tax expenses	\$ 5,792,530	5,826,868
Deferred income tax expenses	1,764,833	534,392
Effects of change in tax rate	-	(312,354)
Income tax expenses	<u><u>\$ 7,557,363</u></u>	<u><u>6,048,906</u></u>

For the years ended December 31, 2019 and 2018, the income tax expenses (benefits) recognized under other comprehensive income were as follows:

	<b>For the years ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement gains related to defined benefit plans	\$ 13,994	58,582
Proportionate share of other comprehensive losses from associates or joint ventures under the equity method	(2,807)	(179)
Effects of change in tax rate	-	(22,049)
Total	<u><u>\$ 11,187</u></u>	<u><u>36,354</u></u>
Items that are or may be reclassified subsequently to profit or loss:		
Exchange differences of overseas subsidiaries’ financial reports translation	\$ 150,156	326,610
Gains (losses) on valuation of debt instrument measured at fair value through other comprehensive income	162,801	(25,092)
Proportionate share of other comprehensive losses from associates or joint ventures under the equity method	(12,578)	(39,676)
Effects of change in tax rate	-	(211,621)
Total	<u><u>\$ 300,379</u></u>	<u><u>50,221</u></u>

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The reconciliations of income tax expenses and net income before tax were as follows:

	<b>For the years ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Net income before income tax	\$ 38,459,068	35,731,519
Straight income tax	9,302,495	8,521,605
Effects of foreign and domestic tax rate spread	10,250	(164,313)
Tax-exempt income	(2,758,539)	(1,651,260)
Adjustments of prior year's income tax	120,277	225,337
Effects of change in tax rate	-	(312,354)
Others	882,880	(570,109)
Income tax expense	<u>\$ 7,557,363</u>	<u>6,048,906</u>

(ii) Deferred tax assets and liabilities

The movements of deferred tax assets and liabilities for the years ended December 31, 2019 and 2018 were as follows:

	<b>For the year ended December 31, 2019</b>				
	<b>Beginning Balance</b>	<b>Recognize in profit and loss</b>	<b>Recognize in other comprehensive income</b>	<b>Others</b>	<b>Ending Balance</b>
Proportion of gains recognized from the investments in associates and joint ventures under equity method	\$ (330,141)	(323,263)	-	-	(653,404)
Unrealized (gains) losses on foreign exchange and derivative financial instruments	(276,988)	(1,389,312)	-	1,027	(1,665,273)
Allowance for credit losses	2,985,585	154,593	-	16,583	3,156,761
Impairment losses on assets	15,732	678	-	-	16,410
Employee benefits liability	646,468	(27,500)	-	(101,056)	517,912
Settlement compensation provision	17,846	(180)	-	-	17,666
Guarantee reserve	117,648	10,447	-	(12,188)	115,907
Exchange differences of overseas subsidiaries' financial reports translation	1,084,199	-	(150,156)	-	934,043
Defined benefit plan actuarial gains and losses	88,453	-	(13,994)	82,645	157,104
Loss carryforward and others	1,520,438	(190,296)	(162,801)	(8,970)	1,158,371
<b>Deferred tax assets (liabilities)- net</b>	<u>\$ 5,869,240</u>	<u>(1,764,833)</u>	<u>(326,951)</u>	<u>(21,959)</u>	<u>3,755,497</u>
Information disclosed in balance sheet:					
Deferred income tax assets	\$ 6,968,418				6,529,966
Deferred tax liabilities	(1,099,178)				(2,774,469)
Total	<u>\$ 5,869,240</u>				<u>3,755,497</u>

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
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	For the year ended December 31, 2018				
	Beginning Balance	Recognize in profit and loss	Recognize in other comprehensive income	Others	Ending Balance
Proportion of losses (gains) recognized from the investments in associates and joint ventures under equity method	\$ 12,195	(344,488)	-	2,152	(330,141)
Unrealized (gains) losses on foreign exchange and derivative financial instruments	(451,788)	195,917	-	(21,117)	(276,988)
Allowance for credit losses	2,452,663	311,540	-	221,382	2,985,585
Unrealized (gains) losses on financial assets measured at fair value through other comprehensive income	(52,116)	-	25,092	5,853	(21,171)
Impairment losses (gains) on assets	12,302	(44)	-	3,474	15,732
Employee benefits liability	483,788	(27,301)	-	189,981	646,468
Settlement compensation provision	15,523	(415)	-	2,738	17,846
Guarantee reserve	111,842	(77)	-	5,883	117,648
Exchange differences of overseas subsidiaries' financial reports translation	1,188,491	-	(326,610)	222,318	1,084,199
Defined benefit plan actuarial gains and losses	219,942	-	(58,582)	(72,907)	88,453
Loss carryforward and others	2,102,459	(669,524)	-	108,674	1,541,609
<b>Deferred tax assets (liabilities)- net</b>	<b>\$ 6,095,301</b>	<b>(534,392)</b>	<b>(360,100)</b>	<b>668,431</b>	<b>5,869,240</b>
Information disclosed in balance sheet:					
Deferred income tax assets	\$ 6,953,413				6,968,418
Deferred tax liabilities	(858,112)				(1,099,178)
Total	<b>\$ 6,095,301</b>				<b>5,869,240</b>

(iii) Uncertainty over income tax treatments

For all the Bank's and subsidiaries' income tax return which have already returned but have not assessed, the Bank and subsidiaries evaluate some related factors, such as relevant interpretations letter and previous experience, and consider it has already estimated enough income tax liabilities.

(iv) The Bank's income tax returns assessed and administrative remedies filed were as below:

	Latest year of assessment
CTBC Bank Co., Ltd.	2015(Note)
Chinatrust Bills Finance Corp. (dissolved)	2008
CTBC Insurance Brokers Co., Ltd. (dissolved)	2015

Note : The recheck of 2015 corporate income tax will be determined if filed or not within the given time.



**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
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	<b>Year</b>	<b>Recheck</b>
CTBC Bank Co., Ltd.	2014	Undistributed earnings

	<b>Year</b>	<b>Litigation</b>
CTBC Insurance Brokers Co., Ltd. (dissolved)	2009	Interest income and operating expenses allocation of exempt income

(ad) Capital stock, capital surplus, and other equity interest

(i) Capital stock

As of December 31, 2019, the Bank's authorized capital was \$150,000,000, representing 15,000,000 thousand common shares with par value at NTD 10 per share, and paid in capital for common stock was \$144,098,754, with 14,409,875 thousand common shares issued.

On May 24, 2019, the Bank's board of directors, on behalf of shareholders' meeting, decided a capital increase of 341,304 thousand shares from retained earnings which amounted to \$3,413,035, with September 4, 2019 as its baseline for capital increase.

(ii) Capital surplus

The components and sources of capital surplus were as follows:

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Additional paid-in capital — stock	\$ 28,607,197	28,607,197
Share based payment transactions	1,185,867	1,184,264
Others	-	(2,773)
Total	<b><u>\$ 29,793,064</u></b>	<b><u>29,788,688</u></b>

In compliance with the Company Act, capital surplus can only be used to offset a deficit when surplus reserve is not sufficient to offset losses or to be distributed by issuing new shares or by cash pursuant to a resolution to be adopted by a shareholders' meeting as required in Article 241, Paragraph 1 of the Company Act. Furthermore, according to Article 72-1, Paragraph 1 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the amount of capital surplus to be used to increase capital shall not exceed 10% of total paid-in capital. The capital surplus arising from a capital increase can be capitalized only in the following fiscal year after being registered by the Bank with the competent authority for approval.

Shared based payment transactions are from cash capital increase by the parent company CTBC Financial Holding Co, Ltd.. According to the Company Act, the parent company issues new shares and reserve ten percent of such new shares for subscription by CTBC Bank Co., Ltd.'s employees and recognize it to personnel expenses and capital surplus.

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(iii) Other equity interest

Changes in the Bank's other equity interest were as below:

	Exchange differences of overseas subsidiaries' financial reports translation	Unrealized (losses) gains from financial assets measured at fair value through other comprehensive income	Unrealized (losses) gains on available-for-sale financial assets	Changes in financial liabilities designated at fair value through profit or loss attributable to credit risk	Total
January 1, 2019	\$ (6,622,245)	(822,370)		(310,604)	(7,755,219)
Translation difference of exchange differences of overseas subsidiaries' net assets	(921,730)	-		-	(921,730)
Gains on designated as hedging instruments in a hedge of the net investments in overseas subsidiaries	228,897	-		-	228,897
Unrealized gains or losses from financial assets measured at fair value through other comprehensive income	-	5,312,430		-	5,312,430
Cumulative losses reclassified to profit or loss on disposal of investments in debt instrument at fair value through other comprehensive income	-	(2,421,720)		-	(2,421,720)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	127,171		-	127,171
Proportionate share of other comprehensive income from associates under equity method	-	32,059		-	32,059
Changes in designated as financial liabilities measured at fair value through profit or loss attributable to credit risk	-	-		1,396,988	1,396,988
December 31, 2019	<u>\$ (7,315,078)</u>	<u>2,227,570</u>		<u>1,086,384</u>	<u>(4,001,124)</u>

	Exchange differences of overseas subsidiaries' financial reports translation	Unrealized (losses) gains from financial assets measured at fair value through other comprehensive income	Unrealized (losses) gains on available-for-sale financial assets	Changes in financial liabilities designated at fair value through profit or loss attributable to credit risk	Total
January 1, 2018	\$ (8,500,761)	-	(973,883)	(1,422,950)	(10,897,594)
Effects of retrospective application of new standards	(804)	(670,662)	973,883	-	302,417
Balance at January 1, 2018 after adjustments	<u>(8,501,565)</u>	<u>(670,662)</u>	<u>-</u>	<u>(1,422,950)</u>	<u>(10,595,177)</u>
Translation difference of exchange differences of overseas subsidiaries' net assets	2,619,794	-	-	-	2,619,794
Losses on designated as hedging instruments in a hedge of the net investments in overseas subsidiaries	(740,474)	-	-	-	(740,474)
Unrealized gains or losses from financial assets measured at fair value through other comprehensive income	-	(415,763)	-	-	(415,763)
Cumulative gains reclassified to profit or loss on disposal of investments in debt instrument at fair value through other comprehensive income	-	418,658	-	-	418,658
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	47,355	-	-	47,355
Proportionate share of other comprehensive income from associates under equity method	-	(201,958)	-	-	(201,958)
Changes in designated as financial liabilities measured at fair value through profit or loss attributable to credit risk	-	-	-	1,112,346	1,112,346
December 31, 2018	<u>\$ (6,622,245)</u>	<u>(822,370)</u>	<u>-</u>	<u>(310,604)</u>	<u>(7,755,219)</u>

# CTBC BANK CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

(ae) Earnings distribution and dividend policy

As a subsidiary of CTBC Financial Holding Co., Ltd., the Bank is required to fulfill the operating fund demands of the parent company and to maintain its own capital adequacy ratio. Therefore, common stock dividends and bonuses are generally distributed as cash dividends. The Bank adopts a constant and balanced dividend policy through annual common stock dividends and distribution of bonuses.

The above mentioned methodology is merely a guideline used to select an appropriate dividend policy. In consideration of current operations and capital budget planning for the next year, an appropriate dividend distribution ratio is selected.

Annual earnings, if any, are used to pay taxes, to make certain adjustments in accordance with financial accounting standards, and to offset cumulative losses. Then 30% of the remaining earnings are appropriated as legal reserve and set provision for or reversal of special reserve according to the regulations. Subsequent to all appropriations aforesaid, the remaining balance and the undistributed earnings at the beginning period should report to the board of directors for the discussion of dividend distribution ahead of seeking approval from shareholders. Before the legal reserve balance reaches an amount equal to total paid in capital, cash dividends are limited to 15% of total paid in capital. When the legal reserve balance reaches an amount equal to total paid in capital, or satisfies the Article 50, paragraph 2 of the Banking Law, if the Bank is sound in both its finance and business operations and has set aside legal reserve in compliance with the Company Act, the restrictions stipulated in the preceding paragraph shall not apply.

A resolution on 2018 earnings distribution of the Bank was approved by the board of directors, on behalf of shareholders' meeting on May 24, 2019, and cash dividend amounted to \$21,102,858 and stock dividend amounted to \$3,413,035 were distributed.

A resolution on 2017 earnings distribution of the Bank was approved by the board of directors, on behalf of shareholders' meeting on May 25, 2018, and cash dividend amounted to \$17,462,052 was distributed.

Relevant information approved by the board of directors on behalf of shareholders' meeting is available on Market Observation Post System or other sites.

(af) Share based payment transactions

For the years ended December 31, 2019 and 2018, the Bank and subsidiaries had set out the measurement principles and specific requirements for the share-based payment transactions as below:

	<b>Management stock appreciation rights plan for the years</b>			
	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Grant date	02.04.2016	01.25.2017	02.08.2018	01.31.2019
Grant number	225,964	186,774	187,422	239,855
Exercise period	12.31.2018	12.31.2019	12.31.2020	12.31.2021
Exercise price at grant date	14.92	17.82	21.39	20.24

The Bank and subsidiaries implement the above plan via cash settlements, yet absentee and resigned employees' stock appreciation rights will be deemed abandoned and forfeited.

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Disclosures for the Bank and subsidiaries' Employee Stock Appreciation Rights Plan (SARs):

<b>For the year ended December 31, 2019</b>						
<b>Management stock appreciation rights plan for the years</b>						
	<b>2016</b>		<b>2017</b>		<b>2018</b>	
	<b>Number</b>	<b>Weighted-average exercise price</b>	<b>Number</b>	<b>Weighted-average exercise price</b>	<b>Number</b>	<b>Weighted-average exercise price</b>
Outstanding at the beginning of the period	196,834	15.36	192,787	19.37	239,855	19.30
Granted during the period	9,528	15.36	9,338	19.37	11,638	19.30
Forfeited during the period	24,872	15.36	1,906	19.37	2,223	19.30
Exercised during the period	181,490	15.36	453	19.37	115	19.30
Expired during the period	-	15.36	-	19.37	-	19.30
Outstanding at the end of the period	-	15.36	199,766	19.37	249,155	19.30
Exercisable at the end of the period	-	15.36	-	19.37	-	19.30

<b>For the year ended December 31, 2018</b>						
<b>Management stock appreciation rights plan for the years</b>						
	<b>2015</b>		<b>2016</b>		<b>2017</b>	
	<b>Number</b>	<b>Weighted-average exercise price</b>	<b>Number</b>	<b>Weighted-average exercise price</b>	<b>Number</b>	<b>Weighted-average exercise price</b>
Outstanding at the beginning of the period	258,404	11.94	194,556	16.11	187,422	20.32
Granted during the period	16,832	11.94	7,559	16.11	9,815	20.32
Forfeited during the period	12,090	11.94	3,238	16.11	2,405	20.32
Exercised during the period	263,146	11.94	2,043	16.11	2,045	20.32
Expired during the period	-	11.94	-	16.11	-	20.32
Outstanding at the end of the period	-	11.94	196,834	16.11	192,787	20.32
Exercisable at the end of the period	-	11.94	-	16.11	-	20.32

For the year ended December 31, 2019, the weighted-average stock prices executed under SARs for 2016, 2017 and 2018 were \$22.50, \$20.48 and \$20.94(in dollars), respectively.

As of December 31, 2019, the weighted average remaining durations of outstanding shares under SARs for 2017 and 2018 were 1 and 2 years, respectively.

On January 17, 2020, the Bank's board of directors has passed Management Stock Appreciation Rights Plan for the Year 2019. 266,154 units of share based payment have been granted, with the execution price of \$22.44 (in dollars). On the execution date of December 31, 2022, the plan is intended to be settled through cash payments. The Bank and subsidiaries recognized current service cost based on the proportion of vested period in 2019.

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ag) EPS

	<b>For the years ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Net income attributable to common stockholders	<b>\$ 30,899,235</b>	<b>29,680,076</b>
Weighted-average outstanding shares of common stock (in thousands)	<b>14,409,875</b>	<b>14,409,875</b>
Basic EPS (in dollars)	<b>\$ 2.14</b>	<b>2.06</b>

Retroactive adjustments are applied to the Bank's basic EPS for the year ended December 31, 2018.

Since the Bank and subsidiaries deal with share-based payment transactions via cash settlement, no impact is expected to be on its weighted-average outstanding shares, nor does the diluted EPS need to be calculated.

(ah) Net interest income

	<b>For the years ended December 31</b>	
	<b>2019</b>	<b>2018</b>
<b><u>Interest income</u></b>		
Loan	\$ 63,429,650	58,683,766
Revolving credit	3,065,557	2,864,182
Securities	15,525,725	11,896,579
Due from Central Bank	482,908	417,738
Due from banks and call loans to banks	2,462,020	3,143,208
Hedging derivatives	-	75,175
Others	1,078,464	961,657
Subtotal	<u>86,044,324</u>	<u>78,042,305</u>
<b><u>Interest expense</u></b>		
Deposit	23,874,187	20,903,014
Due to other banks	1,218,626	945,882
Borrowings and other financing	3,377,626	2,775,468
Hedging derivatives	-	45,128
Lease liabilities	387,263	-
Others	596,681	579,450
Subtotal	<u>29,454,383</u>	<u>25,248,942</u>
Total	<b>\$ 56,589,941</b>	<b>52,793,363</b>

Interest income and expense from financial assets and liabilities measured at fair value through profit or loss are excluded.

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ai) Service fee and commission income

	<b>For the years ended December 31</b>	
	<b>2019</b>	<b>2018</b>
<b><u>Commission income</u></b>		
Credit card business	\$ 6,147,126	4,477,803
Wealth management business	6,108,409	5,665,489
Corporate business	5,455,237	5,415,981
Banking business	5,362,641	4,905,731
Insurance business	9,760,565	9,217,374
Lottery business	5,146,476	4,585,963
Others	<u>73,870</u>	<u>74,487</u>
Subtotal of commission income	<u>38,054,324</u>	<u>34,342,828</u>
<b><u>Service fee</u></b>		
Credit card business	705,597	562,839
Wealth management business	225,445	184,470
Corporate business	282,162	276,623
Banking business	2,282,476	2,045,879
Lottery business	388,432	353,181
Others	<u>4,455</u>	<u>6,235</u>
Subtotal of service fee	<u>3,888,567</u>	<u>3,429,227</u>
<b>Total</b>	<b><u>\$ 34,165,757</u></b>	<b><u>30,913,601</u></b>

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(aj) Gains and losses on financial assets or liabilities measured at fair value through profit or loss

	<b>For the years ended December 31</b>	
	<b>2019</b>	<b>2018</b>
<b><u>Disposal gains (losses)</u></b>		
Commercial paper	\$ 1,936	1,588
Treasury bills	806	626
Government bonds	41,137	(514,438)
Corporate bonds	124,613	31,103
Financial debentures	264,776	216,803
Convertible bonds	4,364	4,006
Beneficiary certificates	7,250	99,954
Negotiable certificates of deposits	667	5,358
Assets-backed commercial paper	-	(108,222)
Stocks	(437,526)	154,507
Other securities and bonds	469	43
Derivative financial instruments	6,096,793	8,870,988
Borrowed securities	(51)	554
Fair value hedge adjustment	-	3,024
Subtotal	<u>6,105,234</u>	<u>8,765,894</u>
<b><u>Valuation gains (losses)</u></b>		
Commercial paper	(13,675)	21,879
Treasury bills	2	-
Government bonds	(4,115)	27,565
Corporate bonds	107,876	(42,003)
Financial debentures	(5,497,190)	2,855,124
Convertible bonds	(578)	(300,084)
Negotiable certificates of deposits	(125)	599
Assets-backed commercial paper	(1)	(360,918)
Stocks	797,436	(875,524)
Other securities and bonds	(17,379)	(3,546)
Derivative financial instruments	7,681,207	1,013,863
Beneficiary certificates	167,016	(145,081)
Fair value hedge adjustment	-	(30,616)
Subtotal	<u>3,220,474</u>	<u>2,161,258</u>
<b><u>Dividend income</u></b>	68,289	156,082
<b><u>Interest income</u></b>	1,257,993	1,174,715
<b><u>Interest expense</u></b>	<u>(2,001,991)</u>	<u>(1,808,360)</u>
Total	<u><u>\$ 8,649,999</u></u>	<u><u>10,449,589</u></u>



**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ak) Employee benefits expenses

	<b>For the years ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Salary expenses	\$ 26,664,394	24,634,513
Insurance expenses	1,928,631	1,795,036
Share based payment transactions	1,440,817	1,107,724
Retirement expenses		
Defined contribution plan	696,405	668,590
Defined benefits plan	318,230	306,690
Other personnel expenses	<u>1,001,930</u>	<u>1,139,991</u>
Total	<b><u>\$ 32,050,407</u></b>	<b><u>29,652,544</u></b>

For the years ended December 31, 2019 and 2018, numbers of the Bank and subsidiaries' employees were 15,140 and 14,625, respectively.

(al) Depreciation and amortization expenses

	<b>For the years ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Housing	\$ 1,101,487	1,012,489
General equipment	467,774	554,898
Transportation equipment	10,752	21,880
Information equipment	<u>707,403</u>	<u>681,445</u>
Subtotal of depreciation expenses	<u>2,287,416</u>	<u>2,270,712</u>
Superficies	254,429	-
Buildings	2,376,101	-
Transportation equipment	53,261	-
Miscellaneous equipment	<u>155,441</u>	<u>-</u>
Subtotal of depreciation expenses for right-of-use assets	<u>2,839,232</u>	<u>-</u>
Amortization of information software	<u>1,399,898</u>	<u>1,224,125</u>
Total	<b><u>\$ 6,526,546</u></b>	<b><u>3,494,837</u></b>

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
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(am) Compensations of employees

Annual earnings, if any, should be appropriated 0.05% as compensations of employees. However, if there is any cumulative loss, the Bank should offset cumulative losses in priority. Compensations of employees which are recognized as current period operating expenses based on the Bank's net income before tax excluding the amount of the compensations of employees at the end of the accounting period multiplied by the estimate of remuneration distribution set by the Bank's articles of incorporation. The estimated compensation of employees for the years ended December 31, 2019 and 2018 were \$18,824 and \$16,997, respectively. The actual compensations of employee of 2018 and 2017 amounted to \$17,022 and \$17,052 with \$25 and \$31 different from the amount recognized in the annual financial report. The difference was regarded as a change of accounting estimates and would be adjusted in profit or loss in the fiscal year of 2019 and 2018. Relevant information is available on Market Observation Post System.

(an) Other general and administrative expenses

	For the years ended December 31	
	2019	2018
Site usage and general equipment expenses	\$ 1,749,118	4,893,062
Information equipment expenses	2,277,051	2,112,390
General administration expenses	5,392,896	4,301,953
Marketing and promotion expenses	3,090,487	2,803,682
Other expenses	5,427,314	4,574,964
Business tax	3,345,171	3,071,665
Total	<u>\$ 21,282,037</u>	<u>21,757,716</u>

The total amount of rent expenses of exemption for short-term lease contracts and low value assets of the Bank and subsidiaries for the year ended December 31, 2019 was \$567,829.

(ao) Financial instruments

- (i) Methods and assumptions used by the Bank and subsidiaries for fair value evaluation of financial instruments were as follows:
  - 1) Fair value of short-term financial instruments is estimated by their book value on the balance sheet date. Since these instruments have short maturities, the book value is adopted as a reasonable basis in estimating the fair value. The method is applied to cash and cash equivalents, due from Central Bank and call loans to banks, securities purchased under resell agreements, receivables, other financial assets, deposits from Central Bank and other banks, due to Central Bank and other banks, securities sold under repurchase agreements, payables, remittances, and other financial liabilities.

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
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- 2) If there is a quoted price in an active market for the financial asset, including financial instruments measured at fair value through profit or loss, financial assets measured at fair value through other comprehensive income, financial assets measured at amortized cost and financial instruments-hedging, 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 that refers to quoted prices provided by financial institutions. The estimates, hypotheses and discount rates for valuation referring to quoted prices, from financial institutions, of financial instruments have substantially the same terms and characteristics, including the credit quality of debtors, the remaining term over which the contractual interest rate is fixed, the remaining term to repayment of the principal, and the currency in which the payments are to be made. Fair value for an equity investment is determined based on either the price calculated using a valuation technique or its book value.
- 3) Loans and deposits are both classified as interest-bearing financial assets; therefore, the book value of financial assets is equivalent to their fair value. The net book value of the non-accrual account, after deducting provision for credit loss, is adopted as the fair value.
- 4) Fair value of long-term liabilities is estimated by the present value of expected future cash flows. The discount rate is based on rates of equivalent loans available elsewhere; that is, loans with similar maturity date and terms (close to the maturity date).
- 5) Derivatives usually adopt mark-to-model prices. The Discounted-Cash-Flow method is adopted for non-option derivatives, and the Black-Scholes Model is adopted for most options.
- 6) The exchange price is used for financial instruments traded on an exchange. Over the counter (OTC) positions use independent price/parameter quotes by reliable brokers or data vendors, such as Reuters, Bloomberg, etc. In general, the closing price, settlement price, mid-price at a fixed cut-off time, and the average price of several independent brokers could be used as market data for valuation purposes.
- 7) 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) is computed by applying probability of default of the Bank and subsidiaries considering loss given default of the Bank and subsidiaries before being multiplied by exposure at default of the Bank and subsidiaries.

The Bank and subsidiaries adopt IFRS9 or take any observable data into account to evaluate the probability of impairment and loss rate of allowance for doubtful accounts as the estimates of PD and LGD. In addition, mark to market assessment of a derivative instrument from Over the Counter (OTC) is applied as EAD. For those accounts have showed significant increase in credit risk, would be the CVA assessed individually by taking into account of the changes of exposures, conditions of collaterals and the recovery probabilities.

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
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- 8) Except the following listed items, the book value is considered to be a reasonable basis of estimated fair value if the Bank and subsidiaries do not measure a financial instrument at fair value.

<b>Financial assets</b>	<b>December 31, 2019</b>	
	<b>Book value</b>	<b>Fair value</b>
Investment in debt instruments at amortized cost	\$ 694,995,472	709,385,167

<b>Financial assets</b>	<b>December 31, 2018</b>	
	<b>Book value</b>	<b>Fair value</b>
Investment in debt instruments at amortized cost	\$ 595,630,666	596,407,103

(ii) Fair value hierarchy information on financial instruments

1) The definition of fair value hierarchy

a) Level 1

Fair value measurement for a financial instrument classified in Level 1 is determined as the quoted price for an identical financial instrument in an active market. The definition of active market has all of the following conditions: (1) the products traded in the market are homogeneous, (2) willing parties are available anytime in the market, and (3) price information is available for the public.

b) Level 2

Fair value measurement for a financial instrument classified in Level 2 is determined as the observable price other than quoted price in an active market, including an observable input obtained in an active market, either directly (i.e., as prices) or indirectly (i.e., derived from prices). The examples of observable price are as follows:

- i) The quoted price for an identical financial instrument in an active market means the fair value from the market transaction prices for an identical financial instrument. An identical financial instrument should be determined by its characteristics and terms of transaction. The fair value of a financial instrument has to be adjusted according to the observable market price of the identical financial instrument. The reasons for adjustments include time lag of the occurring market transaction prices for an identical financial instrument (the quoted prices do not represent fair value at the measurement date), the difference in transaction terms for financial instruments, transaction prices involving related parties, and the correlation between the observable transaction prices of identical financial instruments and the market prices of held financial instruments.

