

**Far Eastern International Bank Ltd. and  
Subsidiaries**

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

## INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and the Shareholders  
Far Eastern International Bank Ltd.

### Introduction

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

### Scope of Review

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

### Conclusion

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of Far Eastern International Bank Ltd. and its subsidiaries as of March 31, 2021 and 2020, and of its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 2021 and 2020 in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors' review report are Chun-Hung Chen and Yin-Chou Chen.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

May 6, 2021

Notice to Readers

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

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

# FAR EASTERN INTERNATIONAL BANK LTD. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

	March 31, 2021 (Reviewed)		December 31, 2020 (Audited)		March 31, 2020 (Reviewed)	
	Amount	%	Amount	%	Amount	%
<b>ASSETS</b>						
<b>ASSETS</b>						
Cash and cash equivalents (Note 6)	\$ 7,953,001	1	\$ 6,409,009	1	\$ 13,740,528	2
Due from the Central Bank and other banks (Notes 7 and 39)	27,551,312	4	33,137,664	5	30,051,686	5
Financial assets at fair value through profit or loss (Notes 8, 38 and 43)	30,719,766	5	31,757,436	5	48,675,304	7
Financial assets at fair value through other comprehensive income (Notes 9, 11, 28, 39, 43 and 44)	172,956,759	25	177,659,673	26	135,354,696	20
Investment in debt instruments at amortized cost, net (Notes 10, 11 and 43)	1,079,378	-	1,077,764	-	2,558,531	-
Securities purchased under resale agreements, net (Notes 12 and 38)	4,576,603	1	10,960,705	2	12,069,271	2
Receivables, net (Notes 13, 38 and 44)	21,231,801	3	21,300,724	3	20,138,326	3
Discounts and loans, net (Notes 14, 38 and 44)	399,378,692	59	383,192,769	56	399,693,056	59
Investment accounted for using equity method (Notes 15 and 28)	1,927,485	-	1,911,929	-	1,822,960	-
Other financial assets, net (Notes 16 and 39)	6,424,495	1	6,654,960	1	7,797,544	1
Property and equipment, net (