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- ii) The quoted market price of the same or identical financial instruments in an inactive market.
  - iii) The fair value is estimated on the basis of the results of a valuation technique, and the market inputs used (i.e., interest rate, yield curve, and fluctuation rate) are based on obtainable data from the market (an observable input means an input can be derived from market data and can reflect the expectation of market participants when the inputs were used in evaluating the prices of financial instruments).
  - iv) A majority of inputs are derived from observable market data, or the input correlation can be tested based on observable market data.
- c) Level 3

Input for a fair value measurement for a financial instrument classified in Level 3 is not based on obtainable data from the market (an unobservable input, such as volatility for a share option derived from the share's historical prices, as it does not generally represent current market expectations about future volatility).

2) Fair value hierarchy information on financial instruments

Assets and Liabilities	December 31, 2019			
	Total	Level 1	Level 2	Level 3
<b><u>Instruments measured at fair value</u></b>				
<b><u>Instruments measured at fair value on a recurring basis</u></b>				
<b><u>Non-derivative financial instruments assets and liabilities</u></b>				
<b>Assets:</b>				
Financial assets measured at fair value through profit or loss				
Mandatorily measured at fair value through profit or loss				
Investment in equity instruments	\$ 1,748,248	1,748,248	-	-
Investment in debt instruments	106,101,451	786,381	105,315,004	66
Others	614,645	-	-	614,645
Financial assets measured at fair value through other comprehensive income				
Investment in equity instruments	15,012,062	11,732,459	-	3,279,603
Investment in debt instruments	305,538,242	88,514,945	216,703,014	320,283
<b>Liabilities:</b>				
Designated as financial liabilities measured at fair value through profit or loss	41,068,313	-	-	41,068,313
<b><u>Derivative financial instruments assets and liabilities</u></b>				
<b>Assets:</b>				
Financial assets measured at fair value through profit or loss	\$ 60,223,960	48,911	60,056,761	118,288
Financial assets — hedging	330,764	-	330,764	-
<b>Liabilities:</b>				
Financial liabilities measured at fair value through profit or loss	72,834,151	64,129	72,597,765	172,257
Financial liabilities — hedging	37,437	-	37,437	-
<b><u>Instruments not measured at fair value</u></b>				
Investment in debt instruments at amortized cost	709,385,167	626,601,224	75,162,882	7,621,061
Investment property	7,137,276	-	-	7,137,276

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Assets and Liabilities	December 31, 2018			
	Total	Level 1	Level 2	Level 3
<b><u>Instruments measured at fair value</u></b>				
<b><u>Instruments measured at fair value on a recurring basis</u></b>				
<b><u>Non-derivative financial instruments assets and liabilities</u></b>				
<b>Assets:</b>				
Financial assets measured at fair value through profit or loss				
Mandatorily measured at fair value through profit or loss				
Investment in equity instruments	\$ 3,258,363	3,258,363	-	-
Investment in debt instruments	116,477,513	712,609	115,764,837	67
Others	970,609	325,542	-	645,067
Designated as financial assets measured at fair value through profit or loss				
Investment in debt instruments	1,130,284	-	-	1,130,284
Financial assets measured at fair value through other comprehensive income				
Investment in equity instruments	5,210,316	2,210,935	6,978	2,992,403
Investment in debt instruments	248,455,811	55,039,671	193,034,667	381,473
<b>Liabilities:</b>				
Designated as financial liabilities measured at fair value through profit or loss	37,930,181	-	-	37,930,181
<b><u>Derivative financial instruments assets and liabilities</u></b>				
<b>Assets:</b>				
Financial assets measured at fair value through profit or loss \$	41,623,835	227,119	41,029,984	366,732
Financial assets — hedging	34,212	-	34,212	-
<b>Liabilities:</b>				
Financial liabilities measured at fair value through profit or loss	55,343,033	94,534	54,832,536	415,963
Financial liabilities — hedging	184,195	-	184,195	-
<b><u>Instruments not measured at fair value</u></b>				
Investment in debt instruments at amortized cost	596,407,103	524,340,047	61,847,578	10,219,478
Investment property	2,905,723	-	-	2,905,723

- 3) No instrument measured at fair value has been transferred between level 1 and level 2 by the Bank and subsidiaries for the years ended December 31, 2019 and 2018.
- 4) Statements of changes in financial assets which were classified to Level 3 based on fair value measurement.

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Items	For the year ended December 31, 2019									
	Beginning balance	The amount recognized in current net income	The amount recognized in other comprehensive income	Current increase			Current decrease			Ending balance
				Purchase or issue	Transfer in of Level 3 and out of other levels	Transfer in of Level 3 of financial assets and out of Level 3 of financial liabilities	Sale, disposal, or settlement	Transfer in of other levels and out of Level 3	Transfer in of Level 3 of financial liabilities and out of Level 3 of financial assets	
Financial assets measured at fair value through profit or loss										
Mandatorily measured at fair value through profit or loss	\$ 1,011,866	(76,079)	(5,823)	204,456	-	38,930	352,275	43,114	44,962	732,999
Designated as financial assets measured at fair value through profit or loss	1,130,284	(17,379)	(4,905)	-	-	-	1,108,000	-	-	-
Financial assets measured at fair value through other comprehensive income	3,373,876	-	340,940	15,053	-	7,095	137,078	-	-	3,599,886
Total	\$ 5,516,026	(93,458)	330,212	219,509	-	46,025	1,597,353	43,114	44,962	4,332,885

Items	For the year ended December 31, 2018									
	Beginning balance	The amount recognized in current net income	The amount recognized in other comprehensive income	Current increase			Current decrease			Ending balance
				Purchase or issue	Transfer in of Level 3 and out of other levels	Transfer in of Level 3 of financial assets and out of Level 3 of financial liabilities	Sale, disposal, or settlement	Transfer in of other levels and out of Level 3	Transfer in of Level 3 of financial liabilities and out of Level 3 of financial assets	
Financial assets measured at fair value through profit or loss										
Mandatorily measured at fair value through profit or loss	\$ 339,073	335,106	833,097	113,216	-	-	403,121	186,297	19,208	1,011,866
Designated as financial assets measured at fair value through profit or loss	1,276,517	(3,545)	(73,113)	-	-	-	69,575	-	-	1,130,284
Financial assets measured at fair value through other comprehensive income	3,104,971	-	287,416	-	-	-	11,533	6,978	-	3,373,876
Total	\$ 4,720,561	331,561	1,047,400	113,216	-	-	484,229	193,275	19,208	5,516,026

The policy for when to recognize the transfers in or out of Level 3 is according to the actual date of the event or change in circumstances. This transfer between Level 3 and Level 2 was due to a switch of valuation approach.

Unrealized gains (losses) associated with assets as of December 31, 2019 and 2018 which were recognized in current net income shown in the above table were \$13,175 of profit and \$683,183 of profit, respectively.

- 5) Statements of changes in financial liabilities which were classified to Level 3 based on fair value measurement.

	For the year ended December 31, 2019									
	Current increase					Current decrease				
						Transfer in of Level 3 of financial assets and out of Level 3 of financial liabilities			Transfer in of Level 3 of financial assets and out of Level 3 of financial liabilities	
Items	Beginning balance	The amount recognized in current net income	The amount recognized in other comprehensive income	Purchase or issue	Transfer in of Level 3 and out of other levels		Sale, disposal, or settlement	Transfer in of other levels and out of Level 3		Ending balance
Financial liabilities measured at fair value through profit or loss										
Financial liabilities held for trading	\$ 415,963	(132,970)	-	-	-	44,962	73,654	43,114	38,930	172,257
Financial liabilities designated at fair value through profit or loss	37,930,181	4,535,120	(1,396,988)	-	-	-	-	-	-	41,068,313
Total	\$ 38,346,144	4,402,150	(1,396,988)	-	-	44,962	73,654	43,114	38,930	41,240,570

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Items	For the year ended December 31, 2018									
	Current increase					Current decrease				
	Beginning balance	The amount recognized in current net income	The amount recognized in other comprehensive income	Purchase or issue	Transfer in of Level 3 and out of other levels	Transfer in of Level 3 of financial assets and out of Level 3 of financial liabilities	Sale, disposal, or settlement	Transfer in of other levels and out of Level 3	Transfer in of Level 3 of financial assets and out of Level 3 of financial liabilities	Ending balance
Financial liabilities measured at fair value through profit or loss										
Financial liabilities held for trading	\$ 396,598	254,864	-	6,910	-	19,208	76,763	184,854	-	415,963
Financial liabilities designated at fair value through profit or loss	34,090,353	(1,962,751)	(1,112,346)	6,914,925	-	-	-	-	-	37,930,181
Total	\$ 34,486,951	(1,707,887)	(1,112,346)	6,921,835	-	19,208	76,763	184,854	-	38,346,144

The policy for when to recognize the transfers in or out of Level 3 is according to the actual date of the event or change in circumstances. This transfer between Level 3 and Level 2 was due to a switch of valuation approach.

Unrealized gains (losses) associated with liabilities as of December 31, 2019 and 2018 which were recognized in current net income shown in the above table were \$5,372,363 of loss and \$2,475,007 of profit, respectively.

- 6) Sensitivity analysis of Level 3 fair value if reasonably possible alternative assumptions used

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 statement analyses Level 3 sensitivities for those unobservable inputs in valuation models that have a material impact on the valuation of Level 3 financial instrument. The Bank and subsidiaries' major Level 3 financial instruments include:

- a) Back-to-back derivative transactions: the movements of fair value between financial assets and liabilities can be fully offset for back-to-back trades, so there is no material impact on the income statement.
- b) Financial debentures issued by the Bank: the sensitivity analysis based on the assumption of one basis point change in the Bank's credit spread would have the following effects on the statement of other comprehensive income.

	Impacts on the statement of other comprehensive income as fair value changes	
	Favorable changes	Unfavorable changes
<b>December 31, 2019</b>		
<u>Liabilities</u>		
Financial liabilities measured at fair value through profit or loss		
Designated as financial liabilities measured at fair value through profit or loss	\$ <u>46,901</u>	<u>(46,644)</u>



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	Impacts on the statement of other comprehensive income as fair value changes	
	Favorable changes	Unfavorable changes
<b>December 31, 2018</b>		
<u>Liabilities</u>		
Financial liabilities measured at fair value through profit or loss		
Designated as financial liabilities measured at fair value through profit or loss	\$ <u>69,561</u>	<u>(69,319)</u>

7) Quantitative information about the significant unobservable inputs in Level 3

Quantitative information about the significant unobservable inputs was as follows:

		December 31, 2019				
		Fair value	Valuation techniques	Key unobservable inputs	Range of inputs	The relation between inputs and fair value
<b><u>Recurring fair value measurements</u></b>						
<b><u>Non-derivative financial instruments assets and liabilities</u></b>						
<b>Assets:</b>						
Financial assets measured at fair value through profit or loss						
Mandatorily measured at fair value through profit or loss	\$ 614,711	Net asset valuation method/ Market model	Net asset value /value multiple	Not applicable	The higher net asset value/value multiple, the higher fair value	
Financial assets measured at fair value through other comprehensive income						
Investments in equity instruments	3,279,603	Net asset valuation method/ Market model	Net asset value /price-to-earning ratio/price-book ratio/price-to-sales ratio	Not applicable	The higher net asset value/price-to-earning ratio/price book ratio/price-to-sales ratio, the higher fair value	
Investment in debt instruments	320,283	Discounted cash flow model	Interest rate	0.70%	The higher interest rate, the lower fair value	
<b>Liabilities:</b>						
Designated as financial liabilities measured at fair value through profit or loss	41,068,313	Interest rate option pricing model	Credit risk parameter	0.93%~1.44%	The higher credit risk parameter, the lower fair value	
<b><u>Derivative financial instruments assets and liabilities</u></b>						
<b>Assets:</b>						
Financial assets measured at fair value through profit or loss	118,288	Interest rate option pricing model	Interest rate correlation coefficient	51%~97%	The higher correlation coefficient, the lower fair value	
<b>Liabilities:</b>						
Financial liabilities measured at fair value through profit or loss	172,257	Interest rate option pricing model	Interest rate correlation coefficient	51%~97%	The higher correlation coefficient, the higher fair value	

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		December 31, 2018				
		Fair value	Valuation techniques	Key unobservable inputs	Range of inputs	The relation between inputs and fair value
<b><u>Recurring fair value measurements</u></b>						
<b><u>Non-derivative financial instruments assets and liabilities</u></b>						
<b>Assets:</b>						
Financial assets measured at fair value through profit or loss						
	Mandatorily measured at fair value through profit or loss	\$ 645,134	Net asset valuation method	Net asset value	Not applicable	The higher net asset value, the higher fair value
	Designated as financial assets measured at fair value through profit or loss	1,130,284	Discounted cash flow model	Default rate	2.02%~3.08%	The higher default rate, the lower fair value
Financial assets measured at fair value through other comprehensive income						
	Investments in equity instruments	2,992,403	Net asset valuation method/ Discounted cash flow model	Net asset value /market risk premium/the value of $\beta$	Not applicable	The higher net asset value/market risk premium/the value of $\beta$ , the higher fair value
	Investment in debt instruments	381,473	Discounted cash flow model	Interest rate	0.76%	The higher interest rate, the lower fair value
<b>Liabilities:</b>						
	Designated as financial liabilities measured at fair value through profit or loss	37,930,181	Interest rate option pricing model	Credit risk parameter	0.53%~1.22%	The higher credit risk parameter, the lower fair value
<b><u>Derivative financial instruments assets and liabilities</u></b>						
<b>Assets:</b>						
	Financial assets measured at fair value through profit or loss	366,732	Interest rate option pricing model	Interest rate correlation coefficient	77%~99%	The higher correlation coefficient, the lower fair value
<b>Liabilities:</b>						
	Financial liabilities measured at fair value through profit or loss	415,963	Interest rate option pricing model	Interest rate correlation coefficient	77%~99%	The higher correlation coefficient, the higher fair value

8) The valuation process to level 3 financial instruments

Market risk management unit is responsible for independent model validation, with using and confirming the reliable for independent market data, calibrating valuation model on a regular basis, executing back testing, as well as applying any fair value adjustments if necessary to ensure the valuation results are reasonable.

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### **Notes to the Consolidated Financial Statements**

#### **(iii) Financial risk information**

The major objective of the risk management of the Bank and subsidiaries is to control the risk under the scope approved by the board of directors by using effective management methods to utilize resource and create maximum economic profit. For major risks including credit risk, market risk, operational risk, liquidity risk and interest risk, the Bank and subsidiaries have established the risk management policies to serve as its primary principle, which covers managerial objective, organizational structure, accountability, and risk management procedures, and by implementing these mechanisms, operational risks can be controlled at an acceptable level.

The organization structure of risk management includes Board of Directors, Risk Management Committee, Senior Management and Global Risk Management Group. The scope of their authorities illustrates as follows:

Board of Directors, who is responsible for the approval, review, supervision of risk strategies and risk policies, risk management frameworks, and creating the well balanced and independent risk management culture, serves as the primary guidance for all risks, ensure the operation of risk management and undertakes ultimate responsibility of overall risk management.

Risk Management Committee assists the Board in risk governance, by communicating, reporting, and recommendations; Risk Management Committee also builds appropriate risk authorization and will monitor and ensure risk authorization operates properly. We expect the senior managers to support the Bank's culture of risk management, through decision-making processes and leader's supportive behavior, and thus influence all employees and organization.

Senior Management establishes independent risk management functions and effective risks assessment mechanism in accordance with the policy direction of the board of directors to ensure that the Bank and subsidiaries operates properly. Senior Management establish an appropriate risk authorization system to supervise and ensure the proper operation of the system. Global Risk Management Group is responsible for planning and managing the Bank's risk profiles which include credit, market, operations, interest and liquidity risks of the banking book, developing proper policies and strategies relating to risk identification, measurement, control, and management, and supervising the implementation of system implementation, as well as system operation effectiveness.

#### **1) Market Risk Management**

##### **Definition and sources of market risk management**

Market risk is the risk that the Bank and subsidiaries' earnings or capital or its ability to meet business objectives will be adversely affected by changes in the level, volatility or correlation of market risk factors, such as interest rate (including credit spread), foreign exchange rate, securities price and commodity price. The market correlation and liquidity of these types of instruments are also covered.

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The market risk of the Bank and subsidiaries arises from either trading or non-trading portfolios. The trading portfolio includes positions arising from trading activities, which aim at benefiting from short-term price movements, such as proprietary trading and market making. The non-trading portfolio includes positions not held for the purpose of earning capital gains.

The market risk management framework for trading and non-trading portfolios is described as follows:

a) Trading Portfolios Management

i) Objective

The Market Risk Management Policy is the cornerstone of managing market risk-taking activities in the Bank and subsidiaries. The Policy is developed to establish definite market risk management mechanisms of financial transaction, to facilitate market risk communication within the Bank and subsidiaries, and to provide proper management.

ii) Market Risk Management Procedure and Measurement

1. Management Procedures

a. Risk identification

Risk-taking unit shall identify the market risk of financial instruments, and this should be clearly stated in the relevant product program documentation. Market risk management unit (MRMU) executes the identification of market risk independently.

b. Risk measurement

MRMU shall define appropriate and consistent market risk measurement methodologies in line with the business characteristics and risk source to properly evaluate the primary market risk exposure. The risk measurement shall be applied to daily management and shall serve as a foundation for market risk planning, monitoring, and controlling.

Valuation approach and market data adoption for calculating P/L, risk sensitivities, Value at Risk (VaR), stress testing should be approved by MRMU.

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c. Risk controlling

Market risk limit is a tool for authorizing and controlling specific forms of market risk arising from the trading activities of the Bank and subsidiaries to ensure that the Bank and subsidiaries are not exposed to market risk beyond the risk appetite. Market risk limit management procedures, such as the establishment, approval, exception management and limit excess treatment, etc., shall comply with the relevant market risk management documents.

d. Risk reporting

Market risk reporting is an effective risk communication tool. MRMU shall submit market risk management reports to senior managers on a daily basis and periodically report the integrated market risk profile to senior executives and the Board to evaluate risk concentration and capacity of the Bank and subsidiaries and to form necessary risk adjusting strategies.

2. Risk Measurement Approaches

a. Value at Risk, VaR

The VaR model is developed as a quantitative technique for internal risk management purpose, and will be continually refined to meet the quantitative and qualitative standards of IMA (Internal Model Approach) requirements.

b. Stress Testing

Stress testing is used to calculate a range of trading exposures which result from extreme market events or scenarios. Stress testing measures the impact of exceptional changes in market rate/price, volatility or correlation in the fair value of trading portfolios as a supplement to VaR which is unable to capture the tail risk.

c. Factor Sensitivity

Factor sensitivity is a measurement for monitoring the cross-product exposures within each risk type, including but not limited to foreign exchange, interest rate, equity, commodity, and credit.

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#### iii) Market Risk Mitigation and Hedging

The Bank and subsidiaries' trading portfolios include spots and derivatives. The derivatives are employed to reduce spots exposure or combined with other derivatives to form trading strategy. MRMU evaluates and controls the mitigation effectiveness between trading positions and its' hedge positions by using risk measurement tools, such as VaR, risk sensitivities, etc.

#### iv) Interest Rate Risk Management

##### 1. Definition

Interest rate risk arises from adverse changes in interest rates. Primary interest rate related instruments held in the Bank and subsidiaries' trading portfolios include bonds and interest rate derivatives, such as interest rate swaps, caps/floors, and swaptions.

##### 2. Management Procedure

In order to effectively control the interest rate risk in the trading portfolios, the Bank and subsidiaries control interest rate risk by setting limits in different yield curves and currencies depending on its own business development and management needs.

##### 3. Measurement Approach

PVBP, the change in fair value as the yield curve parallel shifts up by 0.01% (1bp), is used to measure interest rate risk exposures of the Bank and subsidiaries' trading portfolios.

Unit : In Thousands of New Taiwan Dollars

Yield curve parallel shift of +0.01%	Currency	December 31, 2019	December 31, 2018
	CNY	\$ (752)	(776)
	EUR	178	(7)
	HKD	(242)	(160)
	JPY	(317)	(14)
	NTD	(202)	1,223
	USD	2,557	(1,269)
	Others	(880)	(188)

#### v) Foreign Exchange Risk

##### 1. Definition

Foreign exchange risk arises from adverse changes in exchange rates. Primary foreign exchange instruments held in the Bank and subsidiaries' trading portfolios include spots, forwards, and currency options.

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2. Management Procedure

In order to effectively control the foreign exchange risk for the trading portfolios, the Bank and subsidiaries control foreign exchange risk by setting limits in different currencies or currency pairs depending on its own business development and management needs.

3. Measurement Approach

FX Delta, the change in net present value as the foreign exchange rate moves up by one unit, 1%, is used to measure foreign exchange risk exposure of the Bank and subsidiaries' trading portfolios.

Unit : In Thousands of New Taiwan Dollars

Underlying currency upward movement by 1%	Currency	December 31, 2019	December 31, 2018
	AUD	\$ (149)	124
	CNY	2,653	15,494
	EUR	363	2,718
	GBP	597	(1,516)
	HKD	(4,028)	(4,025)
	JPY	(506)	(505)
	KRW	(75)	(86)
	USD	(4,760)	(22,007)
	Others	(792)	(845)

vi) Other Risk Factor Sensitivities

1. Equity Factor Sensitivity (Equity delta)

Equity Delta is the change in fair value as the underlying stock price or index price moves up by 1%. Primary equity instruments held in the Bank and subsidiaries' trading portfolios include stocks, convertible bonds, equity index futures and options.

2. Commodity Factor Sensitivity (Commodity delta)

Commodity Delta is the change in fair value as the underlying commodity price moves up by 1%. Primary commodity instruments held in the Bank and subsidiaries' trading portfolios include derivatives in gold and crude oil.

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3. Credit Spread Factor Sensitivity (CR01, Credit 01)

CR01 is the change in fair value as the credit spread shift up by 0.01% (1bp). Primary credit-linked instruments held in the Bank and subsidiaries' trading portfolios include credit default swaps.

Equity factor sensitivity (Equity delta)	Country/ Commodity	December 31, 2019	December 31, 2018
Equity Factor Sensitivity			
Stock price or index upward movement by 1%	Taiwan	\$ 7,888	411
	China	(590)	(53)
	USA	(703)	(957)
	Others	(20)	511
Commodity Factor Sensitivity			
Commodity price upward movement by 1%	Gold	241	(53)
Credit Spread Factor Sensitivity			
Credit spread upward shift by 0.01%		(1,228)	(139)

b) Management Mechanism of Non-Trading Purpose Investment Portfolio

i) Management of Non-Trading Purpose Interest Rate Risk

1. Definition of Non-Trading Purpose Interest Rate Risk

Non-trading purpose interest rate risk of the Bank and subsidiaries refers to the impact on the profit or the equity of non-trading purpose interest rate sensitive assets and liabilities when interest rate changes.

Interest rate risk mainly stems from different sensitivity of assets and liabilities to interest rate change. Such risk could arise from mismatches of repricing timing amount of asset and liability, varying magnitude of changes in short-term and longer-term interest rates, various interest rate indexes to which asset and liability are linked, or embedded options.

2. Management Objective of Non-Trading Purpose Interest Rate Risk

The "Asset and Liability Management Policy" is the highest guideline of managing the Bank and subsidiaries' non-trading purpose interest rate risk. The Policy defines the authorities, responsibilities and management procedures. Through the Funds Transfer Mechanism (FTP) and funding activities, the Bank and subsidiaries navigate the asset and liability structure to keep the interest risk exposure within the risk appetite, attain a balanced risk profile and maximize shareholder value.



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#### 3. Management Procedures and Risk Measurement of Non-Trading Purpose Interest Rate Risk

In order to earn stabilized profits, the Bank and subsidiaries control the interest rate risk by keeping the interest rate exposures within the limit approved by the Board, centralizing the interest rate risk from business unit to specified unit through the Match-Term Fund Transfer Mechanism, and adjusting the funding positions proactively.

The measurement includes on balance sheet banking book interest-sensitive asset and liabilities, non-trading purpose financial instruments, and interest rate related derivatives which apply hedge accounting.

Interest rate risk monitoring unit periodically conducts the risk reports, which contain the analysis of limit usage, interest rate risk sensitivity and stress test. The risk report shall periodically be submitted to related risk management meetings.

The Bank and subsidiaries frequently measure interest rate risks by the following tools:

- a. Repricing Gap Report : This report measures the repricing gap between asset and liability by various time buckets in order to understand interest rate mismatch.
- b. Interest Rate Sensitivity :
  - i. Asset and Liability Mismatch: This measures the impact of 1 basis point change in interest rate on net interest income (NII) and that on economic value of equity (EVE). The analysis of such impact on NII ( $1\text{bp}\Delta\text{NII}$ ) focuses on changes in interest income and expense within a year; hence, this analysis is of a short-term perspective. The analysis of such impact on EVE ( $1\text{bp}\Delta\text{EVE}$ ) is of a long-term perspective as it focuses on changes of economic value which will become net interest income received every year later on.
  - ii. Non-trading purpose financial instruments specified: Use the PVBP to measure the impact of 1 basis point change in interest rate on fair value.
- c. Stress Test : This evaluates the impact of a significant change in interest rate on EVE. The test results will be compared with capital in order to examine the appropriateness of exposure.
- d. (Non-trading purpose financial instruments specified) Profit and Loss: This evaluates the market value of financial instrument, and aims to keep the impact on earnings or equity within the Bank and subsidiaries risk appetite.

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4. Risk Mitigation and Hedge of Non-Trading Purpose Interest Rate Risk

The Bank and subsidiaries set limits to manage risk. When an excess of limit is confirmed, risk monitoring unit analyzes the impact, collaborates with funding management unit and other related units to submit the action plan to the limit authority for approval, and traces the effectiveness of the action plan.

The Bank and subsidiaries may adjust the interest rate risk exposure by adjusting the asset and liability structures or entering derivative with external counterparties. Prior to executing an external hedge, the hedge plan with specified hedged position, profit and loss analysis and detailed scheme shall gain approval from the limit authority. After a hedge executed, risk management unit shall periodically review the hedge execution and its effectiveness, and report to the limit authority depending on the impact.

ii) Management of Non-Trading Purpose Foreign Exchange Rate Risk

1. Definition and Sources of Non-Trading Purpose Foreign Exchange Rate Risk

Non-trading purpose foreign exchange (FX) rate risk of the Bank and subsidiaries refers to the impact on the profit or loss due to fluctuation of FX rate on the non-trading purpose FX positions.

2. Management Objective of Non-Trading Purpose Foreign Exchange Rate Risk

The Bank and subsidiaries' management objective of non-trading purpose FX risk aims to keep FX exposures within the risk appetite by the authorities, responsibilities and management procedures defined in the Policy.

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

3. Management Procedure and Risk Measurement of Non-Trading Purpose Foreign Exchange Rate Risk

The Bank and subsidiaries identify, measure, monitor, and report the FX risk through the thorough risk management framework and procedure. To control the FX risk, the Bank and subsidiaries periodically monitor the risk exposure according to the approved limit hierarchy and sweep FX risk centrally from business units to designated FX management unit. For overseas branches without a specified FX management unit, FX positions will be centrally managed by the Funding Management Unit. The risk factor which measures non-trading purpose Foreign Exchange Risk is “FX Delta”, which measures the impact on the profit and loss when FX rate changes.

4. Non-Trading Purpose Foreign Exchange Rate Risk monitoring and reporting

The Bank and subsidiaries set the limits and control mechanisms to manage the FX risk. When an excess of limit is confirmed, business unit will explain the reason; risk monitoring unit analyzes the impact, collaborates with business unit to submit the action plan to the limit at the level authority for approval, and traces the effectiveness of the action plan.

iii) Management of Non-Trading Purpose Equity Risk

1. Definition and Sources of Non-Trading Purpose Equity Risk

Non-trading purpose equity risk of the Bank and subsidiaries refer to the impact on the profit or loss due to equity price fluctuation of non-trading purpose equity positions.

2. Management Objective of Non-Trading purpose Equity Risk

The Bank and subsidiaries’ management objective of non-trading purpose equity risk aims to keep equity exposures within the risk appetite and control severe impact on profit or owner equity by the authorities, responsibilities and management procedure defined in the Policy.

3. Management Procedure and Risk Measurement of Non-Trading Purpose Foreign Exchange Rate Risk

The Bank and subsidiaries identify, measure, monitor, and report the equity risk through the thorough risk management framework and procedure. To control the equity risk, the Bank and subsidiaries periodically monitor the risk exposure according to the approved limit hierarchy. The major aspects of Equity limits include the position limit and the year to date loss trigger.

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

4. Risk Mitigation and Hedge of Non-Trading Purpose Equity Risk

The Bank and subsidiaries set the limits and control mechanisms to manage the equity risk. When an excess of limit is confirmed, business unit will explain the reason; risk monitoring unit analyzes the impact, collaborates with business unit to submit the action plan to the limit authority for approval, and traces the effectiveness of the action plan.

iv) Factor Sensitivity Analysis

Factor sensitivity analysis by the Bank and subsidiaries is summarized as below:

December 31, 2019			
Risk Items	Movement	Amount	
		Profit and Loss	Equity
Interest Rate Risk	Interest rate curve shift up 1bp	90,240	(90,373)
	Interest rate curve shift down 1bp	(90,240)	90,373
Foreign Exchange Rate Risk	Foreign currency appreciate 1% against NTD	152	-
	Foreign currency depreciate 1% against NTD	(152)	-
Equity Price Risk	Equity price appreciate 1%	8,287	117,325
	Equity price depreciate 1%	(8,287)	(117,325)

December 31, 2018			
Risk Items	Movement	Amount	
		Profit and Loss	Equity
Interest Rate Risk	Interest rate curve shift up 1bp	96,578	(42,127)
	Interest rate curve shift down 1bp	(96,578)	42,127
Foreign Exchange Rate Risk	Foreign currency appreciate 1% against NTD	296	-
	Foreign currency depreciate 1% against NTD	(296)	-
Equity Price Risk	Equity price appreciate 1%	26,699	22,109
	Equity price depreciate 1%	(26,699)	(22,109)

Note: When a fair value hedge or hedge of a net investment in a foreign operation is in conformity with all the conditions for applying hedge accounting, the mentioned positions will not be covered by summarized details above. Because the affected profit or loss is recognized by offsetting the changes in the fair value of hedging instruments and hedged items.

c) Foreign exchange rate gap information

According to IFRS 7 “Financial Instruments” paragraph No. 34(a), an entity shall disclose summarized quantitative data about its exposure to that risk at the end of the reporting period. Significant foreign exchange rate risk exposure of the Bank and subsidiaries were as below:

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

		<b>December 31, 2019</b>		
		<b><u>Foreign currency</u></b>	<b><u>Spot rate</u></b>	<b><u>NTD amount</u></b>
<b><u>Financial assets</u></b>				
<b><u>Monetary items</u></b>				
USD	\$	31,553,524	30.1060	949,950,394
JPY		2,403,254,074	0.2770	665,701,378
CNY		37,107,616	4.3219	160,375,408
AUD		2,677,375	21.1043	56,504,125
HKD		12,484,119	3.8659	48,262,356
<b><u>Non-monetary items</u></b>				
USD		30,766	30.1060	926,241
JPY		2,582,895	0.2770	715,462
PHP		11,941	0.5942	7,095
<b><u>Investments under equity</u></b>				
<b><u>method</u></b>				
THB		17,730,285	1.0091	17,891,631
CNY		178,848	4.3219	772,965
JPY		873,379	0.2770	241,926
<b><u>Financial liabilities</u></b>				
<b><u>Monetary items</u></b>				
USD	\$	37,413,367	30.1060	1,126,366,827
JPY		2,333,413,900	0.2770	646,355,650
CNY		33,049,699	4.3219	142,837,495
AUD		1,836,899	21.1043	38,766,463
HKD		6,880,067	3.8659	26,597,651

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

		<b>December 31, 2018</b>		
		<b>Foreign currency</b>	<b>Spot rate</b>	<b>NTD amount</b>
<b><u>Financial assets</u></b>				
<b><u>Monetary items</u></b>				
USD	\$	28,036,761	30.7330	861,653,776
JPY		2,553,121,947	0.2783	710,533,838
CNY		29,048,927	4.4854	130,296,057
HKD		12,925,527	3.9239	50,718,475
SGD		578,081	22.4887	13,000,290
<b><u>Non-monetary items</u></b>				
JPY		5,952,029	0.2783	1,656,450
USD		32,873	30.7330	1,010,286
PHP		11,941	0.5844	6,978
<b><u>Investments under equity</u></b>				
<b><u>method</u></b>				
THB		17,406,613	0.9491	16,520,616
CNY		169,708	4.4854	761,208
JPY		1,003,442	0.2783	279,258
<b><u>Financial liabilities</u></b>				
<b><u>Monetary items</u></b>				
USD	\$	35,227,243	30.7330	1,082,638,859
JPY		2,518,078,691	0.2783	700,781,300
CNY		26,043,392	4.4854	116,815,030
HKD		7,153,779	3.9239	28,070,713
SGD		160,265	22.4887	3,604,152

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

d) Disclosure items required by the “ Regulations Governing the Preparation of Financial Reports by Public Banks”

i) Interest rate sensitivity information

1. Sensitivity analysis of interest rate for assets and liabilities (New Taiwan Dollars)

December 31, 2019

Unit : In Thousands of New Taiwan Dollars, %

Items	1~90 days (inclusive)	91~180 days (inclusive)	181 days~1 year (inclusive)	Over 1 year	Total
Interest rate sensitive assets	\$ 1,733,402,908	187,295,287	61,536,648	151,792,800	2,134,027,643
Interest rate sensitive liabilities	602,775,063	1,135,164,018	121,760,897	62,732,584	1,922,432,562
Interest rate sensitivity gap	1,130,627,845	(947,868,731)	(60,224,249)	89,060,216	211,595,081
Net worth					309,248,164
Ratio of interest rate sensitive assets to liabilities (%)					111.01
Ratio of interest rate sensitivity gap to net worth (%)					68.42

December 31, 2018

Unit : In Thousands of New Taiwan Dollars, %

Items	1~90 days (inclusive)	91~180 days (inclusive)	181 days~1 year (inclusive)	Over 1 year	Total
Interest rate sensitive assets	\$ 1,612,249,160	177,418,209	72,985,844	122,464,823	1,985,118,036
Interest rate sensitive liabilities	525,842,160	1,009,011,367	128,570,396	61,684,519	1,725,108,442
Interest rate sensitivity gap	1,086,407,000	(831,593,158)	(55,584,552)	60,780,304	260,009,594
Net worth					295,738,873
Ratio of interest rate sensitive assets to liabilities (%)					115.07
Ratio of interest rate sensitivity gap to net worth (%)					87.92

Note :

- The aforementioned are the Bank's position denominated in NTD, and do not include contingent asset or liabilities.
- Interest rate sensitive assets and liabilities are the interest-earning asset or interest-bearing liabilities whose revenue or costs are affected by interest rate change.
- Interest rate sensitivity gap = Interest rate sensitive assets - Interest rate sensitive liabilities.
- Ratio of interest rate sensitive assets to liabilities = Interest rate sensitive assets / Interest-rate-sensitive liabilities (denominated in NTD)

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

2. Sensitivity analysis of interest rate for assets and liabilities (USD)

December 31, 2019

Unit : In Thousands of U.S. Dollars, %

Items	1~90 days (inclusive)	91~180 days (inclusive)	181 days~1 year (inclusive)	Over 1 year	Total
Interest rate sensitive assets	\$ 12,115,139	570,006	545,810	6,472,654	19,703,609
Interest rate sensitive liabilities	9,113,994	13,178,655	1,400,856	1,476,414	25,169,919
Interest rate sensitivity gap	3,001,145	(12,608,649)	(855,046)	4,996,240	(5,466,310)
Net worth					10,271,978
Ratio of interest rate sensitive assets to liabilities (%)					78.28
Ratio of interest rate sensitivity gap to net worth (%)					(53.22)

December 31, 2018

Unit : In Thousands of U.S. Dollars, %

Items	1~90 days (inclusive)	91~180 days (inclusive)	181 days~1 year (inclusive)	Over 1 year	Total
Interest rate sensitive assets	\$ 12,784,448	569,636	175,761	3,519,510	17,049,355
Interest rate sensitive liabilities	9,504,382	11,086,921	1,543,267	1,517,407	23,651,977
Interest rate sensitivity gap	3,280,066	(10,517,285)	(1,367,506)	2,002,103	(6,602,622)
Net worth					9,622,844
Ratio of interest rate sensitive assets to liabilities (%)					72.08
Ratio of interest rate sensitivity gap to net worth (%)					(68.61)

Note :

1. The aforementioned are the Bank's position denominated in USD, and do not include contingent asset or liabilities.
2. Interest rate sensitive assets and liabilities are the interest-earning asset or interest-bearing liabilities whose revenue or costs are affected by interest rate change.
3. Interest rate sensitivity gap = Interest rate sensitive assets - Interest rate sensitive liabilities.
4. Ratio of interest rate sensitive assets to liabilities = Interest rate sensitive assets / Interest rate sensitive liabilities (denominated in USD)



**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

2) Credit Risk Management

a) Definition and Sources of Credit Risk Management

Credit risk of the Bank and subsidiaries refers to the risk of financial loss if a obligor, guarantor or counterparty fails to meet its contractual obligations. Credit risk arises from both on-balance-sheet and off-balance-sheet items. On-balance-sheet items include Loan, Discounting bills and notes, Credit Card, Due from Central Bank and Call loans to banks, Debt Investment and Derivatives Transaction, etc. Off-balance-sheet items mainly include Guarantees, Bank Acceptance, Letter of Credit and Loan Commitments.

b) Objectives of Credit Risk Management

The objective of credit risk management is to minimize the potential financial losses by appropriate strategies, policies and procedures. By strengthening credit risk management framework, which is transparent, systematic, professional and well-established, credit risk management is rooted in its corporate governance to reinforce business performance and improve shareholder's equity.

c) Credit Risk Management Process and Credit Risk Measurement

i) Credit Risk Management Process

1. Risk Identification

Credit risk comes from the default risk and significant credit deteriorated of a obligor, change on collateral value or the default risk of derivatives counterparty. Defining credit risk factors for identification shall consider not only internal business operations but also external economic environmental changes.

2. Risk Measurement

In order to appropriately evaluate and monitor obligor's credit risk, the Bank and subsidiaries implement the internal rating system factored in the characteristics of obligors and products to quantify it. The corresponding policies and procedures are established and the regular model validation mechanism is executed to ensure the appropriateness and effectiveness of the model performance. Besides credit rating, credit risk management policy and experienced (senior) credit officers' judgment supplement the credit application on credit approval, facility management and performance analysis, etc.

## CTBC BANK CO., LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

#### 3. Risk Monitoring

To ensure credit risk is under control, the Bank has established credit risk limit management mechanism, and set up the information management system to monitor the credit risk portfolio and risk concentration situation. The Bank and subsidiaries have developed comprehensive credit policies and procedures covering a credit cycle for facilitating the control of credit risk by responsible units, such as procedures about credit extension and credit evaluation, interim review mechanism, guideline for early warning and watch list accounts, guideline for collateral appraisal and management, rules of treasury credit risk mitigation, procedure for problem assets management, guideline for provision allowance and so on, to reduce the probability of credit loss and ensure our financial claim on exposure.

#### 4. Risk Reporting

Credit risk management unit periodically prepares credit risk management reports and submits these reports to senior management. The reports disclose the Bank and subsidiaries' credit risk profile from various dimensions, such as asset quality, portfolio concentration, industry sector exposure, scorecard model validation result, etc.

#### ii) Measurement of Credit Risk

##### 1. Internal Rating System

The development of internal rating system and the estimation of parameters for credit risk measurement are based on the Bank and subsidiaries' internal historical data and the experience of internal experts. The three major risk components include Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD), which are used to measure the expected loss and unexpected loss, to assist the Bank and subsidiaries in their stable growth of long-term operation.

##### a. Probability of default

The Bank and subsidiaries' institutional banking group has developed various scorecard models for Jumbo Enterprise, Middle Enterprise, Small Enterprise, Real Estate Developer and Personal, etc. based on obligor's characteristics, including exposure types, industrial characteristics, revenue scales, and the correspondent with the Bank. The Bank also develop a master scale to segment obligor's default risk; each segment of the master scale is associated with a predefined forward-looking probability of default. As for retail banking group, we has leveraged the customer-centric based credit risk scorecard model to generate the risk rating by predefined one-year forward-looking probability of default.

## CTBC BANK CO., LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

b. Loss given default

The Bank's institutional banking group calculates the parameters of LGD, such as Collateral Recovery Rate, based on the product characteristics, collateral types, and guarantee forms, etc. The parameters are used to estimate the LGD for each facility. CTBC retail banking group established the LGD rating with long-run default-weighted average LGD, which is developed according to the characteristics of products and collaterals.

c. Exposure at default

Exposure at default is calculated by current outstanding plus potential extra outstanding at default. The credit conversion factor (CCF) for potential extra outstanding at default is calculated by taking the facility commitment, usage ratio, loan outstanding and headroom into consideration. For off-balance-sheet exposure, CCF is used to estimate the portion of off-balance-sheet exposure converted into on-balance-sheet if default.

2. Stress Testing

Depending on credit risk materiality and business scale, stress testing of credit risk portfolios was implemented. Stress testing helps the Bank and subsidiaries aware of the possible change of risk component resulting from stress event, and assesses the amount of capital needed to absorb losses or plan remedial actions to mitigate the impact of exceptional loss when such incident occurs.

d) Mitigation of Credit Risk

i) Collateral Management

In assessing the credit extension, obligor's business prospect, future cash flow, and repayment ability and willingness are the main factors for identifying the repayment sources. However, for the creditor's sake, the Bank, under government regulations, may ask the obligor or a third party to deliver pledge of real estate, chattel, or securities as collateral which can be disposed for recovering the Bank's claim on exposure if the obligor defaults.

In order to maintain the good standing value of collateral, the Bank and subsidiaries have established guidelines regarding collateral management, which is as follows. By taking the volatility of market value and the characteristic of collateral into account, the Bank and subsidiaries set the type of collateral that can be pledged and consider the historical recovery experience to draw up the highest loan to value. To verify the fairness of the value of the collateral, collaterals are appraised not only through valuation reports issued by professional appraisers but also market price and the actual registered price. With the periodic reappraisal, the adequacy of the collateral with high fluctuations can be timely monitored.

## **CTBC BANK CO., LTD. AND SUBSIDIARIES**

### **Notes to the Consolidated Financial Statements**

#### **ii) Pre-settlement risk mitigation**

For pre-settlement risk, the Bank and subsidiaries might take mitigation actions such as calling for additional collateral (or margin), signing a netting agreement or signing an early determination agreement so as to reduce the credit loss.

#### **iii) Post-lending monitoring mechanisms**

For post lending monitoring through interim review mechanism to control the change of customer's risk, the review frequency and content depend on the risk grade of customers. The Bank and subsidiaries stipulated Guideline for Interim Reviews based on the principle about interim review issued by The Bankers Association of The Republic of China. Interim review items cover change of borrower's business, inspection of credit standing, change of business operation and financial condition, change of the collateral, change of bank debt, the proceeds in accordance with funding purpose, and change of repayment sources and so on. If there is significant change of obligor's business and credit status, the credit grade will be re-rated and facilities might be adjusted depending on the situation.

#### **iv) Credit Risk Assessment Review**

In order to ensure the adequacy of entire credit risk management and control mechanisms, portfolio credit risk and management process are assessed, reviewed, monitored and examined periodically by the Bank and subsidiaries, to assist the Bank and subsidiaries in their stable growth of long-term operation.

#### **v) External guarantee**

In order to enhance the credit protection for weak small and medium business borrowers and risk mitigation for the unsecured exposure of small and medium business borrower, external guarantee provided by R.O.C SMEG fund approved by government is one of the eligible guarantees.

#### **vi) Concentrations Risk Management**

Besides periodic and intermittent monitoring by various risk components on credit risk exposure via different relevant credit risk management reports, the Bank and subsidiaries have risk limit control mechanism, effective after approval by the board of directors, at the level of asset portfolio and the level of group, considering that changes in external macro environment are likely to introduce concentration risk from customers with the same characteristics.

Dimensions of limit ceiling monitoring include country risk, high risk grade obligors, product types, industry, treasury limit, project limit, collateral, in the same affiliate and counterparty, and so on.

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

e) Maximum exposure to credit risk

Without taking collateral or other credit enhancement mitigation effect into account, the maximum exposure to credit risk of on-balance-sheet financial assets is equal to the carrying values.

Please refer to Note 6 (ao) 3) g. for off-balance sheet financial instruments' maximum exposure to credit risk maturity analysis.

f) Concentrations of credit risk

Significant concentrations of credit risk occur when there are exposures, significant enough to threaten a Bank's security or its ability to maintain core businesses, to an individual counterparty to a transaction or a number of related counterparties engage in similar activities and have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. Concentrations of credit risk originate from assets, liabilities, and off-balance-sheet items by means of performing an obligation to deliver products or service, execution of a trade, or combination of cross-classification exposures. The Bank and subsidiaries have proper internal policies, systems, and controls to recognize, measure, monitor, and control concentrations of credit risk. The following table illustrates the diversification of the loan portfolio among industry sectors and geographical regions of the Bank and subsidiaries.

i) By Industry

		December 31, 2019								
		Individual Clients	Service	Public Sector	High Tech	Real Estate	Manufacturing	Financial Institution	Others	Total
<u>On balance sheet</u>										
Receivables—Credit card	\$	85,031,076	-	-	-	-	-	-	-	85,031,076
Receivables—Factoring		-	2,102,248	-	10,138,384	2,894	2,519,739	1,661,015	-	16,424,280
<u>Loans</u>										
-Consumer loans		822,358,168	-	-	-	-	-	-	-	822,358,168
-Corporate loans		80,350,634	78,245,704	166,469,876	61,297,318	85,038,355	99,939,143	6,805,810	56,343	578,203,183
-Micro-business loans		3,533,222	4,926,288	-	938,274	1,167,745	2,055,586	163,814	23,953	12,808,882
-Foreign currency loans		265,308,325	259,726,999	17,778,867	40,144,294	144,385,662	180,631,937	111,009,979	10,592,327	1,029,578,390
-Non-accrual loans		4,171,568	1,924,909	-	329,203	281,332	1,099,469	211,540	108,834	8,126,855
-Adjustment of discount and premium		(246,508)	(369,739)	(145)	(43,071)	(167,627)	(89,693)	(59,712)	(48,309)	(1,024,804)
Other financial assets		110,190	-	-	-	-	3,040	-	17,506	130,736
Total	\$	<u>1,260,616,675</u>	<u>346,556,409</u>	<u>184,248,598</u>	<u>112,804,402</u>	<u>230,708,361</u>	<u>286,159,221</u>	<u>119,792,446</u>	<u>10,750,654</u>	<u>2,551,636,766</u>
<u>Off balance sheet</u>										
Guarantee and commitment	\$	<u>589,091,651</u>	<u>162,169,178</u>	<u>85,218,578</u>	<u>230,026,728</u>	<u>75,547,732</u>	<u>319,747,652</u>	<u>98,820,658</u>	<u>3,439,266</u>	<u>1,564,061,443</u>

		December 31, 2019				
		Public Sector	Corporate	Financial Institution	Individual Clients	Total
Financial assets measured at fair value through other comprehensive income—investment in debt instruments	\$	97,875,893	40,195,624	149,609,034	17,857,691	305,538,242
Financial assets—hedging		172,046	-	158,718	-	330,764
Investment in debt instruments at amortized cost		597,774,283	76,446,451	20,806,171	-	695,026,905
Total	\$	<u>695,822,222</u>	<u>116,642,075</u>	<u>170,573,923</u>	<u>17,857,691</u>	<u>1,000,895,911</u>

# CTBC BANK CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

	December 31, 2018								
	Individual Clients	Service	Public Sector	High Tech	Real Estate	Manufacturing	Financial Institution	Others	Total
<u>On balance sheet</u>									
Receivables—Credit card	\$ 84,265,074	-	-	-	-	-	-	-	84,265,074
Receivables—Factoring	-	1,550,197	-	13,011,962	14,939	3,420,149	3,581,085	-	21,578,332
Loans									
-Consumer loans	754,925,190	-	-	-	-	-	-	-	754,925,190
-Corporate loans	70,961,362	77,866,083	146,710,776	62,661,967	76,824,386	93,716,974	8,660,504	252,509	537,654,561
-Micro-business loans	3,486,320	3,756,829	-	667,444	800,361	1,754,491	101,309	82,559	10,649,313
-Foreign currency loans	267,639,737	262,698,521	19,054,930	49,654,585	141,352,072	178,006,402	104,480,432	9,233,387	1,032,120,066
-Non-accrual loans	3,860,354	3,365,753	-	467,169	98,255	1,199,935	107,409	423,866	9,522,741
-Adjustment of discount and premium	(145,069)	(513,725)	-	(57,554)	(206,448)	(99,951)	(78,210)	(88,360)	(1,189,317)
Other financial assets	99,313	-	-	-	-	6,045	-	41,474	146,832
Total	<u>\$ 1,185,092,281</u>	<u>348,723,658</u>	<u>165,765,706</u>	<u>126,405,573</u>	<u>218,883,565</u>	<u>278,004,045</u>	<u>116,852,529</u>	<u>9,945,435</u>	<u>2,449,672,792</u>
<u>Off balance sheet</u>									
Guarantee and commitment	\$ 585,780,556	142,676,825	67,375,559	181,032,232	76,534,816	302,241,300	123,487,683	2,115,130	1,481,244,101

	December 31, 2018				
	Public Sector	Corporate	Financial Institution	Individual Clients	Total
Financial assets measured at fair value through other comprehensive income—investment in debt instruments	\$ 66,274,704	27,377,145	141,241,362	13,562,600	248,455,811
Financial assets—hedging	26,382	-	7,830	-	34,212
Investment in debt instruments at amortized cost	522,490,111	52,616,857	20,567,033	-	595,674,001
<b>Total</b>	<b>\$ 588,791,197</b>	<b>79,994,002</b>	<b>161,816,225</b>	<b>13,562,600</b>	<b>844,164,024</b>

### ii) By Area

	December 31, 2019				
	Taiwan	North America	Asia (excluding Taiwan)	Others	Total
<u>On balance sheet</u>					
Financial assets measured at fair value through other comprehensive income—investment in debt instruments	\$ 32,306,279	69,560,531	159,121,806	44,549,626	305,538,242
Financial assets—hedging	264,369	-	66,395	-	330,764
Receivables—credit card	85,031,076	-	-	-	85,031,076
Receivables—factoring	6,519,110	915,834	7,674,405	1,314,931	16,424,280
<u>Loans</u>					
Consumer finance					
—Mortgage loans	693,411,878	-	-	-	693,411,878
—Automobile loans	229	-	-	-	229
—Consumer loans	128,946,061	-	-	-	128,946,061
Corporate finance					
—Corporate loans	577,799,539	-	337,144	66,500	578,203,183
—Micro business loans	12,800,168	-	8,714	-	12,808,882
Foreign currency loans	22,296,306	129,441,336	812,891,675	64,949,073	1,029,578,390
Non-accrual loans	1,518,959	411,378	6,177,774	18,744	8,126,855
Adjustment of discount and premium	(418,180)	27,409	(571,028)	(63,005)	(1,024,804)
Investment in debt instruments at amortized cost	507,017,666	118,520,534	59,272,885	10,215,820	695,026,905
Other financial assets	110,190	-	20,546	-	130,736
<b>Total</b>	<b>\$ 2,067,603,650</b>	<b>318,877,022</b>	<b>1,045,000,316</b>	<b>121,051,689</b>	<b>3,552,532,677</b>
<u>Off balance sheet</u>					
Guarantee and commitment	\$ 1,181,534,011	22,058,562	341,728,026	18,740,844	1,564,061,443

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	December 31, 2018				
	Taiwan	North America	Asia (excluding Taiwan)	Others	Total
<u>On balance sheet</u>					
Financial assets measured at fair value through other comprehensive income-investment in debt instruments	\$ 33,588,390	45,563,954	142,540,144	26,763,323	248,455,811
Financial assets—hedging	34,212	-	-	-	34,212
Receivables—credit card	84,265,074	-	-	-	84,265,074
Receivables—factoring	7,458,824	1,027,848	10,608,317	2,483,343	21,578,332
<u>Loans</u>					
Consumer finance					
—Mortgage loans	639,376,024	-	-	-	639,376,024
—Automobile loans	359	-	-	-	359
—Consumer loans	115,548,807	-	-	-	115,548,807
Corporate finance					
—Corporate loans	537,365,830	157,000	97,509	34,222	537,654,561
—Micro business loans	10,640,186	-	9,127	-	10,649,313
Foreign currency loans	32,406,569	129,456,618	796,016,720	74,240,159	1,032,120,066
Non-accrual loans	1,636,363	186,825	7,670,262	29,291	9,522,741
Adjustment of discount and premium	(340,814)	10,836	(789,147)	(70,192)	(1,189,317)
Investment in debt instruments at amortized cost	468,623,104	60,342,840	54,387,824	12,320,233	595,674,001
Other financial assets	99,313	-	47,519	-	146,832
<b>Total</b>	<b>\$ 1,930,702,241</b>	<b>236,745,921</b>	<b>1,010,588,275</b>	<b>115,800,379</b>	<b>3,293,836,816</b>
<u>Off balance sheet</u>					
Guarantee and commitment	<b>\$ 1,095,780,286</b>	<b>23,721,683</b>	<b>328,754,534</b>	<b>32,987,598</b>	<b>1,481,244,101</b>

- g) Credit risk analysis of financial assets, loan commitments and financial guarantee contracts of the Bank and subsidiaries

The measurement of expected credit losses of the Bank and subsidiaries are based on internal rating system and the estimation of three major credit risk components including Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD), which are used to measure the 12-month and lifetime expected credit losses.

For Probability of Default, the Bank's institutional banking group develop the risk segmentation according to obligor's country, internal rating, status of credit risk, and industry. As for retail banking group, the risk segmentation is developed according to obligor's risk characteristics, credit score, and delinquency status.

For Loss Given Default, the Bank's institutional banking group develop the risk segmentation depending on whether the asset is partially secured, fully secured, or other else. As for retail banking group, risk factors are derived from the product characteristics, such as Loan-to-value, exposure, and collateral type.

Current exposure method or expected exposure approach is adopted for the estimation of exposure at default. The on-balance sheet exposure at default is measured by gross carrying amount (including accrued interest and accrued fees); the off-balance sheet exposure at default is estimated by carrying amount multiplied by credit conversion factor (CCF) under the Basel Accords - the standardize approach for credit risk.

## **CTBC BANK CO., LTD. AND SUBSIDIARIES**

### **Notes to the Consolidated Financial Statements**

The criteria for identifying the significant increases in credit risk are set as below:

- i) Delinquent asset with interest or principal payments over 30 days; delinquent asset with interest or principal payments over 45 days for recourse factoring exposure; delinquent asset with interest or principal payments over 60 days for non-recourse factoring exposure (considering the credit risk characteristics and the amount of time required for reconciliation process, special overdue days criteria have been set to both Recourse and Non-recourse Factoring exposure).
- ii) Obligor's risk rating or collateral value at the reporting date deteriorates significantly compared to that at the initial recognition date.
- iii) Obligor placed in early warning list due to the mechanism of early warning or the probability of default of obligor similar with delinquent asset at reporting date.

The objective evidence of impairment generally includes the items as below:

- i) Significant financial difficulty of the issuer or obligor;
- ii) Adverse changes in the repayment status of borrower;
- iii) A breach of contract, such as a default or past due event;
- iv) The lender, for economic or contractual reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- v) Decease, dissolution, or it becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- vi) The disappearance of an active market for that financial asset because of financial difficulties;
- vii) Purchased or originated credit-impaired financial asset at a significant discount to the contractual par amount;
- viii) 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).



## **CTBC BANK CO., LTD. AND SUBSIDIARIES**

### **Notes to the Consolidated Financial Statements**

Estimation of expected credit losses that incorporates forward-looking information:

By analyzing the historically macroeconomic data, the relevant macroeconomic factors for credit risk of each portfolio (e.g. economic growth rate, consumer price index, interest rate or unemployment rate) are recognized, which are further adopted based on the correlation of the Bank's loss experience and consistency of forecast. The risk signals then are developed based on the chosen macroeconomic factors and apply the forward-looking adjustment by incorporating the internal and external loss experiences. Besides, to derive and reflect macro light forecasts for the next three years in the estimation of impairment allowance, the Bank considers and gets the average of macroeconomics forecasting derived from the chosen Business, Public Agencies, and Academic Institutions.

There is no significant change on the methodology or assumptions for assessment of expected credit losses at the reporting date.

Some financial assets held by the Bank and subsidiaries, such as cash and equivalent cash, due from central bank, call loans to banks, financial assets measured at fair value through profit or loss, financial assets measured at fair value through other comprehensive income, securities purchased under resell agreements, refundable deposits, operational guarantee deposits, and settlement fund, are excluded from this analysis since most of counterparties are normally with good credit quality and can be considered as low credit risk. Some products, such as certificate of deposit loan, due from banks, and call loans to banks, are treated as products with low credit risk in consideration of their characteristics and zero historically impaired experience. Below tables provide the expected credit risk analysis for the rest of financial assets.

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	December 31, 2019											
	Stage 1			Stage 2			Stage 3			Total(A)+(B)+(C)+(D)+(E)		
	Investment grade	Sub-investment grade	High Risk grade	Subtotal(A)	Investment grade	Sub-investment grade	High Risk grade	Subtotal(B)	Individually assessed impaired(C)		Collectively assessed impaired(D)	Impairment allowances(E)
On balance sheet												
Financial assets measured at fair value through other comprehensive income—investment in debt instruments	\$ 255,538,820	47,819,172	2,180,250	305,538,242	-	-	-	-	-	-	55,789	305,482,453
Financial assets—hedging	297,565	33,199	-	330,764	-	-	-	-	-	-	-	330,764
Receivables—credit card	69,786,189	8,936,867	3,022,083	81,745,139	(100)	5,287	207,670	212,857	-	3,073,080	1,104,095	83,926,981
Receivables—factoring	7,442,066	6,031,639	2,293,758	15,767,463	1,619	503	-	2,122	654,695	-	550,928	15,873,352
Loans												
Consumer finance												
—Mortgage loans	680,866,654	7,038,517	1,697,061	689,602,232	86,986	15,722	88,163	190,871	-	3,618,775	304,014	693,107,864
—Automobile loans	-	-	-	-	-	-	-	-	-	229	15	214
—Consumer loans	88,368,168	24,735,932	7,567,771	120,671,871	20,024	27,044	588,299	635,367	-	7,638,823	2,732,978	126,213,083
Corporate finance												
—Corporate loans	296,495,886	242,712,594	36,122,366	575,330,846	-	334,814	784,692	1,119,506	1,752,831	-	1,335,402	576,867,781
—Micro business loans	151,593	10,378,062	1,835,411	12,365,066	-	138,871	163,131	302,002	134,190	7,624	56,323	12,752,559
Foreign currency loans	419,338,719	435,652,376	157,404,763	1,012,395,858	45,770	721,205	7,569,368	8,336,343	8,476,728	369,461	6,549,564	1,023,028,826
Non-acrual loans	4,704	-	-	4,704	-	67,436	40,077	107,513	3,548,298	4,466,340	3,884,709	4,242,146
Adjustment of discount and premium	(389,674)	(475,213)	(144,426)	(1,009,313)	418	(7)	(11,569)	(11,158)	(2,694)	(1,639)	(481)	(1,024,323)
Investment in debt instruments at amortized cost	628,823,142	58,185,211	7,743,583	694,751,936	-	-	274,969	274,969	-	-	31,433	694,995,472
Other financial assets												
Total	\$ 2,446,741,338	841,048,356	219,722,620	3,507,512,314	154,717	1,310,875	9,704,800	11,170,392	14,567,088	19,282,883	16,680,198	3,535,852,479
Off balance sheet												
Guarantee and commitment	\$ 1,061,305,810	424,031,607	76,990,399	1,562,327,816	665	7,015	1,191,682	1,199,362	16,146	518,119	498,078	1,563,563,365

(Continued)

# CTBC BANK CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

Item	December 31, 2018										Total(A)+(B)+(C) +(D)-(E)	
	Stage 1			Stage 2			Stage 3			Impairment allowances(E)		
	Investment grade	Sub-investment grade	High Risk grade	Subtotal(A)	Investment grade	Sub-investment grade	High Risk grade	Subtotal(B)	Individually assessed impaired(C)			Collectively assessed impaired(D)
On balance sheet												
Financial assets measured at fair value through other comprehensive income- investment in debt instruments	\$ 220,693,420	17,786,000	893,906	239,373,326	9,082,485	-	-	9,082,485	-	-	69,280	248,386,531
Financial assets—hedging	34,212	-	-	34,212	-	-	-	-	-	-	-	34,212
Receivables—credit card	69,578,868	8,494,511	2,815,234	80,888,613	1,259	5,191	227,258	233,708	-	3,142,753	1,100,231	83,164,843
Receivables—factoring	6,551,377	10,618,775	3,739,337	20,909,489	-	513	-	513	668,330	-	575,919	21,002,413
Loans												
Consumer finance												
— Mortgage loans	627,702,335	5,992,843	1,474,528	635,169,706	66,821	23,288	165,107	255,216	-	3,951,102	340,747	639,035,277
— Automobile loans	-	-	-	-	-	-	-	-	-	359	15	344
— Consumer loans	79,491,634	20,870,538	6,589,409	106,951,581	6,408	28,550	696,886	731,844	-	7,865,382	2,595,551	112,953,256
Corporate finance												
— Corporate loans	261,847,853	226,620,099	45,447,507	533,915,459	-	428,680	1,024,205	1,452,885	2,286,217	-	806,058	536,848,503
— Micro business loans	718,568	7,924,699	1,554,815	10,198,082	-	130,114	224,962	355,076	50,617	45,538	43,246	10,606,067
Foreign currency loans	402,856,475	440,030,769	171,966,155	1,014,853,399	60,800	2,917,955	7,778,270	10,757,025	6,060,823	448,819	5,556,526	1,026,563,540
Non-accrual loans	-	-	-	-	-	-	111,118	111,118	5,628,363	3,783,260	4,721,567	4,801,174
Adjustment of discount and premium	(335,645)	(640,788)	(194,040)	(1,170,473)	342	(11,149)	(6,555)	(17,362)	(45)	(1,437)	(839)	(1,188,478)
Investment in debt instruments at amortized cost	556,235,856	21,227,124	16,877,454	594,340,434	1,333,567	-	-	1,333,567	-	-	43,335	595,630,666
Other financial assets	41,474	-	-	41,474	-	-	-	-	6,045	99,313	68,883	77,949
Total	\$ 2,225,416,427	758,924,570	251,164,305	3,235,505,302	10,551,682	3,523,142	10,221,251	24,296,075	14,700,350	19,335,089	15,920,519	3,277,916,297
Off balance sheet												
Guarantee and commitment	\$ 960,359,302	428,048,080	87,141,440	1,475,548,822	1,856	248,788	4,752,850	5,003,494	52,439	639,346	596,732	1,480,647,369

Note 1: The balances of impairment allowance, as shown above, are in compliance with the IFRSs accepted by FSC.

Note 2: Stage 1 is the loss allowance measured at 12-month expected credit loss of financial instrument.

Stage 2 is the loss allowance measured at lifetime ECL measurement and the credit risk of a financial asset at the reporting date has increased significantly.

Stage 3 is the loss allowance measured at lifetime ECL measurement and the credit losses has impaired of a financial asset at the reporting date.

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

h) Foreclosed properties

Foreclosed properties of the Bank and subsidiaries are classified under other assets. Please refer to Note 6(q).

i) Disclosures required by the Regulations Governing the Preparation of Financial Reports by Public Banks

i) Asset quality of the Bank and subsidiaries' non-performing loans and overdue receivables

Unit : In Thousands of New Taiwan Dollars , %

Month/ Year			December 31, 2019				
Categories/ Items			Non performing loans	Total loans	Non-performing loans ratio	Allowance for credit losses	Coverage ratio
Corporate finance	Secured		1,619,496	476,716,577	0.34 %	18,055,549	425.67 %
	Unsecured (Note 10)		2,622,192	880,949,991	0.30 %		
Consumer finance	Residential mortgages		2,149,030	848,212,955	0.25 %	8,246,359	383.72 %
	Cash cards		29,075	1,811,555	1.60 %	68,505	235.61 %
	Micro credit loans	Original	1,547,831	126,721,917	1.22 %	4,796,428	309.88 %
		Purchase	-	90	- %	1	- %
	Others	Secured	144,223	113,168,494	0.13 %	1,192,652	296.82 %
		Unsecured	257,583	3,493,899	7.37 %		
Total loan business			8,369,430	2,451,075,478	0.34 %	32,359,494	386.64 %
			Overdue receivables	Balance of receivables	Delinquency ratio	Allowance for credit losses	Coverage ratio
Credit cards business			106,454	85,141,266	0.13 %	1,176,209	1,104.90 %
Without recourse factoring			-	16,424,280	- %	703,950	- %

Month/ Year			December 31, 2018				
Categories/ Items			Non performing loans	Total loans	Non-performing loans ratio	Allowance for credit losses	Coverage ratio
Corporate finance	Secured		2,815,475	447,868,905	0.63 %	16,642,662	277.46 %
	Unsecured (Note 10)		3,182,744	870,033,709	0.37 %		
Consumer finance	Residential mortgages		1,812,202	811,901,377	0.22 %	7,527,006	415.35 %
	Cash cards		38,562	2,165,549	1.78 %	87,713	227.46 %
	Micro credit loans	Original	1,863,093	112,734,257	1.65 %	4,734,402	254.12 %
		Purchase	-	121	- %	1	- %
	Others	Secured	150,538	94,440,683	0.16 %	999,845	243.12 %
		Unsecured	260,721	5,727,270	4.55 %		
Total loan business			10,123,335	2,344,871,871	0.43 %	29,991,629	296.26 %
			Overdue receivables	Balance of receivables	Delinquency ratio	Allowance for credit losses	Coverage ratio
Credit cards business			95,546	84,364,387	0.11 %	1,166,342	1,220.71 %
Without recourse factoring			-	21,578,332	- %	782,315	- %

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- 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 loans ratio = Non-performing loans ÷ total loans; Credit card delinquency ratio = Overdue receivables ÷ balance of receivables.
- Note 3: Coverage ratio for loans = allowance for credit losses ÷ non-performing loans; Coverage ratio for credit card = 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 cards, and microcredit loans, and do not include credit cards.
- Note 7: In accordance with Jin Kuan Yin (5) Zi No. 094000494, dated July 19, 2005, the amounts of without recourse factoring will be classified as overdue receivables within 3 months after the date that suppliers or insurance companies resolve not to compensate the loss.
- Note 8: The balances of impairment allowance, as shown above, are calculated in accordance with the IFRSs accepted by FSC and “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans”, and other related regulations. Additionally, the amounts exclude non-accrual loans arising from guarantees. Related allowance for credit losses is recognized under provisions.
- Note 9: Supplemental disclosures:
- The information below shows supplemental disclosures of the Bank’s loans and receivables that may be exempted from reporting as non-performing loans and overdue receivables, respectively.

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Unit : In Thousands of New Taiwan Dollars

	December 31, 2019		December 31, 2018	
	Loans that may be exempted from reporting as a non performing loan	Receivables that may be exempted from reporting as overdue receivables	Loans that may be exempted from reporting as a non performing loan	Receivables that may be exempted from reporting as overdue receivables
Pursuant to a contract under a debt negotiation plan (Note 1)	33,832	174,190	47,964	147,558
Pursuant to a contract under a debt liquidation plan and a debt relief plan (Note 2)	677,733	66,125	687,286	65,706
Total	711,565	240,315	735,250	213,264

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, and with Jin Kuan Yin No. 10500134790, dated September 20, 2016, a bank is required to make supplemental disclosure of credit information once debtors apply for pre negotiation, pre-mediation relief and liquidation under the “Consumer Debt Clearance Act.”

Note 10: Those loans that are not 100% backed by collateral are classified as unsecured.

ii) Concentration of the Bank’s credit extensions

Unit : In Thousands of New Taiwan Dollars , %

December 31, 2019			
Ranking	Enterprise group by industry sector	Credit amount	Credit amount/ stockholders’ equity (%)
1	A group. Cement manufacturing	17,228,644	5.57 %
2	B group. Cable telecommunications	10,509,097	3.40 %
3	C group. Liquid crystal panel and components manufacturing	10,282,020	3.32 %
4	D group. Iron and steel smelting	9,686,775	3.13 %
5	E group. Other unclassified financial service	8,495,786	2.75 %
6	F group. Other unclassified financial service	8,320,438	2.69 %
7	G group. Liquid crystal panel and components manufacturing	6,752,734	2.18 %
8	H group. Cement manufacturing	6,507,279	2.10 %
9	I group. Motor vehicle parts manufacturing	6,319,375	2.04 %
10	J group. Metal Die Manufacturing	6,000,000	1.94 %

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

December 31, 2018			
Ranking	Enterprise group by industry sector	Credit amount	Credit amount/ stockholders' equity (%)
1	A group. Cement manufacturing	18,089,161	6.12 %
2	C group. Liquid crystal panel and components manufacturing	16,306,995	5.51 %
3	D group. Iron and steel smelting	9,623,607	3.25 %
4	K group. Other computer accessories manufacturing	7,127,320	2.41 %
5	L group. Consulting group	6,923,881	2.34 %
6	H group. Cement manufacturing	6,628,455	2.24 %
7	E group. Retailing sale of other food, beverages and tobacco	6,489,646	2.19 %
8	M group. Wires and cables manufacturing	6,300,786	2.13 %
9	N group. Cable telecommunications	6,025,850	2.04 %
10	J group. Metal Die Manufacturing	6,000,000	2.03 %

Note 1: The top ten enterprise groups other than government or state 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: The total outstanding credit amount is the sum of the balances of all loan types (including import and export bill negotiations, loans, overdrafts, short/medium/long term secured and unsecured loans, margin loans receivable, and non accrual loans), bills purchased, without recourse factoring, acceptances receivable, and guarantees receivable.

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

3) Liquidity Risk Management Mechanism

a) Definition and sources of liquidity risk

Liquidity risk of the Bank and subsidiaries refer to the risk of inability to obtain funds at a reasonable cost within a reasonable timeframe to meet financial obligations, and thus impact the Bank and subsidiaries' profits or economic value.

Liquidity risk may stem from external and internal factors, such as undermined payment capability caused by financial market volatility, early withdraws and concerns of creditors or depositors over the Bank's ability to meet payment obligations due to credit, market or operational risk.

b) Objectives of liquidity risk management

There is cost associated with the level of liquidity. Liquidity risk management for the Bank and subsidiaries aims to satisfy funding needs and maximize profits by allocating assets and liabilities in the most cost effective way within the approved risk tolerance.

c) Management procedures and risk measurement of liquidity risk

Based on the "Asset and Liability Management Policy", the Bank and subsidiaries set robust management procedures and risk measurement to identify, measure, monitor, and report the liquidity risk. By periodically monitoring the liquidity limit approved, continuously conducting the development and application of quantitative risk assessment tools, and studying liquidity related issues, the liquidity risk is properly managed. The Bank and subsidiaries set various limits for managing liquidity risk, including the mismatch of cash inflow and outflow and funding concentration to assure the Bank and subsidiaries maintain adequate liquidity.

Funding Management Unit is entrusted the responsibility to centrally manage the liquidity risk of the Bank and subsidiaries, and to act as sole window to engage in funding activities. The risk management unit will monitor the liquidity risk independently. The main responsibilities of funding management unit are as follows:

- i) Keep abreast of market condition, and monitor the Bank's liquidity to ensure the capacity to meet the intraday payment obligation.
- ii) Adjust funding gap and liquidity to conform exposure within the Bank's risk appetite and regulatory requirements, and support customers' funding needs by use of different funding instruments with different amount and maturity.
- iii) Diversify funding instruments and counterparties in order to reduce the concentration.
- iv) Activate Contingency Funding Plan (CFP) and adjust positions when a liquidity crisis is detected.



## **CTBC BANK CO., LTD. AND SUBSIDIARIES**

### **Notes to the Consolidated Financial Statements**

The liquidity risk monitoring unit is responsible to identify the cause of liquidity risk, develop and enhance the measurement of risk, periodically conduct the risk reports, activate the Contingency Funding Plan when liquidity crisis is detected, and monitor the effectiveness of action plan.

The scope and characteristics of risk measurements and reporting system are as follows:

- i) Establish the thorough liquidity risk measurement for measuring liquidity risks. The common methods are as follows:
    - 1. Maximum Cumulative Outflow (MCO): Analyzing maturity mismatch to capture each time bucket cash flow changes, which serves as an early warning of liquidity risk.
    - 2. Liquidity risk heat map: Liquidity risk indicators can be further developed into an easily understandable map to facilitate systematic monitoring and to effectively highlight changes, causes and impact.
  - ii) The liquidity risk monitoring unit periodically conducts the risk reports, which contain the analysis of limit usage and liquidity risk indicators. The risk report with supporting stress test result will periodically be submitted to related risk management meetings. For important liquidity risk issues, depending on the impact, they will be reported to the Bank or the Holding Bank's management level to discuss the action plan.
- d) Risk mitigation and hedge of liquidity risk

Through liquidity risk management framework, the Bank and subsidiaries maintain sufficient liquidity status and robust funding structure. By using rigorous liquidity risk measurement and monitoring, the Bank and subsidiaries can observe potential issues on liquidity risk and report them to risk meeting. Therefore, the responsible units can adjust their strategies based on the decision to avoid liquidity risk. Once the risk limit is exceeded, risk management unit will analyze the cause and the primary business unit which caused the change of the risks, then the unit should report the action plans and follow-ups to corresponding authority for approval. The related unit should keep tracking improved performance and adjust the strategy timely to ensure that the risk could be decreased effectively.

In addition, the Bank and subsidiaries have a Liquidity Contingency Plan as guidance to all units when a liquidity crisis emerges. It aims to resolve the crisis in an effective manner by pulling together all resources available to the Bank and subsidiaries.

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e) Maturity analysis of non-derivatives liabilities

Table below shows the analysis of cash outflows of non-derivatives liabilities based on time remaining until the contractual maturity date. The amount disclosed is based on contractual cash flows and may be different from that included in the consolidated balance sheets.

	December 31, 2019					
	0~30 days	31~90 days	91~180 days	181days~1year	Over 1 year	Total
Deposits from Central Bank and other banks	\$ 31,512,596	17,753,869	2,547,021	1,386,812	-	53,200,298
Due to Central Bank and other banks	11,079,694	-	-	-	1,761,951	12,841,645
Non-derivative financial liabilities measured at fair value through profit or loss	-	-	-	-	41,068,313	41,068,313
Securities sold under repurchase agreements	91,833,622	708,725	-	-	-	92,542,347
Payables	22,617,376	11,525,190	9,353,222	13,422,756	132,968,156	189,886,700
Current income tax liabilities	-	-	3,038,409	-	-	3,038,409
Deposits and remittances	2,080,032,498	399,296,267	340,007,804	409,428,233	153,053,651	3,381,818,453
Financial debentures	-	-	1,000,000	-	58,000,000	59,000,000
Other financial liabilities	16,166,880	9,072,435	16,971,302	21,063,322	23,199,365	86,473,304
	December 31, 2018					
	0~30 days	31~90 days	91~180 days	181days~1year	Over 1 year	Total
Deposits from Central Bank and other banks	\$ 51,673,603	17,306,366	3,186,498	2,332,225	-	74,498,692
Due to Central Bank and other banks	1,733,628	664,126	864,956	229,169	118,304	3,610,183
Non-derivative financial liabilities measured at fair value through profit or loss	-	-	-	-	37,930,181	37,930,181
Securities sold under repurchase agreements	54,744,581	6,213,045	-	-	-	60,957,626
Payables	47,298,536	9,232,072	9,540,424	14,314,512	88,582,966	168,968,510
Current income tax liabilities	12,239	-	2,273,465	10,591	-	2,296,295
Deposits and remittances	1,944,437,147	382,013,004	257,772,622	418,943,178	153,601,024	3,156,766,975
Financial debentures	-	-	-	-	59,000,000	59,000,000
Other financial liabilities	25,915,313	6,920,325	14,311,465	28,224,480	44,539,828	119,911,411

Note: For demand deposits included in “Deposits and remittances,” the amount will be disclosed in the earliest period since such deposits can be withdrawn at anytime.

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
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f) Maturity analysis of derivatives liabilities

i) Net settled derivatives

Net settled derivatives engaged by the Bank and subsidiaries include but not limited to:

Foreign exchange derivatives: non-deliverable forwards and net settled FX options;

Interest rate derivatives: forward rate agreement, interest rate swaps, and interest rate futures;

Other derivatives: equity options and commodity futures.

For derivatives held by trading purpose, the amount will be disclosed in the earliest period with fair value to reflect the nature of short-term trading behavior; for hedging derivatives, the amount disclosed is based on contractual cash flow and may be different from that included in the consolidated balance sheets. The maturity analysis of net settled derivatives liabilities is as follows:

		December 31, 2019				
		0~30 days	31~90 days	91~180 days	181days~1year	Over 1 year
		Total				
Derivative financial liabilities measured at fair value through profit or loss						
— Foreign exchange derivatives	\$	2,312,197	-	-	-	-
— Interest rate derivatives		19,794,475	-	-	-	-
— Other derivatives		74,770	-	-	-	-
Derivative financial liabilities — hedging						
— Foreign exchange derivatives		451,603	602,137	-	-	-
Total	\$	<u>22,633,045</u>	<u>602,137</u>	<u>-</u>	<u>-</u>	<u>-</u>
		December 31, 2018				
		0~30 days	31~90 days	91~180 days	181days~1year	Over 1 year
		Total				
Derivative financial liabilities measured at fair value through profit or loss						
— Foreign exchange derivatives	\$	3,075,313	-	-	-	-
— Interest rate derivatives		29,809,444	-	-	-	-
— Other derivatives		155,233	-	-	-	-
Derivative financial liabilities — hedging						
— Foreign exchange derivatives		1,374,721	1,832,961	-	-	-
Total	\$	<u>34,414,711</u>	<u>1,832,961</u>	<u>-</u>	<u>-</u>	<u>-</u>

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
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ii) Gross settled derivatives

Gross settled derivatives engaged by the Bank and subsidiaries include:

Foreign exchange derivatives: forwards, currency swaps, cross currency swaps, and gross settled currency options. For forwards, currency swaps, and cross currency swaps, the amount disclosed is based on contractual cash flow and may be different from that included in the consolidated balance sheet; for gross settled currency options, the amount will be disclosed in the earliest period with fair value, as currency options are for trading purpose and can be disposed anytime. The maturity analysis of gross settled derivatives liabilities is as follows:

		December 31, 2019					
		0~30 days	31~90 days	91~180 days	181days~1year	Over 1 year	Total
Derivative financial instruments measured at fair value through profit or loss							
— Foreign exchange derivatives							
— Cash outflow	\$	1,611,368,579	993,866,460	535,639,224	582,612,304	26,424,493	3,749,911,060
— Cash inflow		1,608,902,263	993,518,401	535,804,096	583,486,885	26,108,354	3,747,819,999
Derivative financial liabilities—hedging							
— Foreign exchange derivatives							
— Cash outflow		34,186,814	-	-	-	-	34,186,814
— Cash inflow		34,442,755	-	-	-	-	34,442,755
Cash outflow subtotal		1,645,555,393	993,866,460	535,639,224	582,612,304	26,424,493	3,784,097,874
Cash inflow subtotal		1,643,345,018	993,518,401	535,804,096	583,486,885	26,108,354	3,782,262,754
Net cash flow	\$	(2,210,375)	(348,059)	164,872	874,581	(316,139)	(1,835,120)
		December 31, 2018					
		0~30 days	31~90 days	91~180 days	181days~1year	Over 1 year	Total
Derivative financial instruments measured at fair value through profit or loss							
— Foreign exchange derivatives							
— Cash outflow	\$	1,618,311,548	640,529,076	451,108,389	419,783,745	37,084,691	3,166,817,449
— Cash inflow		1,620,510,236	642,679,237	456,031,487	423,898,563	34,977,046	3,178,096,569
Derivative financial liabilities—hedging							
— Foreign exchange derivatives							
— Cash outflow		31,984,532	-	-	-	-	31,984,532
— Cash inflow		31,842,019	-	-	-	-	31,842,019
Cash outflow subtotal		1,650,296,080	640,529,076	451,108,389	419,783,745	37,084,691	3,198,801,981
Cash inflow subtotal		1,652,352,255	642,679,237	456,031,487	423,898,563	34,977,046	3,209,938,588
Net cash flow	\$	2,056,175	2,150,161	4,923,098	4,114,818	(2,107,645)	11,136,607

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g) Maturity analysis of off-balance-sheet items

Table below shows the maturity analysis of off-balance-sheet items for the Bank and subsidiaries. The amount of the guarantee and committed credit lines will be allocated to the earliest period when such obligation can be exercised at anytime by clients. The amount disclosed is based on contractual cash flow and may be different from that included in the consolidated balance sheets.

	<b>December 31, 2019</b>					
	<b>0~30 days</b>	<b>31~90 days</b>	<b>91~180 days</b>	<b>181days~1year</b>	<b>Over 1 year</b>	<b>Total</b>
Financial guarantee contracts	\$ 71,641,804	-	-	-	-	71,641,804
Unused amount of irrevocable loan commitments	117,736,406	-	-	-	-	117,736,406
Unused amount of irrevocable letter of credit	20,934,077	-	-	-	-	20,934,077
Unused amount of irrevocable credit card commitments	540,877,844	-	-	-	-	540,877,844
<b>Total</b>	<b>\$ 751,190,131</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>751,190,131</b>

	<b>December 31, 2018</b>					
	<b>0~30 days</b>	<b>31~90 days</b>	<b>91~180 days</b>	<b>181days~1year</b>	<b>Over 1 year</b>	<b>Total</b>
Financial guarantee contracts	\$ 60,516,495	-	-	-	-	60,516,495
Unused amount of irrevocable loan commitments	113,118,176	-	-	-	-	113,118,176
Unused amount of irrevocable letter of credit	24,896,128	-	-	-	-	24,896,128
Unused amount of irrevocable credit card commitments	537,641,080	-	-	-	-	537,641,080
<b>Total</b>	<b>\$ 736,171,879</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>736,171,879</b>

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
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h) Disclosures required by the Regulations Governing the Preparation of Financial Reports by Public Banks

i) Maturity analysis of the Bank's assets and liabilities for New Taiwan Dollars

December 31, 2019

Unit: In Millions of New Taiwan Dollars

	Total	Amount remaining to maturity date					
		0~10 days	11~30 days	31~90 days	91~180 days	181days~1year	Over 1 year
Major cash inflow at maturity	\$ 2,630,774	317,532	227,847	274,879	239,253	219,148	1,352,115
Major cash outflow at maturity	3,077,277	139,283	224,317	414,561	427,227	674,143	1,197,746
Gap	(446,503)	178,249	3,530	(139,682)	(187,974)	(454,995)	154,369

December 31, 2018

Unit: In Millions of New Taiwan Dollars

	Total	Amount remaining to maturity date					
		0~10 days	11~30 days	31~90 days	91~180 days	181days~1year	Over 1 year
Major cash inflow at maturity	\$ 2,557,873	248,314	296,793	307,580	255,910	210,780	1,238,496
Major cash outflow at maturity	2,763,035	180,384	221,406	393,227	376,084	560,924	1,031,010
Gap	(205,162)	67,930	75,387	(85,647)	(120,174)	(350,144)	207,486

Note: The above tables refer to the Bank's overall position denominated in NTD.

ii) Maturity analysis of the Bank's assets and liabilities for U.S. Dollars

December 31, 2019

Unit: In Thousands of U.S. Dollars

	Total	Amount remaining to maturity date				
		0~30 days	31~90 days	91~180 days	181days~1year	Over 1 year
Major cash inflow at maturity	\$ 93,325,392	37,321,693	20,940,257	10,564,467	11,655,730	12,843,245
Major cash outflow at maturity	102,123,329	40,865,712	23,094,385	13,875,303	13,680,829	10,607,100
Gap	(8,797,937)	(3,544,019)	(2,154,128)	(3,310,836)	(2,025,099)	2,236,145

December 31, 2018

Unit: In Thousands of U.S. Dollars

	Total	Amount remaining to maturity date				
		0~30 days	31~90 days	91~180 days	181days~1year	Over 1 year
Major cash inflow at maturity	\$ 80,994,096	36,784,299	16,831,419	9,139,587	8,206,772	10,032,019
Major cash outflow at maturity	90,740,142	42,156,848	17,389,195	10,360,006	11,116,285	9,717,808
Gap	(9,746,046)	(5,372,549)	(557,776)	(1,220,419)	(2,909,513)	314,211

Note: The above tables refer to the Bank's overall position denominated in USD.

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iii) Maturity analysis of the Bank's overseas branches' assets and liabilities for U.S. Dollars

December 31, 2019

Unit: In Thousands of U.S. Dollars

	Total	Amount remaining to maturity date				
		0~30 days	31~90 days	91~180 days	181days~1year	Over 1 year
Major cash inflow at maturity	\$ 56,742,149	25,031,165	12,113,157	6,432,878	8,377,526	4,787,423
Major cash outflow at maturity	61,168,914	28,410,941	13,233,179	7,870,368	8,756,305	2,898,121
Gap	(4,426,765)	(3,379,776)	(1,120,022)	(1,437,490)	(378,779)	1,889,302

December 31, 2018

Unit: In Thousands of U.S. Dollars

	Total	Amount remaining to maturity date				
		0~30 days	31~90 days	91~180 days	181days~1year	Over 1 year
Major cash inflow at maturity	\$ 43,234,202	21,069,414	8,593,275	3,675,000	5,477,297	4,419,216
Major cash outflow at maturity	48,283,524	28,958,046	6,669,412	3,792,088	5,994,029	2,869,949
Gap	(5,049,322)	(7,888,632)	1,923,863	(117,088)	(516,732)	1,549,267

(iv) 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 liabilities, the said transferred assets are not fully derecognized.

Types of financial assets	December 31, 2019				
	Carrying amount of transferred financial assets	Carrying amount of associated financial liabilities	Fair value of transferred financial assets	Fair value of associated financial liabilities	Net fair value
Financial assets measured at fair value through profit or loss					
Repurchase agreement	\$ 15,990,470	15,857,463	15,990,470	15,857,463	133,007
Financial assets measured at fair value through other comprehensive income					
Repurchase agreement	52,550,355	50,078,737	52,550,355	50,078,737	2,471,618
Securities lending segment	11,917,942	11,794,013	11,917,942	11,794,013	123,929
Investment in debt instruments at amortized cost					
Repurchase agreement	25,521,147	26,606,147	26,943,522	26,606,147	337,375

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Types of financial assets	December 31, 2018				
	Carrying amount of transferred financial assets	Carrying amount of associated financial liabilities	Fair value of transferred financial assets	Fair value of associated financial liabilities	Net fair value
Financial assets measured at fair value through profit or loss					
Repurchase agreement	\$ 10,419,896	10,246,333	10,419,896	10,246,333	173,563
Financial assets measured at fair value through other comprehensive income					
Repurchase agreement	25,263,072	23,881,233	25,263,072	23,881,233	1,381,839
Securities lending segment	14,733,891	19,337,702	14,733,891	19,337,702	(4,603,811)
Investment in debt instruments at amortized cost					
Repurchase agreement	27,878,851	26,830,060	27,550,994	26,830,060	720,934

(v) 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 the 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 that are offset, have an exercisable master netting arrangement or similar agreement						
	Gross amounts of recognized financial assets	Gross amounts of financial liabilities offset in the balance sheet	Net amount of financial assets presented in the balance sheet	Amounts not off set in the balance sheet (d)		Net amount (e)=(c)-(d)
	(a)	(b)	(c)=(a)-(b)	Financial instruments (Note)	Cash collateral received	
Derivative financial assets	\$ 60,554,724	-	60,554,724	31,894,870	7,916,015	20,743,839

December 31, 2019						
Financial liabilities that are offset, have an exercisable master netting arrangement or similar agreement						
	Gross amounts of recognized financial liabilities	Gross amounts of financial assets offset in the balance sheet	Net amount of financial liabilities presented in the balance sheet	Amounts not off set in the balance sheet (d)		Net amount (e)=(c)-(d)
	(a)	(b)	(c)=(a)-(b)	Financial instruments (Note)	Cash collateral pledged	
Derivative financial liabilities	\$ 72,871,588	-	72,871,588	31,817,540	8,771,530	32,282,518
Securities lending segment	11,794,013	-	11,794,013	11,794,013	-	-
Total	\$ 84,665,601	-	84,665,601	43,611,553	8,771,530	32,282,518

December 31, 2018						
Financial assets that are offset, have an exercisable master netting arrangement or similar agreement						
	Gross amounts of recognized financial assets	Gross amounts of financial liabilities offset in the balance sheet	Net amount of financial assets presented in the balance sheet	Amounts not off set in the balance sheet (d)		Net amount (e)=(c)-(d)
	(a)	(b)	(c)=(a)-(b)	Financial instruments (Note)	Cash collateral received	
Derivative financial assets	\$ 41,657,037	-	41,657,037	26,853,453	3,774,671	11,028,913



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December 31, 2018						
Financial liabilities that are offset, have an exercisable master netting arrangement or similar agreement						
	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 off set in the balance sheet (d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash collateral pledged	
Derivative financial liabilities	\$ 55,527,228	-	55,527,228	26,544,677	4,990,997	23,991,554
Securities lending segment	19,337,702	-	19,337,702	14,733,891	-	4,603,811
Total	<u>\$ 74,864,930</u>	<u>-</u>	<u>74,864,930</u>	<u>41,278,568</u>	<u>4,990,997</u>	<u>28,595,365</u>

Note : Master netting arrangements and non-cash financial collaterals are included.

(vi) Capital management

1) Capital management goal and procedure

The goal of the Bank's capital management is to meet the regulatory requirement on capital adequacy and the organization's target of maximizing returns for shareholders by implementing the capital management procedures and improving the efficiency of capital utilization.

Both short-term and long-term capital demands shall be considered in capital planning. The annual capital plan shall be drawn with reference to the business plan, the internal planning referenced indicators of each capital ratio, current and future estimated capital demands, and committed returns for shareholders of the Bank. A backup plan shall also be established to fulfill unplanned capital demands. The Bank also regularly conducts stress tests and scenario simulation analyses to calculate capital ratios, fully taking into account external conditions and other factors, including potential risks, changes in financial markets, and other events impacting risk taking capabilities, to make sure that the Bank can maintain adequate capital in case of detrimental events and huge market changes.

Planning for yearly earnings distribution follows the principles and a ratio mandated by the articles of incorporation and dividend policy, and is put into effect after being approved by the board of directors on behalf of the shareholders'. Capital adequacy, potential investment needs, and dividend amount of previous years are taken into account. The needs to maintain proper financial ratios and satisfy fund requirement of the parent company are also preconditions of the distribution.

2) Definition and regulation

The regulator of the Bank is the FSC of the Republic of China, and the Bank follows the "Regulations Governing the Capital Adequacy and Capital Category of Banks" issued by the FSC.

According to the regulations aforementioned, the ratio of regulatory capital to risk-weighted assets (hereinafter referred to as the "capital ratios") shall mean common equity tier 1 ratio, Tier 1 capital ratio, and total capital adequacy ratio. Besides calculating these stand-alone capital ratios of the Bank, it should also calculate capital ratios by consolidating its investments in subsidiaries in financial statements prepared in accordance with IFRS 10, and the stand-alone and consolidated capital ratios should follow Section 5 of Paragraph 1 of Article 2 of the "Regulations Governing the Capital Adequacy and Capital Category of Banks".

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
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3) Regulatory capital

The Bank's regulatory capital is divided into net Tier 1 Capital and net Tier 2 Capital following the "Regulations Governing the Capital Adequacy and Capital Category of Banks":

- a) Net Tier 1 Capital: The aggregate amount of net Common Equity Tier 1 and net additional Tier 1 Capital.
  - Net common equity Tier 1 Capital: Primarily consists of the aggregate amount of Common stock and its additional paid in capital, Capital collected in advance, Capital surplus, Legal reserve, Special reserve, accumulated profit or loss, Non-controlling interests, and Other equity interest items, minus intangible assets, deferred income tax assets due to losses from the previous year, the insufficiency of operational reserves and loan loss provisions, the revaluation surplus of real estate, and statutory adjustment items calculated in accordance with "the Methods for Calculating Bank's Regulatory Capital and Risk Weighted Assets".
  - Net additional Tier 1 Capital: Consists of the aggregate amount of non-cumulative perpetual preferred stock and its additional paid in capital, non-cumulative perpetual subordinated debts, additional Tier 1 Capital issued by the Bank's subsidiaries and not directly or indirectly held by the Bank, minus statutory adjustment items calculated in accordance with "the Methods for Calculating Bank's Regulatory Capital and Risk Weighted Assets."
- b) Net Tier 2 Capital: Consists of the aggregate amount of cumulative perpetual preferred stock and its additional paid in capital, cumulative perpetual subordinated debts, convertible subordinated debts, long-term subordinated debts, non-perpetual preferred stock and its additional paid in capital, the increase in retained earnings when fair value or re-estimated value is adopted as deemed cost for the first-time adoption of IFRSs on premises, 45% of unrealized gains on changes in the fair value of investment properties using fair value method, as well as the 45% of unrealized gains on financial assets measured at fair value through other comprehensive income, operational reserves and loan-loss provisions, and Tier 2 Capital issued by the Bank's subsidiaries and not directly or indirectly held by the Bank, minus statutory adjustment items calculated in accordance with "the Methods for Calculating Bank's Regulatory Capital and Risk Weighted Assets."

The Bank issues different capital instruments via versatile venues to maintain a sound capital structure. The Bank does not provide holders of such capital instruments with relevant financing. Subsidiaries of the financial holding company, to which the Bank belongs, do not own such capital instruments.

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### **Notes to the Consolidated Financial Statements**

The regulator examines a Bank's capital category in accordance with capital ratios and net worth to total assets. When the Bank's capital is graded as inadequate capital, significantly inadequate capital or seriously inadequate capital by the regulator, the regulator shall take prompt corrective actions pursuant to Sections 1 to 3, Paragraph 1, Article 44 2 of the Banking Act.

The aforementioned regulations governing categories issued by the regulator follows the new BASEL capital agreement issued by Bank for International Settlements. A brief description of three pillars of the agreement and the Bank's compliance with them is as below:

i) Pillar 1

Pillar 1 covers the capital requirement for credit risk, market risk, and operational risk.

1. Credit risk measures bank's risk of financial loss resulting from borrowers, guarantors or counterparties' failure to repay or meet contractual obligations. The scope of credit risk includes the default risk arises from on and off balance sheet assets as well as counterparty credit risk. The capital requirement calculation includes standardized approach and internal ratings based (IRB) approach, while the Bank adopts standardized approach for regulatory capital.
2. Market risk is the negative impact on a bank's overall revenue, capital, value or operating capacity due to changes in the level, volatility or correlation of market risk factors, such as interest rates (including credit spread), foreign exchange rate, equity prices, and commodities prices. The market liquidity of these types of instrument is also covered. Market risk capital methods include standardized approach and internal model approach. The Bank adopts standardized approach in the calculation of required capital.
3. Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk but excluding strategic and reputational risk. Methods used to measure required operational risks capital charges are Basic Indicator Approach (BIA), Standardized Approach (SA), Alternative Standardized Approach (ASA), and Advanced Measurement Approach (AMA). The Bank adopts Standardized Approach that divides business activities into 8 business lines and multiplies each line's gross income with its Beta Factor to obtain the capital charge.

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ii) Pillar 2

Pillar 2 ensures that each bank has a sound internal assessment process and is able to forecast its capital adequacy based on the thorough assessment of bank risks, and that, with proper regular monitoring, regulatory capital matches the overall risk characters.

For compliance with regulatory monitoring of capital adequacy, the Bank conducts regular filing of capital adequacy self assessment and various risks management every year in accordance with regulatory mandate.

iii) Pillar 3

Pillar 3 involves Market Discipline and requires banks to disclose detailed information on risk, capital, and risk management for the improvement of banking information transparency. To comply with pillar 3 – Market Discipline, the Bank has disclosed “Capital Adequacy and Risk Management Report” on its website for the disclosure of qualitative and quantitative information.

4) Capital adequacy ratios of the Bank and subsidiaries

Analyzed items			Period	December 31, 2019	December 31, 2018
Regulatory capital	Common equity			282,162,719	272,761,798
	Other tier 1 capital			26,545,476	26,926,331
	Tier 2 capital			36,024,290	31,690,092
	Regulatory capital			344,732,485	331,378,221
Amount of Risk weighted assets	Credit risk	Standardized approach (SA)		2,117,275,473	2,011,804,287
		Internal ratings based (IRB) approach		-	-
		Assets securitization		57,760,952	36,343,129
	Operational risk	Basic indicator approach (BIA)		-	-
		Standardized approach (SA)/Alternative Standardized approaches (ASA)		159,477,592	151,391,754
		Advanced measurement approaches (AMA)		-	-
	Market risk	Standardized approach (SA)		156,011,298	147,693,705
		Internal model approach		-	-
	Total amount of risk weighted assets				2,490,525,315
Capital adequacy ratio				13.84 %	14.12 %
Ratio of common equity to risk weighted assets (%)				11.33 %	11.62 %
Ratio of tier 1 capital to risk weighted assets (%)				12.40 %	12.77 %
Leverage ratio				6.96 %	7.19 %

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ap) Structured entities that are not included in consolidated financial reports

- (i) 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.

<u>The types of structured entities</u>	<u>Nature and purpose</u>	<u>Interests held by the Bank and subsidiaries</u>
Asset backed securities	Securitizing financial or non-financial assets and issuing them to raise funds.	Investing or lending in securities issued by these entities.
Private fund	Raising funds to create investment opportunities in a variety of assets.	Investing in funds issued by these entities.

- (ii) The scales of structured entities not included in consolidated financial reports were as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Asset backed securities	\$173,449,075,281	166,848,260,948
Private fund	24,341,414	33,501,958

- (iii) The carrying amounts of interests held by the Bank and subsidiaries in these structured entities were as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<b>Assets held by the Bank and subsidiaries</b>		
Financial assets measured at fair value through other comprehensive income	\$ 50,807,445	29,991,382
Financial assets measured at fair value through profit or loss	614,645	645,067
Loans — net	-	900,940
Investment in debt instruments at amortized cost	50,230,010	613,886
Other financial assets — net	<u>627,787</u>	<u>-</u>
Total assets held by the Bank and subsidiaries	<u><b>\$ 102,279,887</b></u>	<u><b>32,151,275</b></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.

- (iv) 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.

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

**(7) Related-Party Transactions:**

(a) Names of related parties and relationship with the Bank

<u>Name of related party</u>	<u>Relationship with the Bank</u>
CTBC Financial Holding Co., Ltd.	Parent company of the Bank.
Grand Bills Finance Corporation	Investee company under equity method.
LH Financial Group Public Company Limited	"
Xiamen Jinmeixin Consumer Finance Co., Ltd.	"
LH Bank Public Company Limited	Investee company under equity method by LH Financial Group Public Company Limited.
Taiwan Institute of Economic Research	The Bank contributed over 1/3 of its total funds.
CTBC Charity Foundation	"
CTBC Anti-drug Educational Foundation	"
CTBC Culture Foundation	"
CTBC Business School	The company which is controlled by the same company as the Bank contributed over 1/3 of its total funds.
Showa Denko HD Trace Corp.	The Chairman of the Bank is its director.
Financial Information Service Co., Ltd.	"
Deutsche Bank Taipei Branch	The company's General Manager is the second-degree relative of the director of the Bank.
National credit Card Center of R.O.C.	The General Manager of the bank is its body corporate representative.
CTBC Securities Co., Ltd.	Controlled by the same company as the Bank.
CTBC Asia Limited	"
CTBC Securities Venture Capital Co., Ltd.	"
CTBC Venture Capital Co., Ltd.	"
CTBC Asset Management Co., Ltd.	"
CTBC Security Co., Ltd.	"
Taiwan Lottery Co., Ltd.	"
CTBC Investments Co., Ltd.	"
Taiwan Life Insurance Co., Ltd.	"
TLG Capital Co., Ltd.	"
TLG Insurance Co., Ltd.	"
Wu Tzu Development Co., Ltd.	Investee company under equity method of the company which is controlled by the same company as the Bank.
HoFa Land Development Co., Ltd.	"

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

<u><b>Name of related party</b></u>	<u><b>Relationship with the Bank</b></u>
West Garden Hospital	The body corporate representative is the second degree relative of the Chairman of the company which is controlled by the same company as the Bank.
CTBC Investment Trust Funds	Securities investment trust funds managed by the company which is controlled by the same company as the Bank.
Chung Yuan Investment Co., Ltd.	The director of the parent company.
Yi Chuan Investment Co., Ltd.	"
Hewei Investment Co., Ltd.	The Chairman of the parent company of the Bank is its director.
Sunghung Investment Co., Ltd.	"
Weihong Investment Co., Ltd.	"
Fenglu Development & Investment Co., Ltd.	"
Taiwan Sports Lottery Co., Ltd.	The company's Chairman is the second-degree relative of the Chairman of the Bank's parent company.
Chuan Wei Investment Co., Ltd.	"
Kainan High School of Commerce and Industry	The Chairman of the parent company of the Bank is its body corporate representative.
Heng Da Culture Foundation	The director of the parent company of the Bank is its body corporate administrator.
Asian Bankers Association	The General Manager of the parent company of the Bank is its body corporate representative.
CTBC Technology Building Management authority	The director of the company which is controlled by the same company as the Bank is its body corporate representative.
CTBC Administration Building Management authority	"
Pei Sheng Culture Foundation	"
CTBC Financial Park Management authority	"
Taipei Financial Center Corporation	The Chairman of the company which is controlled by the same company as the Bank is its director.
Nan Ya Plastics Corporation	"
Brothers Entertaining Co., Ltd.	"
Kinpo Electronics, Inc.	The Chairman of the Bank's subsidiary is its director.
Hon Hai Precision Industry Co., Ltd.	"
Jing Kwan Investment Co., Ltd.	The Chairman of the company which is controlled by the same company as the Bank is its Chairman.
Shin Wen Investment Co., Ltd.	"
Taiwan Relo Club, Limited	"

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

<u><b>Name of related party</b></u>	<u><b>Relationship with the Bank</b></u>
Yan Yuan Investment Co., Ltd.	The company's General Manager is the director of the company which is controlled by the same company as the Bank.
Chailease Finance Co., Ltd.	Related party in substance.
Taiwan Relo Travel Service	"
Fina Finance & Trading Co., Ltd.	"
Sungyong Investment Co., Ltd.	"
Sungbo Co., Ltd.	"
Jungguan Investment Co., Ltd.	"
Kuan Ho Development Co., Ltd.	"
CTC Group Inc.	"
APEX Credit Solutions Inc.	"
Yi Hua Investment Co., Ltd.	"
Yi Kao Investment Co., Ltd.	"
Chinatrust Real Estate Co., Ltd.	"
Chia Shih Investment Co., Ltd.	"
Kae Lee Investment Co., Ltd.	"
Chailease Holding Company Limited (Cayman)	"
Ronghua Investment Co., Ltd.	"
Chung-Chie Property Management Co., Ltd.	"
Chailease Auto Rental Co., Ltd.	"
Shin Ing Technology Co., Ltd.	"
Chinese Taipei Baseball Association	"
Chung Cheng Investments and Development Co., Ltd.	"
Other related parties	The directors of CTBC Financial Holding Co., Ltd. and subsidiaries (including independent directors), supervisors, managers and their families, spouses, etc.



**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(b) Significant transactions between related parties and the Bank

(i) Lease

1) As a lessor

For the years ended December 31, 2019 and 2018, the rental revenue that the Bank received from related parties for the rental of buildings, parking spaces, and safe deposit boxes amounted to \$280,583 and \$271,898, respectively, constituting 52.45% and 53.00%, respectively, of total rental income.

As of December 31, 2019 and 2018, deposits for renting safe boxes to related parties amounted to \$167 and \$7, the rents received in advance from related parties amounted to \$951 and \$11,534, respectively. The guarantee deposit for the use of space and machinery received from related parties amounted to \$70,337 and \$67,121, respectively.

2) As a lessee

		<b>Lease liabilities</b>	
		<b>The initial application date of IFRS16 or the lease commencement date</b>	<b>December 31, 2019</b>
<b>Name of related party</b>	<b>Summary</b>		
Taiwan Life Insurance Co., Ltd.	Leased office	\$ 84,153	72,352
Chailease Finance Co., Ltd.	Leased official cars and office	1,567	92
TLG Capital Co., Ltd.	Leased official cars	21,932	11,407
Chailease Auto Rental Co., Ltd.	"	6,517	4,004
		<b>\$ 114,169</b>	<b>87,855</b>

		<b>Lease payment amount</b>	
		<b>For the years ended December 31</b>	
		<b>2019</b>	<b>2018</b>
<b>Name of related party</b>	<b>Summary</b>		
Taiwan Life Insurance Co., Ltd.	Leased office	\$ 11,802	11,802
CTBC Securities Co., Ltd.	"	26,304	21,925
Chailease Finance Co., Ltd.	Leased official cars and office	1,679	2,910
TLG Capital Co., Ltd.	Leased official cars	10,525	9,950
Chailease Auto Rental Co., Ltd.	"	2,687	2,226
		<b>\$ 52,997</b>	<b>48,813</b>

The lease term and the collection of the rental are conducted with the contracts. Lease payment amount includes payment amount which does not recognize lease liabilities due to the application of IFRS16 exemptions.

Note: The amount of right-of-use assets was the same as lease liabilities on the inception of lease.

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ii) Donations

<b>Related party</b>	<b>For the years ended December 31</b>	
	<b>2019</b>	<b>2018</b>
CTBC Culture Foundation	\$ 44,000	44,000
CTBC Charity Foundation	54,000	54,000
CTBC Anti-Drug Educational Foundation	47,000	-
CTBC Business School	47,104	59,971
<b>Total</b>	<b>\$ 192,104</b>	<b>157,971</b>

(iii) Loans

<b>December 31, 2019</b>							
<b>Categories</b>	<b>Number/name of related parties</b>	<b>Maximum balance</b>	<b>Ending balance</b>	<b>Settlement status</b>		<b>Collateral</b>	<b>Loan conditions</b>
				<b>Normal loans</b>	<b>Overdue loans</b>		
Consumer loan-employee	43	\$ 20,096	9,679	9,679	-	None	Note
Home loan mortgage	578	2,949,732	2,626,696	2,626,696	-	Real estate/ others	"
Others	Hon Hai Precision Industry Co., Ltd.	10,903,680	3,000,000	3,000,000	-	None	"
"	Nan Ya Plastics Corporation	2,808,570	1,550,792	1,550,792	-	Real estate/ machine room	"
"	CTC Group Inc.	378,682	368,996	368,996	-	Real estate	"
"	Jungguan Investment Co.,Ltd.	350,000	350,000	350,000	-	Real estate	"
"	Kuan Ho Development Co., Ltd.	245,000	245,000	245,000	-	Real estate	"
"	Others	333,943	157,418	157,418	-	Real estate/ bill for collection/ securities/ time deposit	"

<b>December 31, 2018</b>							
<b>Categories</b>	<b>Number/name of related parties</b>	<b>Maximum balance</b>	<b>Ending balance</b>	<b>Settlement status</b>		<b>Collateral</b>	<b>Loan conditions</b>
				<b>Normal loans</b>	<b>Overdue loans</b>		
Consumer loan-employee	43	\$ 20,620	15,125	15,125	-	None	Note
Home loan mortgage	519	2,739,317	2,500,001	2,500,001	-	Real estate/ others	"
Others	Nan Ya Plastics Corporation	3,346,842	3,346,842	3,346,842	-	Real estate/ plant/ machine room	"
"	CTC Group Inc.	396,456	386,568	386,568	-	Real estate	"
"	Jungguan Investment Co.,Ltd.	350,000	350,000	350,000	-	Real estate	"
"	Kuan Ho Development Co., Ltd.	245,000	245,000	245,000	-	Real estate	"
"	Others	253,234	236,320	236,320	-	Real estate	"

Note: The terms of loans between related and non-related parties are identical.

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(iv) Deposits

Related party	December 31, 2019			
	Maximum balance	Ending balance	Range of interest rates	Interest expenses (from January to December)
Taiwan Life Insurance Co., Ltd.	\$ 52,036,506	20,604,185	0~0.50%	23,822
CTBC Securities Co., Ltd.	4,584,249	2,141,160	0~1.60%	13,067
Showa Denko Hd Trace Corp.	2,320,812	1,692,990	0~2.98%	24,439
Yan Yuan Investment Co., Ltd.	1,853,257	1,347,286	0~0.06%	338
HoFa Land Development Co., Ltd.	9,901,076	1,340,210	0~0.50%	10,763
CTBC Charity Foundation	1,190,399	1,044,433	0~1.07%	5,942
Financial Information Service Co., Ltd.	1,018,143	1,007,923	0.01~1.07%	10,427
Chuan Wei Investment Co., Ltd.	1,199,249	913,771	0~0.01%	68
Taiwan Sports Lottery Co., Ltd.	1,892,215	823,836	0~0.01%	101
Sungyong Investment Co., Ltd.	1,281,449	669,831	0~0.01%	112
Taiwan Lottery Co., Ltd.	747,275	643,664	0~0.12%	519
Shin Wen Investment Co., Ltd.	736,457	634,510	0~0.01%	37
Yi Hua Investment Co., Ltd.	510,220	510,167	0~0.01%	36
CTBC Investments Co., Ltd.	543,736	495,142	0~0.49%	1,635
Taiwan Institute of Economic Research	511,440	466,448	0~1.09%	2,243
Chia Shih Investment Co., Ltd.	392,336	367,456	0~0.01%	34
Kainan High School of Commerce and Industry	366,010	345,949	0~1.04%	2,054
CTBC Financial Holding Co., Ltd.	21,762,985	282,947	0~0.26%	140
National Credit Card Center of R.O.C.	1,016,006	279,311	0~1.11%	596
Chinatrust Real Estate Co., Ltd.	254,003	250,417	0~2.15%	1,965
Chung Cheng Investments and Development Co., Ltd.	230,189	227,916	0~0.01%	17
CTBC Venture Capital Co., Ltd.	454,859	196,739	0~0.26%	103
Wu Tzu Development Co., Ltd.	215,593	186,276	0~1.00%	760
Ronghua Investment Co., Ltd.	254,926	185,579	0~0.01%	17
CTBC Asia Limited	396,208	181,317	0~3.20%	2,985
Chung Yuan Investment Co., Ltd.	177,436	177,059	0.01%	14
Pei Sheng Culture Foundation	453,088	174,247	0~0.13%	92
Hon Hai Precision Industry Co., Ltd.	188,110	143,400	0~2.74%	1,239
CTBC Securities Venture Capital Co., Ltd.	298,647	135,756	0~1.07%	2,037
CTBC Business School	193,601	125,832	0~1.09%	159
Hewei Investment Co., Ltd.	127,784	122,744	0~0.01%	12
Kae Lee Investment Co., Ltd.	121,724	119,884	0~0.01%	12
Brothers Entertaining Co., Ltd.	192,698	118,562	0~0.26%	10
Yi Kao Investment Co., Ltd.	247,906	114,457	0.01%	10
Fenglu Development & Investment Co., Ltd.	124,143	106,352	0~0.01%	9
Yi Chuan Investment Co., Ltd.	169,113	105,487	0~0.01%	10
Weihong Investment Co., Ltd.	103,913	102,480	0.01%	10
Other	33,971,010	7,624,781		48,567
Total	<u>\$ 142,038,771</u>	<u>46,010,504</u>		<u>154,401</u>

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Related party	December 31, 2018			
	Maximum balance	Ending balance	Range of interest rates	Interest expenses (from January to December)
Taiwan Life Insurance Co., Ltd.	\$ 44,868,913	15,241,564	0~0.50%	20,248
Showa Denko Hd Trace Corp.	2,544,117	2,316,988	0~2.98%	35,729
CTBC Securities Co., Ltd.	3,463,253	2,129,633	0~1.07%	12,132
Yan Yuan Investment Co., Ltd.	2,991,684	1,853,257	0~0.01%	161
Taiwan Sports Lottery Co., Ltd.	1,609,508	1,597,219	0~0.01%	82
HoFa Land Development Co., Ltd.	3,493,926	1,596,213	0~0.45%	10,651
Sungyong Investment Co., Ltd.	1,302,000	1,281,396	0~0.01%	72
CTBC Charity Foundation	1,109,917	983,674	0~1.07%	5,934
Taiwan Lottery Co., Ltd.	1,015,780	676,307	0~0.12%	593
Taiwan Institute of Economic Research	545,524	477,163	0~1.09%	2,399
CTBC Investments Co., Ltd.	503,096	441,185	0~0.48%	1,558
Yi Hua Investment Co., Ltd.	383,346	383,308	0~0.01%	23
Chia Shih Investment Co., Ltd.	380,945	380,903	0~0.01%	19
CTBC Venture Capital Co., Ltd.	299,281	298,642	0.01~1.07%	488
Kainan High School of Commerce and Industry	319,913	289,487	0~1.04%	2,060
Kuan Ho Development Co., Ltd.	261,334	261,334	0~0.01%	20
Chuan Wei Investment Co., Ltd.	478,310	259,611	0~0.01%	24
Ronghua Investment Co., Ltd.	212,072	211,977	0~0.01%	10
Chinatrust Real Estate Co., Ltd.	214,052	209,920	0~1.80%	1,812
Pei Sheng Culture Foundation	566,588	203,714	0~0.05%	167
CTBC Asia Limited	797,989	180,184	0~2.77%	2,710
Wu Tzu Development Co., Ltd.	174,368	169,239	0~1.00%	164
Chailease Holding Company Limited (Cayman)	4,599,750	159,930	0~0.22%	74
Jing Kwan Investment Co., Ltd.	286,982	159,157	0.01%	9
CTBC Business School	197,283	148,572	0~1.09%	223
CTBC Financial Holding Co., Ltd.	17,594,183	148,137	0~0.22%	73
Chung Yuan Investment Co., Ltd.	149,965	143,737	0.01%	8
Sunghung Investment Co., Ltd.	145,437	143,265	0~0.01%	13
Yi Chuan Investment Co., Ltd.	212,242	128,054	0~0.01%	14
Hewei Investment Co., Ltd.	128,935	127,784	0~0.01%	11
Fenglu Development & Investment Co., Ltd.	216,213	124,143	0~0.01%	21
Kae Lee Investment Co., Ltd.	121,930	121,724	0~0.01%	12
Shin Ing Technology Co., Ltd.	111,125	111,125	0~1.07%	308
Chung Cheng Investments and Development Co., Ltd.	113,720	110,978	0~0.01%	8
Heng Da Culture Foundation	106,657	105,216	0~3.15%	1,082
Others	20,576,665	7,885,575		42,892
Total	<u>\$ 112,097,003</u>	<u>41,060,315</u>		<u>141,804</u>

(v) Call loans to banks

Related party	For the year ended December 31, 2019		
	Ending balance	Range of interest rates	Interest revenues
Grand Bills Finance Corporation	<u>\$ -</u>	0.38~0.65%	<u>1,331</u>

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
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(vi) Due from banks

<b>Related party</b>	<b>December 31, 2019</b>	<b>December 31, 2018</b>
LH Bank Public Company Limited	\$ <u><u>587,067</u></u>	<u><u>-</u></u>

(vii) Financial derivatives

<b>December 31, 2019</b>						
<b>Related party</b>	<b>Derivative financial instruments</b>	<b>Contract period</b>	<b>Notional principal</b>	<b>Valuation gains (losses)</b>	<b>Balance sheet</b>	
					<b>Account</b>	<b>Ending Balance</b>
Deutsche Bank Taipei Branch	Interest rate swap	11.10.2010~ 06.29.2029	NTD 18,003,676	(30,666)	(Note 2)	(30,666)
"	Cross currency swap	02.01.2019~ 02.14.2022	NTD 1,685,820	9,475	(Note 1)	9,475
"	Foreign exchange swap	03.25.2019~ 06.30.2020	NTD 10,837,340	(170,180)	(Note 2)	(170,180)
"	Spot exchange	12.31.2019~ 01.03.2020	NTD 60,024	(188)	"	(188)
CTBC Investments Trust Funds	Foreign exchange swap	12.02.2019~ 03.04.2020	USD 108,590	(34,766)	"	(34,766)
Taiwan Life Insurance Co., Ltd.	Spot exchange	12.30.2019~ 01.02.2020	USD 1,312	(23)	"	(23)

<b>December 31, 2018</b>						
<b>Related party</b>	<b>Derivative financial instruments</b>	<b>Contract period</b>	<b>Notional principal</b>	<b>Valuation gains</b>	<b>Balance sheet</b>	
					<b>Account</b>	<b>Ending Balance</b>
CTBC Investments Trust Funds	Foreign exchange swap	08.31.2018~ 03.04.2019	USD 117,250	2,939	(Note 1)	2,939

Note 1: Financial assets measured at fair value through profit or loss.

Note 2: Financial liabilities measured at fair value through profit or loss.

(viii) Securities sold under repurchase agreements

<b>For the year ended December 31, 2019</b>			
<b>Related party</b>	<b>Ending balance</b>	<b>Interest payable</b>	<b>Interest expenses</b>
Deutsche Bank Taipei Branch	\$ <u><u>-</u></u>	<u><u>-</u></u>	<u><u>3,337</u></u>

(ix) Securities transactions :

			<b>For the year ended December 31, 2019</b>	
			<b>Securities bought</b>	<b>Securities sold</b>
<b>Related party</b>				
CTBC Financial Holding Co., Ltd.		\$ 7,200,000	-	
Hon Hai Precision Industry Co., Ltd.		13,869,063	-	
		<u><u>\$ 21,069,063</u></u>	<u><u>-</u></u>	

			<b>For the year ended December 31, 2018</b>	
			<b>Securities bought</b>	<b>Securities sold</b>
<b>Related party</b>				
CTBC Securities Co., Ltd.		\$ <u><u>49,804</u></u>	<u><u>-</u></u>	

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(x) Others

1) Commission and other income

Related party	Summary	For the years ended December 31	
		2019	2018
National Credit Card Center of R.O.C.	Commission income and acquiring loss subsidy	4,424,067	-
Taiwan Life Insurance Co., Ltd.	Commission for joint sales, income from group catering, commission income and allocation of information	4,303,164	5,100,560
Taipei Financial Center Corporation	Commission income and the remunerations to directors and supervisors	126,877	172,369
CTBC Investments Co., Ltd.	Feedback fund, income from group catering, commission income and allocation of information	48,757	33,327
TLG Insurance Co., Ltd.	Commission income, commission for joint sales, allocation of information and insurance claims	44,328	39,396
CTBC Financial Holding Co., Ltd.	Allocation of information, commission income and income from group catering	41,233	25,069
CTBC Securities Co., Ltd.	Allocation of information, profits from selling products, income from group catering and commission income	23,211	20,019
Chailease Finance Co., Ltd.	Commission income of financial advisory services	10,713	-
Sungbo Co., Ltd.	Commission income	4,920	3,067
Taiwan Lottery Co., Ltd.	Income from group catering, allocation of information and income from machine relocation	4,528	5,179
Grand Bills Finance Corporation	Commission income, the remunerations to directors and supervisors, resignation income and transportation allowance	3,662	4,345
CTBC Charity Foundation	Commission income and allocation of information	1,940	1,502
CTBC Asia Limited	Commission income	1,612	2,978
Hon Hai Precision Industry Co., Ltd.	Commission income	1,130	-
Brothers Entertaining Co., Ltd.	Commission income and income from group catering	1,051	446
Chinatrust Real Estate Co. Ltd.	Business service income	637	566
CTBC Venture Capital Co., Ltd.	Remittance fees, income from group catering and allocation of information	555	500
CTBC Asset Management Co., Ltd.	Remittance fees, income from group catering and allocation of information	502	356
Kinpo Electronics, Inc.	Commission income	-	2,059
Individuals	Commission income	6,775	5,913
		<u>\$ 9,049,662</u>	<u>5,417,651</u>

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The balances of accounts receivable for foregoing transactions were as follows:

<u>Related party</u>	<u>Summary</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Taiwan Life Insurance Co., Ltd.	Commission for joint sales, income from group catering, commission income and allocation of information	\$ 361,124	440,987
CTBC Investments Co., Ltd.	Feedback fund, income from group catering, commission income and allocation of information	2,659	1,465
TLG Insurance Co., Ltd.	Commission income, commission for joint sales, allocation of information and insurance claims	71	38
CTBC Financial Holding Co., Ltd.	Allocation of information, commission income and income from group catering	5,072	2,402
CTBC Securities Co., Ltd.	Allocation of information, profits from selling products, income from group catering and commission income	658	601
Grand Bills Finance Corporation	Commission income, the remunerations to directors and supervisors, resignation income and transportation allowance	-	65
Taiwan Lottery Co., Ltd.	Income from group catering, allocation of information and income from machine relocation	407	359
CTBC Asia Limited	Commission income	-	85
CTBC Charity Foundation	Commission income and allocation of information	521	445
CTBC Venture Capital Co., Ltd.	Remittance fees, income from group catering and allocation of information	65	60
		<u>\$ 370,577</u>	<u>446,507</u>

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

2) Handling fees and other general administration expenses

Related party	Summary	For the years ended December 31	
		2019	2018
Taiwan Lottery Co., Ltd.	Lottery service fees and maintenance fees	\$ 1,804,931	1,221,894
National Credit Card Center of R.O.C.	Fees for credit card and admission fees	291,931	35,982
Brothers Entertaining Co., Ltd.	Sponsorship, marketing feedback fund and gift expenses	287,801	290,015
CTBC Security Co., Ltd.	Security fees	142,788	139,491
CTBC Financial Park Management authority	The Bank's headquarters management fees	139,973	137,636
Taipei Financial Center Corporation	Sponsorship, joint-brand credit card payments, ATM utilities, consultant fees and redeemed rewards points	121,137	117,206
Taiwan Life Insurance Co., Ltd.	Group insurance fees and bonus for joint sales campaigns	110,185	127,427
Taiwan Relo Club, Limited	Marketing fees and gift expenses	28,164	44,238
TLG Insurance Co., Ltd.	Insurance fees	20,102	18,245
APEX Credit Solutions Inc.	Collection assistance fees	19,493	17,873
CTBC Administration Building Management authority	The Bank's headquarters management fees	16,582	-
Taiwan Institute of Economic Research	Expenses for domestic economics research and business consulting commissioned research	11,000	12,400
Fina Finance & Trading Co., Ltd.	Business service fees	6,516	22,387
Taiwan Relo Travel Service	Redeemed rewards points	6,381	-
CTBC Securities Co., Ltd.	Service fees for trust and brokerage fees	5,887	4,573
Chinese Taipei Baseball Association	Sponsorship for right of title	5,000	5,000
CTBC Technology Building Management authority	Management fees	4,177	2,242
CTBC Financial Holding Co., Ltd.	Gift expenses, recruitment and marketing fees	3,631	1,708
Chinatrust Real Estate Co., Ltd.	Agency service fees and business promotion fees	3,159	2,101
Chung-Chie Property Management Co., Ltd.	Outsourcing fees and repair expenses	2,945	2,170
CTBC Business School	Research fees	2,000	-
Sungbo Co., Ltd.	Management fees and gift expenses	1,898	2,262
CTBC Culture Foundation	Business promotion fees, gift expenses and marketing fees	1,833	626
Chailease Finance Co., Ltd.	Business service fees	1,176	2,161
Asian Bankers Association	Annual fees and sponsorship	158	795
West Garden Hospital	Physical examination fees and marketing fees	680	90
		<u>\$ 3,039,528</u>	<u>2,208,522</u>



**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Foregoing transactions, accounts payable balances were as follows:

<u>Related party</u>	<u>Summary</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Taiwan Lottery Co., Ltd.	Lottery service fees and maintenance fees	\$ 699,868	101,266
National Credit Card Center of R.O.C.	Fees for credit card and admission fees	31,208	-
Brothers Entertaining Co., Ltd.	Sponsorship, marketing feedback fund and gift expenses	134	146
CTBC Security Co., Ltd.	Security fees	17,756	16,275
CTBC Financial Park Management authority	The Bank's headquarters management fees	36,000	33,999
Taipei Financial Center Corporation	Sponsorship, joint-brand credit card payments, ATM utilities, consultant fees and redeemed rewards points	10,295	11,588
Taiwan Life Insurance Co., Ltd.	Group insurance fees and bonus for joint sales campaigns	11,327	11,718
Taiwan Relo Club, Limited	Gift expenses and marketing fees	1,901	-
TLG Insurance Co., Ltd.	Insurance fees	6,344	5,564
APEX Credit Solutions Inc.	Collection assistance fees	4,963	2,051
CTBC Administration Building Management authority	The Bank's headquarters management fees	5,200	-
Taiwan Institute of Economic Research	Expenses for domestic economics research and business consulting commissioned research	2,750	5,100
Fina Finance & Trading Co., Ltd.	Business service fees	387	1,502
CTBC Technology Building Management authority	Management fees	800	739
Chung-Chie Property Management Co., Ltd.	Outsourcing fees and repair expenses	91	85
Chailease Finance Co., Ltd.	Business service fees	3	81
Sungbo Co., Ltd.	Gift expenses and management fees	24	134
		<u><u>\$ 829,051</u></u>	<u><u>190,248</u></u>

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

3) Others

Related party	Summary	December 31, 2019	December 31, 2018
Taipei Financial Center Corporation	Balance of share holdings	\$ 838,350	478,440
Fina Finance & Trading Co., Ltd.	Released undue loans (Note)	35,952	140,082
National Credit Card Center of R.O.C.	Payable of collecton and prepayment	20,666	-
"	Payment of debit card reserves	13,800	-
CTBC Asia Limited	Advances for office rentals	4,590	3,479
CTBC Financial Holding Co., Ltd.	Purchase of computers, sales of buildings, office equipment and computers	1,286	227
Chailease Finance Co., Ltd.	Released undue loans (Note)	-	6,296
Hon Hai Precision Industry Co., Ltd.	Balance of share holdings	528	-
Others	Advances for utilities expenses, security fees, training and other expenses	9,740	8,002
		<u>\$ 924,912</u>	<u>636,526</u>

Note : The Bank signed a strategic alliance agreement with Fina Finance & Trading Co., Ltd. and Chailease Finance Co., Ltd. agreeing loans will be released directly to Fina and Chailease's clients, and Fina and Chailease pledged to buyback and settle all debts once any delay arises.

No significant discrepancy in transaction terms found between related party transaction and non-related party transaction.

(c) Key management personnel compensation in total

	For the years ended December 31	
	2019	2018
Salary and other short-term employee benefits	\$ 1,300,422	1,186,667
Post-employment benefits	16,984	16,620
Share-based payment	492,492	414,744
Total	<u>\$ 1,809,898</u>	<u>1,618,031</u>

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

**(8) Pledged Assets:**

Pledged assets of the Bank and subsidiaries were as follows:

Unit: In Thousands of New Taiwan Dollars

Assets	Type of securities	Par value of refundable deposits		Purpose of collateral
		December 31, 2019	December 31, 2018	
Financial assets measured at fair value through other comprehensive income	Bond	12,381,433	17,125,926	Overdrafts secured, credit line from Federal Reserve Bank and other deposits, pledge, repurchase agreement pledge and future margins
	Government bond	64,186	66,249	Overdrafts secured and other legal reserves
Receivables	Matured securities classified under other receivables	1,300	1,300	Deposits for litigation
Investment in debt instruments at amortized cost	NCD of Central Bank	29,860,000	29,900,000	Daytime overdrafts of Central Bank, deposits for bills dealer, deposits for calling loans in foreign currency, call loan liquidation account in U.S. dollars and call loan liquidation account in JPY
	NCD	391,000	391,000	Guarantee fulfillment of longterm prepaid rent
	Government bond	1,058,602	1,064,550	Trust funds reserves, bond settlement reserves, deposits for litigation, other guarantee deposits, and other legal reserves
Other financial assets	Time deposit	369,580	368,742	Guarantee deposits for futures dealer, CPC Corporation, Taiwan guarantee fulfillment and public welfare walkway guarantee fulfillment

As of December 31, 2019 and 2018, the deposits for public welfare lottery issuance of the Bank's irrevocable standby letter of credit were all \$1,050,000.

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

**(9) Significant Contingent Liabilities and Unrecognized Contract Commitments:**

(a) Major commitments and contingencies

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Contingent liabilities from guarantee and letter of credit business	\$ 92,575,881	85,412,623
Promissory note to Central Bank for Bank's clearance	198,968	575,110
Client notes in custody	93,860,776	94,305,146
Marketable securities and debts in custody	2,994,741,293	2,939,919,751
Consigned travelers' checks in custody	231,039	268,568
Designated purpose trust accounts	1,210,661,512	1,005,007,104
Other items in custody	<u>353,120</u>	<u>487,664</u>
Total	<b><u>\$ 4,392,622,589</u></b>	<b><u>4,125,975,966</u></b>

As of December 31, 2019 and 2018, the credit amount of the cancellable loan commitments of the Bank and subsidiaries were \$1,389,847,297 and \$1,316,824,268, respectively.

The Bank renewed the services contract of information resources with International Business Machines, authorizing a five years and four months contract term commencing from September 1, 2017, and ending on December 31, 2022, in the amount of \$2,670,000, which comprises a host computer lease fee, an authorization fee, and an annual software maintenance fee.

The Bank was designated by the Ministry of Finance (the "MOF") as the issuing institution for the fourth term of public welfare lottery. The periods of the term are from January 1, 2014 to December 31, 2023. The Bank was authorized to arrange and issue traditional lottery, scratch and win lottery, and computerized lottery tickets. For the fourth term of public welfare lottery, the Bank receives a commission for issuing lottery tickets, representing 4.35% of the total lottery sales amount. The commission will be settled monthly. And the Bank's profit will be what remains after a fixed payment of \$2,700,000 to the MOF per year. Furthermore, in order to ensure that the lottery prize payout rate is not greater than 60% of the lottery issuing amount, the Bank created a transitional monitoring account, provision for the lottery prize and the Bank adopted appropriate risk control strategies.

On May 31, 2013, the Bank signed a contract with LotRich Information Co. for lottery software, hardware purchase and establishment and maintenances services amounting to \$2,322,756 within which \$1,633,851 was for software service. The maintenance service started from May 31, 2013 to December 2023. The service will be finished as all the settlement, consignment and aftermath of the work have been done.

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The Bank entrusted Taiwan Lottery Co., Ltd. to operate the public welfare lottery's ticket issuing, sales, promotion, drawing, payment of prize, and management, with a contract period from November 11, 2013, and ending on June 30, 2024. The Bank will disburse 4.35% of the total lottery sales amount as commission to Taiwan Lottery Co., Ltd. The Bank agreed that Taiwan Lottery Co., Ltd. can receive a reward, amounting to the commission revenue after the deduction of value-added tax (VAT), rebates and direct costs incurred for the lottery business, and the addition of marginal benefits, if the balance is positive. Otherwise, Taiwan Lottery Co., Ltd. should pay for the discrepancy, if the balance is negative. On May 20, 2015, the reward calculation was revised by deleting the addition of marginal benefits, and was retroactively applied from January 1, 2015.

On November 6, 2015, the Bank signed with Zile Development Co., Ltd.(BVI) and Shuohe Development Co., Ltd. a contract of joint construction for a building on the land, zone 18 at Xinyi section 4, Xinyi District, Taipei City. The Bank will retain 5% of the rights of the land for joint construction, get 5% of the whole construction area of the new building and the corresponding land, and burden 5% of the costs of construction based on purchase contract and joint construction contract. The Bank expects to invest \$530 million of the total costs of the construction. As of December 31, 2019, the Bank has paid \$190,265.

As of December 31, 2019, the unpaid amounts of the committed investment facility of signed private fund contract of the Bank and subsidiaries were JPY 4,230,302 thousands.

- (b) The below information is shown based on the disclosure requirements of Enforcement Rules of the Trust Enterprise Act, Article 17.

**Balance Sheet of Trust Accounts**

<b>Trust Assets</b>	<b>December 31, 2019</b>	<b>December 31, 2018</b>	<b>Trust Liabilities</b>	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Cash in deposits	\$ 37,616,152	32,486,154	Payables	665,290	664,210
Receivables	187,092	88,061	Payable securities in custody	590,019,684	424,564,283
Bonds	31,752,745	20,162,495	Other liabilities	39,873	104,016
Stocks	187,125,806	169,326,755	Trust capital	549,258,699	547,105,178
Mutual funds	293,258,206	285,764,308	Miscellaneous reserves and accumulated earnings	69,701,100	31,731,586
Structured products	21,418,559	19,700,853			
Other investments	1,949,743	2,794,970			
Real estates—net	46,325,871	49,250,605			
Securities in custody	590,019,684	424,564,283			
Other assets	30,788	30,789			
<b>Total trust assets</b>	<b><u>\$1,209,684,646</u></b>	<b><u>1,004,169,273</u></b>	<b>Total trust liabilities</b>	<b><u>1,209,684,646</u></b>	<b><u>1,004,169,273</u></b>

Note: As of December 31, 2019 and 2018, the Bank's Offshore Banking Unit invested in foreign securities under specific purpose trust accounts amounting to \$4,063,326 and \$3,314,631, respectively.

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

**Properties Catalog of Trust Accounts**

<b>Investments</b>	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Cash in deposits	\$ 37,616,152	32,486,154
Receivables	187,092	88,061
Bonds	31,752,745	20,162,495
Stocks	187,125,806	169,326,755
Mutual funds	293,258,206	285,764,308
Structured products	21,418,559	19,700,853
Other investments	1,949,743	2,794,970
Real estates — net		
Lands	46,265,361	49,191,030
Buildings	<u>60,510</u>	<u>59,575</u>
Subtotal	<u>46,325,871</u>	<u>49,250,605</u>
Securities in custody	590,019,684	424,564,283
Other assets		
Prepaid other payments	607	608
Long-term prepaid rent	<u>30,181</u>	<u>30,181</u>
Subtotal	<u>30,788</u>	<u>30,789</u>
Total	<u><u>\$ 1,209,684,646</u></u>	<u><u>1,004,169,273</u></u>

**Income Statement of Trust Accounts**

	<b>For the years ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Trust revenues	\$ 8,629,610	9,068,760
Trust expenses	<u>(1,053,300)</u>	<u>(1,088,558)</u>
Earnings before tax	7,576,310	7,980,202
Less : Income tax expenses	<u>9,253</u>	<u>7,337</u>
Net profits	<u><u>\$ 7,567,057</u></u>	<u><u>7,972,865</u></u>

(c) Operating lease

Total amounts of minimum future irrevocable operating lease payment were as below:

	<b>December 31, 2018</b>
Less than 1 year	\$ 1,068,853
1 year to 5 years	1,673,677
More than 5 years	<u>677,948</u>
Total	<u><u>\$ 3,420,478</u></u>

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(d) Other significant legal matters

(i) Structured Notes

From September to December in 2005, the Bank's Hong Kong branch ("HK Branch"), purchased structured notes ("Overseas Structured Notes") in a total par value of US\$390 million from Barclays Bank PLC with the approval of the Bank's board of directors. When CTBC Financial Holding Co., Ltd ("CTBC Holding") intended to invest in Mega Financial Holding Company in 2006, the Overseas Structured Notes must be sold in order that the Bank should not violate the 5% shareholding ceiling in another single company set on a commercial bank in the Banking Act of the Republic of China. The HK Branch thus sold the Overseas Structured Notes at the market price to Red Fire, a special purpose vehicle acquired by the then president of the Bank's corporate banking department (i.e., Mr. xxx Chen). In the sale of the Overseas Structured Notes, the Bank earned a profit of US\$8.448 million. Through the redemption of the Overseas Structured Notes from Barclays Bank PLC, Red Fire had a profit of US\$30.47 million, among which an amount about US\$9.50 million was, for certain unknown reasons, remitted into an account controlled by Mr. Chen, and the balance about US\$20.90 million had been remitted to CTBC Holding's overseas subsidiary, CT Opportunity Investment Company. Pursuant to the request of Financial Supervisory Committee ("FSC"), CTBC Holding's directors advanced US\$30.47 million to the Bank in September 2006 so as to allow a smooth development of business operations. Given that the amount so advanced is far more than the amount about US\$9.50 million (which was not remitted to CTBC Holding's overseas subsidiary), the Bank had thus suffered no losses.

Per a letter dated April 28, 2011 from two directors of CTBC Holding (i.e., Chung Cheng Investment and Kuan Ho Construction & Development), they realized that the Bank suffered no losses in its sale of Overseas Structured Notes, based on the Analysis Report on the Sale of Structured Notes to Red Fire by the Bank's Hong Kong Branch ("Analysis Report") attached to CTBC Holding's letter dated March 30, 2011 (with a reference number of Chung Hsin Chin 1002243570005), and they further indicated that as stated in the Analysis Report, without the ground that the Bank suffered losses pursuant to which an agreement dated February 9, 2009 was signed between CTBC Holding and these two directors, the Bank was thus urged to negotiate with them for a reasonable solution. The Bank sent a letter dated August 16, 2011 to Chung Cheng Investment and Kuan Ho Construction & Development asking them to waive their right of claim arising from the advancement of US\$30.47 million made in September of 2006. These two directors responded and agreed to waive on August 18, 2011, but they requested that the Bank should apply the US\$20.90 million proceeds to loans for emergency assistances and charities, and the Bank should transfer US\$9.57 million to CTBC Holding so as to make up the losses recognized by CTBC Holding which arose from the investment made by CTBC Holding's overseas subsidiary, CT Opportunity Investment Company. In this regard, the Bank and these two directors would have to further negotiate, as the Bank has yet made the aforesaid applications about the US\$20.90 million, but these two directors still insisted so. Furthermore, Red Fire was deemed as CTBC Holding's special purpose vehicle as Red Fire's profits would ultimately belong to CTBC Holding based on the investigation conducted by CTBC Holding and the opinion of the legal counsel appointed by CTBC Holding. As manifested in the fund flow, none of the ex-chairman of the Bank, Mr. Koo and the other three employees involved in the litigation had acquired any gains personally.

## **CTBC BANK CO., LTD. AND SUBSIDIARIES**

### **Notes to the Consolidated Financial Statements**

After this case was appealed for the third instance, the Supreme Court, in August of 2014, revoked the judgment made by the High Court and a re-trial by the High Court was ordered. In the judgment made by the High Court for the first re-trial on September 12, 2018, a defendant was judged not guilty and the others were guilty. All of the defendants judged guilty and the Taiwan High Prosecutors Office had appealed against the judgment. On November 14, 2019, the Supreme Court revoked the guilty judgment made by the first retrial High Court on the defendants (i.e., Koo, Chang and Lin) and a second re-trial by the High Court was ordered and the non-guilty judgment on the defendants (i.e., Chang, Lin and Deng) was sustained. Given this, this case has yet been completely final and conclusive. According to the opinion of the legal counsel retained by CTBC Holding, “The profits of US\$20.90 million from the redemption of the structured notes by Red Fire have been remitted to CT Opportunity Investment Company, an overseas subsidiary of CTBC Holding. In addition, two directors of CTBC Holding have advanced US\$30,474,717 to CTBC Bank. Given that the total of the aforesaid two amounts is far more than the profits realized by Red Fire from the redemption of the structured notes, CTBC Holding has thus suffered no losses. Furthermore, as far as the legal liability is concerned, since this case is a criminal one, even if certain defendants were judged guilty, such judgment would not apply to CTBC Holding as a corporate entity. Besides, the guilty judgment has yet been final. Hence, the judgment has no material adverse impact upon the financial conditions or business operations of CTBC Holding, and would not affect the fact that CTBC Holding suffers no losses or damages.” It is thus assessed that this case has no material impact upon the operation and shareholders’ interests of the Bank.

The Taiwan High Prosecutors Office filed a petition to the High Court on July 6, 2016 against CTBC Holding trying to recover NT\$261,696,000 illegal income arising from the stock price manipulation conducted by CTBC Holding. The High Court for the 1st retrial notified CTBC Holding to attend the court hearings as a third interested party. CTBC Holding is of the opinion that this case has no such act of stock price manipulation and there is no illegal income. A legal counsel has been retained to claim so in the High Court for the 1st retrial. In its judgment made by the High Court for the 1st retrial on September 12, 2018, CTBC Holding’s property should neither be confiscated nor pursued on the ground (among others) that this case has no such act of stock price manipulation and there is thus no illegal income. Regarding the judgment of no confiscation of CTBC Holding’s property made by the High Court for the 1st retrial on September 12, 2018, the Supreme Court revoked it and ordered a second retrial on the ground that even the prosecutor did not appeal to the Supreme Court against the “no confiscation” judgment, the appeal nonetheless applies to this issue. In order to avoid a conflict of judgments respectively made by the 1st retrial court and the 2nd retrial court as far as the “confiscation” issue is concerned, the Supreme Court thus revoked the “no confiscation” judgment and ordered a 2nd retrial. Hence, the “no confiscation” judgment has yet been final.



## **CTBC BANK CO., LTD. AND SUBSIDIARIES**

### **Notes to the Consolidated Financial Statements**

(ii) NPLs and Transaction of Chengcing Lake Building

As to the indictment brought by the prosecutor of the Taipei District Prosecutors Office on August 26, 2019 about the transaction of real property and non-performing loans between the Bank and its related parties (i.e., Tectonics Laboratories Co., Ltd. and other companies) in 2005 and 2006, the legal counsel appointed by CTBC Holding opined that “Keshin Company, Lilin Company and Tectonics Laboratories Co., Ltd. were all special purpose vehicles indirectly owned by CTBC Asset Management Co., Ltd., therefore the profits arising from the transactions between the aforesaid three companies and CTBC Bank or CTBC First Asset Management Co., Ltd., a subsidiary of CTBC Asset Management Co., Ltd. should ultimately belong to CTBC Holding. Because the non-performing loans of Fengshan Credit Union were sold by CTBC Bank within the appraise value range, there thus were no losses or damages. Given that the other three transactions of non-performing loans had been canceled and the payments thereof had been returned to CTBC Bank, no losses or damages would have been made to CTBC Holding or CTBC Bank. According to the data provided by CTBC Holding, the profits derived from the sale of Chenghu Building had been remitted to CT Opportunity Investment, a subsidiary of CTBC Asset Management Co., Ltd. and had ultimately been returned to CTBC Holding. Given this, the transaction of Chenghu Building had caused no losses or damages to CTBC Holding and CTBC Bank.” Based upon the aforesaid legal opinion, it is thus assessed that this case has no material impact on the operations and shareholders’ interests of the Bank.

(iii) Neihu Land and Building

Regarding the transaction in which the Bank purchased three lots of land in Neihu, Taipei and the buildings thereon (consisting of administration building and computer facilities) and from which Mr. xxx Chang and others earned improper price differences, the Taipei District Prosecutors Office brought an indictment on January 12, 2017 and an additional indictment against another employee on January 4, 2018. All defendants indicted on January 12, 2017 were judged guilty and they have appealed. As to the additional indictment made on January 4, 2018, the employee in question was judged not guilty by the Taipei District Court on June 4, 2019, but this part has yet been final. In respect of the guilty judgment, the legal counsel retained by CTBC Holding opined in writing: “CTBC Bank made the aforesaid purchase of the administration building and computer facilities with the approval of its board of directors and it had in advance hired professional institutions to give an appraisal price for reference. Even if the court doubted that the appraisal institutions failed to appraise the real property objectively, it did not object the appraisal conclusion. Given that (1) the purchase prices were less than the appraisal prices and (2) the purchase prices did not exceed the ceilings set by the board of directors of CTBC Bank, it could be proven that the purchase prices were comparable with the then reasonable prices and the employees-in-charge had followed the resolution of the board of directors without breaking the law. It may therefore be concluded that CTBC Bank suffered no losses or damages from the said transaction. Furthermore, as far as the legal liability is concerned, since this case is a criminal one, even if defendants were judged guilty, such judgment would not apply to CTBC Bank as a corporate entity. In addition, this has yet been final. Hence, the guilty judgment has no material adverse impact upon the present financial conditions or business operations of CTBC Bank or CTBC Holding.” Regarding the issue raised in the guilty judgment that Yongyue Development Co., Ltd. is a related party to the Bank and the transaction in question should be disclosed in the financial statement of the Bank and CTBC Holding, the board of directors of CTBC Holding requested the department-in-

## **CTBC BANK CO., LTD. AND SUBSIDIARIES**

### **Notes to the Consolidated Financial Statements**

charge together with a legal counsel to analyze and report. The analysis report manifests:“ In our opinion, Mr. Chang in substance is not a person-in-charge and he has no controlling power over CTBC Bank’s policies or operations. The process and price of the purchase transactions in question had been made in accordance with the law. Besides, Mr. Chang did neither attend the board meeting in which the transaction in question was reviewed nor participate in the formation of decision about purchasing the real property in question.” The legal counsel further opined:“ According to the Regulations Governing the Acquisition and Disposal of Assets by Public Companies, Article 45 of the Financial Holding Company Act, CTBC Bank’s Regulations Governing Transactions (other than credit extensions) by Quasi-Related Parties of CTBC Bank as amended on July 31, 2013, Regulations Governing the Preparation of Financial Statements by Issuers of Securities, Regulations Governing the Preparation of Financial Statements by Banks, and IAS 24, Mr. Chang is not, in form or in substance, a related party or quasi-related party of CTBC Bank.”

“Ms. Woo, a shareholder of Yongyue Development Co., Ltd (also the ultimate beneficiary) and the spouse of Mr. Chang’s younger brother, has taken no position of decision making power as stipulated in the aforesaid regulations and has no such identity as stated in Para. 9 of IAS (Part A). Thus, Ms. Woo is not a related party or quasi-related party of CTBC Bank.” As stated in the aforesaid analysis report and legal opinion, Mr. Chang is not a person-in-charge in substance of the Bank and is neither a related party nor a quasi-related party of the Bank in form or in substance. Even if Mr. Chang is deemed as a person-in-charge in substance of the Bank, Ms. Woo, as a second-degree relative (in marriage) of Mr. Chang, should not be deemed as a related party or a quasi-related party of the Bank, in accordance with Para. 9 of IAS (Part A).

The legal counsel concluded“ Regardless the guilty judgment has yet been final, the evidences as referred to in the judgment are not strong enough to support the point that Mr. Chang managed Yongyue in substance. Besides, the profits earned by Yongyue are irrelevant to Mr. Chang. As such, the transaction between CTBC Bank and Yongyue is not a related-party transaction as far as CTBC Bank or CTBC Holding is concerned and thus, there is no need to disclose such deal in the financial statement.”

“From the evidences as stated in the guilty judgment, (1) it cannot conclude that Mr. Chang is the person managing Yongyue in substance, as mentioned above, and (2) neither Mr. Chang nor Ms. Woo is a related party or quasi-related party of CTBC Bank. We may say that Yongyue is not a related party or quasi-related party of CTBC Bank, the transaction in question between Yongyue and CTBC Bank is not a related-party transaction and accordingly, there should be no need for CTBC Holding to disclose such transaction in its quarterly or annual financial statement as a related-party transaction. It may conclude that there is no such illegal misstatement in the financial statement.” Based upon the aforesaid legal opinion, given that (1) the purchase prices were comparable with the then reasonable prices and the employees-in-charge had followed the resolution of the board of directors without breaking the law. It may therefore be concluded that the Bank suffered no losses or damages from the said transaction. In addition, neither Mr. Chang nor Yongyue is a related party or quasi-related party of the Bank. There should be no need for CTBC Holding to disclose such transaction in its quarterly or annual financial statement as a related-party transaction. It may conclude that there is no such illegal misstatement in the financial statement. It is thus assessed that this case has no material impact on the operations and shareholders’ interests of the Bank.

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(iv) Tainan Real property

As stated in a press release on September 12, 2019, the Taipei District Prosecutors Office made an indictment relating to a sale by the Bank of a real property located in Tainan in 2012. The legal counsel retained by CTBC Holding opined that since (1) the Bank had hired a professional appraisal company to appraise before the transaction, (2) the sale price was higher than (a) the appraisal price and (b) the book value shown in June 2012, (3) the transaction in question was duly made in accordance with the Bank's approval process, the transaction in question was made in due process following the Bank's internal rules and relevant laws and regulations and the Bank had suffered no losses or damages. It is thus assessed that this case has no material impact on the operations and shareholders' interests of the Bank.

(v) Ex-Xinyi Headquarter Building

Regarding the transaction in which the Bank sold 95% of its holding in the land at Songshou building (i.e., Ex-Xinyi headquarter building) in Taipei on November 6, 2015, the Taipei District Prosecutors Office is conducting investigations by way of subpoenaing the Bank's relevant employees. The legal counsel retained by CTBC Holding opined that the Bank sold the land by way of public tender, Cushman & Walkfield was appointed to carry out the public tender, and Baker & McKenzie was also retained to monitor the whole process. The Bank had hired two professional appraisal companies to conduct appraisals in advance and the floor price for the public tender was set at the average of two appraisal prices. The sale in question had been approved by the Bank's audit committee and board of directors. The sale price was higher than the floor price set for the public tender. A public announcement about its board approval and the sale had been made by the Bank. The sale in question had been made duly in accordance with relevant laws and regulations and the Bank's internal rules, and the Bank suffered no losses or damages. It is thus assessed that this case has no material impact on the operations and shareholders' interests of the Bank.

**(10) Significant Catastrophic Losses:None**

**(11) Significant Subsequent Events:**

To expand personal financial planning business in Mainland China, the board of directors has approved to establish a joint venture Wealth Management Subsidiaries of Commercial Banks with Guangdong Huaxing Bank on January 17, 2020. The Bank will make equity investment equivalent to 30% of owner's equity and the investment amount will be RMB300,000 thousands. The venture has not yet been approved by the competent authority.

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

**(12) Other:**

(a) Profitability

Unit: %

Items		December 31, 2019	December 31, 2018
Return on assets ratio (annual)	Before income tax	0.94	0.93
	After income tax	0.75	0.77
Return on equity ratio (annual)	Before income tax	12.71	12.42
	After income tax	10.21	10.32
Net income ratio		29.80	31.12

Note 1:  $\text{Return on assets ratio} = \text{Net income before/after income tax} \div \text{average total assets}$ .

Note 2:  $\text{Return on equity ratio} = \text{Net income before/after income tax} \div \text{average total stockholders' equity}$ .

Note 3:  $\text{Net income ratio} = \text{Net income after income tax} \div \text{Net revenue}$ .

Note 4: Net income before/after tax represented accumulated income of current year.

- (b) The income and expenses arising from the joint marketing operation and information interoperability amongst the Financial Holding Company's subsidiaries were allocated as follows:

The Bank and Taiwan Life Insurance Co., Ltd. ("Taiwan Life") have gained from the joint business promotion. The bonus for co-marketing with Taiwan Life is shared based on annual commission rate agreed between the Bank and Taiwan Life for each insurance product.

The aforesaid allocations of revenue and expenses are disclosed in Note 7.

## CTBC BANK CO., LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

#### (13) Disclosure Required:

(a) Related information on significant transactions:

- (i) Loans to other businesses or individuals: Not applicable to bank subsidiaries; others:None.
- (ii) Endorsements and guarantees for others: Not applicable to bank subsidiaries; others:None.
- (iii) Marketable securities held as of December 31, 2019 (excluding invested subsidiaries, associates and joint ventures): not applicable to banking subsidiaries; others:None.
- (iv) Cumulative purchases or sales of the same investee's capital stock up to \$300,000 or 10% of paid-in capital: not applicable to banking subsidiaries; others:

Unit : In Thousands of New Taiwan Dollars/Thousand Shares

Name of company	Category and name of security	Account name	Counterparty	Relationship	Beginning Balance		Purchases		Sales				Ending Balance (note)	
					Shares	Amount	Shares	Amount	Shares	Price	Cost	Gain (loss) on disposal	Shares	Amount
CTBC Bank Co., Ltd.	Securities	Investment under equity method-net	CTBC Bank (Philippines) Corporation	Investment under equity method	246,496	4,513,216	52,516	928,593	-	-	-	-	299,012	5,783,563

Note : The ending balance includes recognition of investment income or loss.

- (v) Acquisition of real estate up to \$300,000 or 10% of paid in capital:None.
- (vi) Disposal of real estate up to \$300,000 or 10% of paid in capital:

Unit : In Thousands of JPY Dollars

Name of company	Type of property	Transaction date	Acquisition date	Book value	Transaction amount	Amount actually receivable	Gain from disposal (Note)	Counter-party	Nature of relationship	Purpose of disposal	Price reference	Other terms
The Tokyo Star Bank, Ltd.	Land	July 31, 2019	March 20, 1987	JPY1,219,765	JPY 4,026,600	Received in full amount	JPY1,889,600	Odakyu Real Estate Co., Ltd	Non-related party	Idle property	Public auction	None

Note : Gain from disposal is deducting related expenses.

- (vii) Discount on commission fees for transaction with related parties up to \$5,000:None.
- (viii) Receivables from related parties up to \$300,000 or 10% of paid in capital:

Unit : In Thousands of New Taiwan Dollar

Name of company	Counterparty	Relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Allowance for bad debts
					Amount	Action taken		
CTBC Bank Co., Ltd.	Taiwan Life Insurance Co., Ltd.	Controlled by the same company as the Bank.	361,124	- %	-	-	Has fully recovered	-

- (ix) Financial derivative transactions: Not applicable to bank subsidiaries; others:None
- (x) Information on NPL disposal transaction:

1) Summary table of NPL disposal:

Unit: In Thousands of JPY Dollars

Trade date	Counterparty	Debt component	Book value	Sale price	Gain (loss) on disposal	Additional term	Relationship
January 18, 2019	N.H.C Sixteen Co., Ltd.	Non-secured loan	JPY 150,000	JPY 150,000	JPY -	None	Non-related party
May 24, 2019	yamada-servicer.co.jp	Secured loan	JPY 31,721	JPY 31,287	JPY (434)	None	Non-related party
May 24, 2019	Aozora servicing., Ltd.	Secured loan	JPY 33,772	JPY 33,772	JPY -	None	Non-related party
May 24, 2019	Millennium servicing., Ltd.	Secured loan	JPY 14,760	JPY 14,760	JPY -	None	Non-related party
June 26, 2019	I.R servicing., Ltd.	Non-secured loan	JPY 226,508	JPY 208,746	JPY (17,762)	None	Non-related party
September 20, 2019	HS servicer., Ltd.	Non-secured loan	JPY 127,057	JPY 93,773	JPY (33,284)	None	Non-related party
November 22, 2019	Abilio Servicer Co., Ltd.	Secured loan	JPY 31,146	JPY 31,653	JPY 507	None	Non-related party

(Continued)

## CTBC BANK CO., LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

Trade date	Counterparty	Debt component	Book value	Sale price	Gain (loss) on disposal	Additional term	Relationship
November 22, 2019	Aozora servicing.Ltd.	Secured loan	JPY 4,142	JPY 4,142	JPY -	None	Non-related party
December 20, 2019	LR servicing., Ltd.	Non-secured loan	JPY 123,824	JPY 7,367	JPY (116,457)	None	Non-related party
December 20, 2019	HS servicer., Ltd.	Non-secured loan	JPY 540,641	JPY 221,609	JPY (319,032)	None	Non-related party

2) Disposal of a single batch of NPL up to \$1,000,000: None.

(xi) Types of securitization instruments approved to be issued pursuant to financial assets securitization rules or real estate securitization rules and other relevant information: None.

(xii) Business relationship and material transaction between the parent company and subsidiaries:

No. (Note)	Party	Counterparty	Relationship	Transaction status for the year ended December 31, 2019			
				Account	Amount	Terms	Percentage of consolidated net revenues or consolidated total assets
0	CTBC Bank Co., Ltd.	CTBC Bank Corp. (USA)	Parent to subsidiary	Cash and cash equivalents / Deposits and remittances	2,990,658	Identical with non-related parties	0.07%
"	"	The Tokyo Star Bank, Ltd.	"	Due from Central Bank and call loans to bank/Deposit form Central Bank and other banks	9,031,800	"	0.21%
"	"	CTBC Bank (Philippines) Corp.	"	Loans/ Due to Central Bank and other banks	2,257,950	"	0.05%
"	"	PT Bank CTBC Indonesia	"	Loans/ Due to Central Bank and other banks	842,968	"	0.02%
"	"	CTBC Bank Corp. (Canada)	"	Cash and cash equivalents / Deposits and remittances	136,426	"	-%

Note: Serial number is determined as follows:

1. 0 represents parent company.

2. Subsidiaries are numbered in a sequence of Arabic numerals from 1 based on company category.

(xiii) Other significant transactions that may have substantial influence upon the decisions made by financial statement users:None.

(b) Related information on investee companies:

The following is the information on investees for the year ended December 31, 2019 (excluding information on investees in Mainland China):

Unit : In Thousands of New Taiwan Dollars/Thousand Shares

Name of investee company	Location	Main business scope	Shareholding ratio	Book Value	Investment gain(loss) recognized	Aggregate shareholding of the Bank and subsidiaries				Note
						Number of shares	Number of pro forma shares	Total		
								Number of shares	Shareholding ratio	
CTBC Bank (Philippines) Corp.	16th to 19th Floors, Fort Legend Towers 31st Street corner 3rd Avenue Bonifacio Global City,Taguig City, 1634 Philippines	Commercial banking and financing business	99.67%	5,783,563	196,776	299,012	-	299,012	99.67%	The transaction on the left has been written off when composing consolidated financial report.
PT Bank CTBC Indonesia	Tamara Center, 15th-17th Fl., Jl Jenderal Sudirman Kav. 24 Jakarta 12920 Indonesia	Commercial banking and financing business	99.00%	6,218,786	164,699	1	-	1	99.00%	"
CTBC Bank Corp.(Canada)	1518 West Broadway, Vancouver, B.C. ,Canada, V6J 1W8	Commercial banking and financing business	100.00%	1,661,563	141,510	2,746	-	2,746	100.00%	"
CTBC Capital Corp.	801 S. Figueroa Street, Suite 2300, Los Angeles, CA 90017, USA	Investment business	100.00%	16,396,610	1,073,038	6	-	6	100.00%	"
Grand Bills Finance Corporation	11F., No.560, Sec. 4, Zhongxiao E. Rd., Taipei City 106,Taiwan (R.O.C.)	Proprietary traders of short-term bills and bonds	21.15%	2,061,092	124,640	114,399	-	114,399	21.15%	

(Continued)

# CTBC BANK CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

Name of investee company	Location	Main business scope	Shareholding ratio	Book Value	Investment gain(loss) recognized	Aggregate shareholding of the Bank and subsidiaries				Note
						Number of shares	Number of pro forma shares	Total		
								Number of shares	Shareholding ratio	
CTBC Bank Corp.(USA)	801 S. Figueroa Street, Suite 2300, Los Angeles, CA 90017, USA	Commercial banking and financing business	100.00%	15,681,999	1,081,023	common shares 3 preferred shares 100	-	common shares 3 preferred shares 100	100.00%	The transaction on the left has been written off when composing consolidated financial report.
The Tokyo Star Bank, Ltd.	2-3-5 Akasaka, Minato-Ku, Tokyo, 107-8480, Japan	Commercial banking and financing business	100.00%	45,468,478	3,091,677	700	-	700	100.00%	
Tokyo Star Business Finance, Ltd.	2-7-1, Nishi-Shinjuku, Shinjuku, Tokyo	Financing and assurance business	100.00%	3,292,604	102,456	1,936	-	1,936	100.00%	
TSB Servicer, Ltd.	1-7-5,Sekido,Tamashi, Tokyo	Debts management business	100.00%	622,681	58,544	-	-	-	100.00%	
AZ-Star Co., Ltd.	5-2-7, Gobancho, Chiyodaku, Tokyo	Fund management business	40.00%	26,753	6,476	-	-	-	40.00%	
AZ-Star no. 1 Investment Limited Partnership	5-2-7, Gobancho, Chiyodaku, Tokyo	Equity investment business	43.98%	99,700	(5,468)	3	-	3	43.98%	
AZ-Star no. 3 Investment Limited Partnership	5-2-7, Gobancho, Chiyodaku, Tokyo	Equity investment business	23.56%	115,473	(21,361)	3	-	3	23.56%	
LH Financial Group Public Company Limited	10,House Lumpini Building, 5th Floor, South Sathon Road, Thungmahamek, Sathon, Bangkok 10120	Investment business	35.62%	17,891,631	1,139,333	7,544,961	-	7,544,961	35.62%	
Xiamen Jinmeixin Consumer Finance Co., Ltd.	Xiamen International Financial Central 6th Floor,No.82, Hongzhan Load, Siming Dist., Xiamen City,China(P.R.C)	Consumer financial business	34.00%	772,965	38,928	-	-	-	34.00%	

(c) Related information on investments in Mainland China:

(i) Related information on investee companies in Mainland China:

Unit : In Thousands of New Taiwan Dollars/ Thousands of US Dollars/ Thousands of CNY Dollars

Name of investee company in Mainland China	Main businesses	Total amount of paid-in capital	Method of investment (Note 1)	Accumulated outflow of investment from Taiwan as of January 1, 2019	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2019	Investment gains (losses) (Note 2)	Percentage of ownership for direct or indirect investment	Investment gains (losses) (Note 2)	Book value as of December 31, 2019	Accumulated inward remittance of earning as of December 31, 2019
					Outflow	Inflow						
CTBC Bank Co., Ltd., Shanghai Branch	Commercial banking	6,194,068 USD 206,045	3	6,194,068 USD 206,045	-	-	6,194,068 USD 206,045	274,939 CNY 61,876	A branch in Shanghai; not an investee	274,939	6,937,698	None
CTBC Bank Co., Ltd., Guangzhou Branch	"	4,114,056 USD 130,531	3	4,114,056 USD 130,531	-	-	4,114,056 USD 130,531	436,097 CNY 97,049	A branch in Guangzhou; not an investee	436,097	4,567,387	None
CTBC Bank Co., Ltd., Xiamen Branch	"	4,081,960 CNY 800,000	3	4,081,960 CNY 800,000	-	-	4,081,960 CNY 800,000	184,906 CNY 41,275	A branch in Xiamen; not an investee	184,906	3,970,415	None
CTBC Bank Co., Ltd., Shenzhen Branch	"	1,351,890 CNY 100,000 USD 29,395	3	1,351,890 CNY 100,000 USD 29,395	-	-	1,351,890 CNY 100,000 USD 29,395	(21,285) CNY (4,808)	A branch in Shenzhen; not an investee.	(21,285)	1,283,484	None
Xiamen Jinmeixin Consumer Finance Co., Ltd.	Financing business	795,471 CNY 170,000	1	795,471 CNY 170,000	-	-	795,471 CNY 170,000	114,495 CNY 25,590	34%	38,928	772,965	None

(Continued)

# CTBC BANK CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

Note 1: Three methods of investment are as below; identify one of them:

1. Invest in Mainland China companies directly.
2. Re-invest in Mainland China companies through another investee in a third area. (Please identify the investee in the third area.)
3. Other method: set up new overseas branches.

Note 2: The column of "Investment gains (losses)":

1. If the company is still in the preparation process, and does not have any investment gain or loss, please specify.
2. The bases for recognition of investment income or loss have three methods, please specify.
  - a. The audited financial reports that are issued by an international accounting firm which is connected to an accounting firm in Taiwan.
  - b. The audited financial reports that are issued by the Taiwan parent company's designated accounting firm.
  - c. Others: the individual profit or loss of an oversea branch.
3. Please specify if information regarding current gains or losses of an investee is not retrievable.

(ii) Upper limit on investment in Mainland China:

Unit : In Thousands of New Taiwan Dollars/ Thousands of US Dollars/ Thousands of CNY Dollars

Accumulated outflow of investment from Taiwan to Mainland China as of December 31, 2019	Investment amounts authorized by Investment Commission, MOEA	Upper limit on investment authorized by Investment Commission, MOEA
16,537,445 (USD 365,971) (CNY 1,070,000)	16,360,288 (CNY 3,370,000)	185,597,589

(Continued)



**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

**(14) Segment Information:**

The Bank and subsidiaries' provide their chief operating decision maker with necessary information according to the characteristics of the business, to facilitate the assessment of performance and allocation of operational resources. The disclosures of assets, profits and losses are the same as the summary of significant accounting policies described in Note 4.

According to IFRS 8 "Operating Segments", reportable segments are as below:

The major operating activities of Institutional Banking are commercial banking and capital market activities which provide clients with flexible and tailor-made financing services and the design, supply, and propriety trading of various financial products.

The major operating activities of Retail Banking is providing target clients with relevant financial services, including wealth management, credit cards, secured loans, and unsecured individual loans.

The major operating activities of other segments are investing and general administration. For the years ended December 31, 2019 and 2018, the above operating segments did not meet the criteria for reportable segments when applying quantitative thresholds.

**(a) Segment information**

<b>For the year ended December 31, 2019</b>	<b>Institutional banking</b>	<b>Retail banking</b>	<b>Other segments</b>	<b>Total</b>
Net interest income	\$ 35,411,008	20,916,321	262,612	56,589,941
Non-interest income	17,875,228	25,328,089	3,915,743	47,119,060
Net income	53,286,236	46,244,410	4,178,355	103,709,001
Net income before tax	<u>\$ 20,536,179</u>	<u>19,576,006</u>	<u>(1,653,117)</u>	<u>38,459,068</u>
Total assets	<u>\$ 3,096,523,566</u>	<u>1,051,542,206</u>	<u>79,104,998</u>	<u>4,227,170,770</u>
<b>For the year ended December 31, 2018</b>	<b>Institutional banking</b>	<b>Retail banking</b>	<b>Other segments</b>	<b>Total</b>
Net interest income	\$ 32,649,395	19,731,878	412,090	52,793,363
Non-interest income	17,887,079	22,767,500	1,928,836	42,583,415
Net income	50,536,474	42,499,378	2,340,926	95,376,778
Net income before tax	<u>\$ 20,408,351</u>	<u>18,145,786</u>	<u>(2,822,618)</u>	<u>35,731,519</u>
Total assets	<u>\$ 2,919,712,453</u>	<u>975,650,565</u>	<u>64,214,800</u>	<u>3,959,577,818</u>

**CTBC BANK CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- (b) Geographic segment information: Not applicable to the interim financial statements.

<b>Region</b>	<b>For the years ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Net income :		
Taiwan	\$ 68,568,566	62,826,963
Asia	30,325,130	27,728,081
North America	<u>4,815,305</u>	<u>4,821,734</u>
Total	<b><u>\$ 103,709,001</u></b>	<b><u>95,376,778</u></b>
Non-current assets :		
Taiwan	\$ 90,440,381	77,268,546
Asia	21,139,800	18,507,216
North America	<u>2,936,187</u>	<u>2,332,268</u>
Total	<b><u>\$ 114,516,368</u></b>	<b><u>98,108,030</u></b>

- (c) Information on major customers: Not applicable to the interim financial statements.

For the years ended December 31, 2019 and 2018, no individual customer of the Bank and subsidiaries accounted for 10% or more of the Bank and subsidiaries' revenue in the statements of income. Therefore, disclosure of information on major customers is not required.

**CTBC BANK CO., LTD.**

**Financial Statements**

**With Independent Auditors' Report  
For the Years Ended December 31, 2019 and 2018**

**Address: No.166, 168, 170,186,188, Jingmao 2nd Rd., Nangang Dist., Taipei City  
115, Taiwan, R.O.C.**  
**Telephone: 886-2-3327-7777**

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.



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## Independent Auditors' Report

To the Board of Directors of CTBC Bank Co., Ltd.:

### Opinion

We have audited the financial statements of CTBC Bank Co., Ltd. ("the Bank"), which comprise the balance sheets as of December 31, 2019 and 2018, the statements of comprehensive income, changes in stockholders' equity and cash flows for the years ended December 31, 2019 and 2018, 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 at December 31, 2019 and 2018, and its financial performance and its cash flows for the years ended December 31, 2019 and 2018 in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms and Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants.

### Basis for Opinion

We conducted our audit of the financial statements as of and for the year ended December 31, 2019 in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants, Jin Kuan Yin No.10802731571 issued by the Financial Supervisory Commission, and the auditing standards generally accepted in the Republic of China. Furthermore, we conducted our audit of the financial statements as of and for the year ended December 31, 2018 in accordance with the Regulations Governing Auditing and Certification of Financial Statements of Financial Institutions 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 Auditors' 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.

### Emphasis of Matter

The judicial cases as stated in Note 9(d) are still under investigation by the judiciary, and the results remain uncertain. Our opinion is not modified in respect of this matter.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In our judgment, the key audit matters which should communicate through the auditors' report were as follows:

## 1. Assessment of the fair value of financial instruments

Please refer to Note 4 (e) for the related accounting policies of the assessment of the fair value of financial instruments, Note 5 for the accounting assumptions and estimation uncertainty, and Note 6 (ao) for the other details.

Description of key audit matter:

Parts of the financial instruments owned by the Bank as of December 31, 2019 were valued via evaluation model due to the lack of transaction prices at active market, and parts of the referred input values could not be obtained from the public market. Thus, it demands significant professional judgments from the management by using different valuation techniques and assumptions for input values. Therefore, the assessment of fair value of financial instruments is one of the key audit matters.

How the matter was addressed in our audit:

Our principal audit procedures included: Testing the management's control procedures over the classification, measurement and disclosure of fair value of financial instruments, including evaluating how the management determines the classification of financial instruments, chooses the appropriate evaluation method and decides the prime parameter hypothesis, and confirming that the presentation and disclosure of financial instruments are in accordance with the International Financial Reporting Standards (IFRSs). For financial instruments with active market prices, we used sampling test to assess the appropriateness of public quoted prices. As to financial instruments using evaluation model to measure their fair value, we used sampling test to confirm the appropriateness of the evaluation method and the prime input values used by the management.

## 2. Impairment of loans and receivables

Please refer to Note 4 (e) for the related accounting policies of impairment of loans and receivables, Note 5 for the accounting assumptions and estimation uncertainty, and Note 6 (h), (i), (j) and (ao) for the other details.

Description of key audit matter:

The management assessed the expected credit loss (ECL) of loans and receivables by identifying whether the credit risk of credit assets has significantly increased since initial recognition, then dividing ECL into 12-month ECL and lifetime ECL, and dividing them into collective assessment and individual assessment to measure them by using different impairment methods. For collective assessment, the impairment is calculated by establishing an impairment model and using the past loss experience, current market conditions and forward-looking estimation on assets with similar credit risk characteristic to form basic estimation. For individual assessment, the measurement is based on expected future recoverable cash flows. The aforementioned measurement methods involved significant professional judgments and estimation by the management; therefore, the impairment of loans and receivables is one of the key audit matters.

How the matter was addressed in our audit:

Our principal audit procedures included: Understanding the methodology and related control procedures on how the management assesses and measures the impairment amount of loans and receivables. For collective assessment, we assessed the impairment model adopted by the management and reviewed the appropriateness of the calculation of the impairment parameters (including probability of default, loss given default, exposure at default and recovery rate) via sampling. For individual assessment, we used sampling test to assess the appropriateness of the estimation of future recoverable amounts and the value of collateral. Meanwhile, we assessed whether the allowance for loans and receivables meets the regulation requirement.

## **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 Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms and Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants 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 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 the financial statements. We are responsible for the direction, supervision and performance of the audit and developing the Bank's 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 Chen, Chun-Kuang and Wu, Lin.

KPMG

Taipei, Taiwan (Republic of China)

March 27, 2020

#### **Notes to Readers**

The accompanying financial statements are intended only to present the statement of 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' audit 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' audit report and financial statements, the Chinese version shall prevail.

(Expressed in Thousands of New Taiwan Dollars)

See accompanying notes to financial statements.



(English Translation of Financial Statements Originally Issued in Chinese)  
CTBC BANK CO., 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 Share)

		2019		2018		Change
		Amount	%	Amount	%	%
41000	Interest income(note 6(ah) and 7)	\$ 65,422,458	75	58,744,203	74	11
51000	Less: Interest expenses(note 6(ah) and 7)	(25,528,720)	(29)	(21,833,097)	(28)	17
	<b>Net interest income(note 6(ah))</b>	<b>39,893,738</b>	<b>46</b>	<b>36,911,106</b>	<b>46</b>	<b>8</b>
	<b>Net non-interest income</b>					
49100	Service fee and commission income(note 6(ai) and 7)	31,931,917	37	28,683,436	36	11
49200	Gains on financial assets or liabilities measured at fair value through profit or loss (note 6(aj))	7,396,419	8	9,392,081	12	(21)
49310	Realized gains on financial assets measured at other comprehensive income	2,756,942	3	235,646	-	1,070
49450	Gains on derecognition of financial assets measured at amortized cost	-	-	29,600	-	(100)
49600	Foreign exchange gains	965,015	1	507,397	1	90
49700	Reversal of (provision for) impairment losses on assets	8,516	-	(5,470)	-	256
49750	Proportionate share of gains from associates or joint ventures under equity method (note 6(k))	5,970,601	7	5,212,004	7	15
49800	Other net non-interest income	611,621	1	1,062,243	1	(42)
49815	(Losses) gains on investment property	(6,140)	-	1,087	-	(665)
49899	Public-welfare lottery payment	(2,700,000)	(3)	(2,700,000)	(3)	-
	<b>Net revenue</b>	<b>86,828,629</b>	<b>100</b>	<b>79,329,130</b>	<b>100</b>	<b>9</b>
58200	<b>Provision for bad debt expenses, commitment and guarantee liability provision(note 6(j))</b>	<b>(4,514,556)</b>	<b>(5)</b>	<b>(4,009,560)</b>	<b>(5)</b>	<b>13</b>
	<b>Operating expenses:</b>					
58500	Employee benefits expenses(note 6(ak) and (am))	(24,389,108)	(28)	(22,414,647)	(28)	9
59000	Depreciation and amortization expenses(note 6(al))	(4,423,425)	(5)	(2,412,885)	(3)	83
59500	Other general and administrative expenses(note 6(an))	(16,794,033)	(19)	(16,465,641)	(21)	2
	<b>Total operating expenses</b>	<b>(45,606,566)</b>	<b>(52)</b>	<b>(41,293,173)</b>	<b>(52)</b>	<b>10</b>
	<b>Net income before tax from continuing operations</b>	<b>36,707,507</b>	<b>43</b>	<b>34,026,397</b>	<b>43</b>	<b>8</b>
61003	<b>Less: Income tax expenses (note 6(ac))</b>	<b>5,808,272</b>	<b>7</b>	<b>4,346,321</b>	<b>6</b>	<b>34</b>
	<b>Net income</b>	<b>30,899,235</b>	<b>36</b>	<b>29,680,076</b>	<b>37</b>	<b>4</b>
65000	<b>Other comprehensive income:</b>					
65200	<b>Items that will not be reclassified subsequently to profit or loss</b>					
65201	Remeasurements gains related to defined benefit plans	168,728	-	266,635	-	(37)
65205	Changes in designated as financial liabilities measured at fair value through profit or loss attributable to credit risk	1,396,988	2	1,112,346	2	26
65204	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	939,146	1	(133,778)	-	802
65207	Proportionate share of other comprehensive (losses) income from associates or joint ventures under the equity method	(59,235)	-	51,435	-	(215)
65220	Less: Income tax related to items that will not be reclassified to profit or loss	11,262	-	36,290	-	(69)
	Subtotal	2,434,365	3	1,260,348	2	93
65300	<b>Items that are or may be reclassified subsequently to profit or loss</b>					
65301	Exchange differences of overseas subsidiaries' financial reports translation	(542,678)	(1)	1,994,308	3	(127)
65308	Unrealized gains from investments in debt instruments measured at fair value through other comprehensive income	1,558,035	2	269,662	-	478
65307	Proportionate share of other comprehensive income (losses) from associates or joint ventures under the equity method	566,342	1	(401,965)	(1)	241
65320	Less: Income tax related to items that are or may be reclassified to profit or loss	300,161	-	50,343	-	496
	Subtotal	1,281,538	2	1,811,662	2	(29)
65000	<b>Other comprehensive income (net amount after tax)</b>	<b>3,715,903</b>	<b>5</b>	<b>3,072,010</b>	<b>4</b>	<b>21</b>
66000	<b>Total comprehensive income</b>	<b>\$ 34,615,138</b>	<b>41</b>	<b>32,752,086</b>	<b>41</b>	<b>6</b>
	<b>Earnings per share (unit: NT dollars) (note 6(ag))</b>	<b>\$ 2.14</b>		<b>2.06</b>		

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)  
CTBC BANK CO., LTD.

Statements of Changes in Stockholders' Equity  
For the years ended December 31, 2019 and 2018  
(Expressed in Thousands of New Taiwan Dollars)

	Capital stock	Retained earnings			Other equity interest				Change in designated as financial liabilities value through profit or loss attributable to credit risk	Total equity
	Common stock	Capital surplus	Legal reserve	Special reserve	Undistributed earnings	Exchange differences of overseas subsidiaries' financial reports translation	Unrealized (losses) gains on financial assets measured at fair value through other comprehensive income	Unrealized (losses) gains on available-for-sale financial assets		
<b>Balance at January 1, 2018</b>	\$ 140,685,719	29,788,688	71,848,629	18,069,266	30,137,931	(8,500,761)	-	(973,883)	(1,422,950)	279,632,639
Effects of retrospective application of new standards	-	-	-	-	513,783	(804)	(670,662)	973,883	-	816,200
Balance at January 1, 2018 after adjustments	140,685,719	29,788,688	71,848,629	18,069,266	30,651,714	(8,501,565)	(670,662)	-	(1,422,950)	280,448,839
Net income	-	-	-	-	29,680,076	-	-	-	-	29,680,076
Other comprehensive income (losses)	-	-	-	-	279,407	1,879,320	(199,063)	-	1,112,346	3,072,010
Total comprehensive income (losses)	-	-	-	-	29,959,483	1,879,320	(199,063)	-	1,112,346	32,752,086
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	-	9,006,435	-	(9,006,435)	-	-	-	-	-
Special reserve appropriated	-	-	-	3,669,391	(3,669,391)	-	-	-	-	-
Cash dividends of common share	-	-	-	-	(17,462,052)	-	-	-	-	(17,462,052)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(47,355)	-	47,355	-	-	-
Balance at December 31, 2018	140,685,719	29,788,688	80,855,064	21,738,657	30,425,964	(6,622,245)	(822,370)	-	(310,604)	295,738,873
Net income	-	-	-	-	30,899,235	-	2,922,769	-	-	30,899,235
Other comprehensive income(losses)	-	-	-	-	88,979	(692,833)	2,922,769	-	1,396,988	3,715,903
Total comprehensive income(losses)	-	-	-	-	30,988,214	(692,833)	2,922,769	-	1,396,988	34,615,138
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	-	8,904,023	-	(8,904,023)	-	-	-	-	-
Special reserve appropriated	-	-	-	148,400	(148,400)	-	-	-	-	-
Cash dividends of common share	-	-	-	-	(21,102,858)	-	-	-	-	(21,102,858)
Stock dividends of common share	3,413,035	-	-	-	(3,413,035)	-	-	-	-	-
Reversal of special reserve	-	-	-	(3,142,375)	3,142,375	-	-	-	-	-
Changes in equity of associates and joint ventures accounted for using equity method	-	2,773	-	-	(7,365)	-	-	-	-	(4,592)
Share-based payment transactions	-	1,603	-	-	-	-	-	-	-	1,603
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(127,171)	-	127,171	-	-	-
<b>Balance at December 31, 2019</b>	\$ 144,098,754	29,793,064	89,759,087	18,744,682	30,853,701	(7,315,078)	2,227,570	-	1,086,384	309,248,164

Note : For the years ended December 31, 2019 and 2018, the compensations of employees were \$18,824 and \$16,997, respectively, which were deducted from the statements of comprehensive income.

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)  
CTBC BANK CO., LTD.

Statements of Cash Flows

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	2019	2018
<b>Cash Flows from Operating Activities:</b>		
Net Income Before Tax	\$ 36,707,507	34,026,397
<b>Adjustments:</b>		
Income and expenses items:		
Depreciation expense	3,726,026	1,813,323
Amortization expense	709,737	611,380
Provision for expected credit loss / bad debt expenses, commitment and guarantee liability provision	4,514,556	4,009,560
Net gains on financial assets or liabilities measured at fair value through profit or loss	(2,032,868)	(1,425,236)
Interest expense	25,528,720	21,833,097
Interest income	(65,422,458)	(58,744,203)
Dividend income	(830,899)	(393,499)
Net change in other provisions	(128,424)	4,114
Share based payments	1,603	-
Proportionate share of gains from subsidiaries associates and joint ventures under the equity method	(5,970,601)	(5,212,004)
Losses on disposal and retirement of premises and equipment	14,247	10,748
Gains on disposal of investment properties	-	(4,072)
Losses on disposal and retirement of intangible assets	16,702	6,267
(Reversal of) provision for impairment losses on financial assets	(11,910)	3,157
Impairment losses on non-financial assets	3,394	2,313
Other adjustments	(741,325)	840,010
<b>Subtotal of income and expense items</b>	<b>(40,623,500)</b>	<b>(36,645,045)</b>
<b>Changes in Operating Assets and Liabilities:</b>		
Net Changes in Operating Assets:		
(Increase) decrease in due from Central Bank and call loans to banks	(18,861,151)	6,190,134
Increase in financial assets measured at fair value through profit or loss	(1,099,240)	(44,304,179)
Increase in financial assets measured at fair value through other comprehensive income	(57,764,803)	(46,656,440)
(Increase) decrease in investments in debt instruments at amortized cost	(100,596,036)	59,872,415
(Increase) decrease in hedging financial assets	(296,552)	102,798
Increase in receivables	(23,394)	(34,740,026)
Increase in loans	(112,143,083)	(149,252,199)
Decrease (increase) in other financial assets	1,162,419	(390,176)
<b>Net Changes in Operating Assets</b>	<b>(289,621,840)</b>	<b>(209,177,673)</b>
Net Changes in Operating Liabilities:		
(Decrease) increase in deposits from Central Bank and other banks	(25,012,890)	9,531,796
Increase in financial liabilities measured at fair value through profit or loss	18,014,514	19,470,250
(Decrease) increase in hedging financial liabilities	(146,758)	167,330
Increase in payables	954,837	4,486,545
Increase in deposits and remittances	246,787,704	140,284,228
(Decrease) increase in other financial liabilities	(2,371,095)	1,601,040
Decrease in employee benefits reserve	(161,359)	(151,258)
<b>Net Changes in Operating Liabilities</b>	<b>238,064,953</b>	<b>175,389,931</b>
<b>Net Changes in Operating Assets and Liabilities</b>	<b>(51,556,887)</b>	<b>(33,787,742)</b>
<b>Sum of Adjustments</b>	<b>(92,180,387)</b>	<b>(70,432,787)</b>
Cash Used in Operating Activities	(55,472,880)	(36,406,390)
Interest received	64,916,226	57,368,145
Dividends received	1,508,539	942,648
Interest paid	(21,528,692)	(17,099,443)
Income taxes paid	(3,621,721)	(4,838,785)
<b>Net Cash Flows Used in Operating Activities</b>	<b>(14,198,528)</b>	<b>(33,825)</b>

(English Translation of Financial Statements Originally Issued in Chinese)  
CTBC BANK CO., LTD.

Statements of Cash Flows

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	2019	2018
<b>Cash Flows from Investing Activities:</b>		
Acquisition of investments under equity method	\$ (928,593)	(795,471)
Increase in prepayments for investments	(954,169)	-
Purchase of premises and equipment	(2,438,591)	(2,352,556)
Disposal of premises and equipment	9,047	2,791
Purchase of intangible assets	(381,181)	(362,308)
Disposal of intangible assets	574	-
Disposal of investment properties	-	10,239
Increase in other assets	(4,981,680)	(7,918,054)
<b>Net Cash Flows Used in Investing Activities</b>	<u>(9,674,593)</u>	<u>(11,415,359)</u>
<b>Cash Flows from Financing Activities:</b>		
Decrease in due to Central bank and other banks	(396,555)	(373,716)
Repayments of financial debentures	-	(8,900,000)
Increase in securities sold under repurchase agreements	31,882,530	7,496,708
Increase in financial liabilities designated at fair value through profit or loss	-	6,914,925
Payment of lease liabilities	(1,591,588)	-
Increase in other liabilities	2,611,078	758,080
Cash dividends paid	(21,102,858)	(17,462,052)
Interest paid	(1,711,303)	(1,870,745)
<b>Net Cash Flows Provided by (Used in) Financing Activities</b>	<u>9,691,304</u>	<u>(13,436,800)</u>
<b>Decrease in Cash and Cash Equivalents</b>	<u>(14,181,817)</u>	<u>(24,885,984)</u>
<b>Cash and Cash Equivalents at the Beginning of Period</b>	<u>163,933,478</u>	<u>188,819,462</u>
<b>Cash and Cash Equivalents at the End of Period</b>	<u><b>\$ 149,751,661</b></u>	<u><b>163,933,478</b></u>
<b>Composition of Cash and Cash Equivalents:</b>		
Cash and cash equivalents recognized in balance sheet	\$ 61,185,120	80,277,801
Due from Central Bank and call loans to bank which meet IAS 7 definition of cash and cash equivalents	87,714,101	82,173,801
Securities purchased under resell agreements which meet IAS 7 definition of cash and cash equivalents	<u>852,440</u>	<u>1,481,876</u>
<b>Cash and Cash Equivalents at the End of Period</b>	<u><b>\$ 149,751,661</b></u>	<u><b>163,933,478</b></u>

See accompanying notes to financial statements.



CTBC BANK  
中國信託銀行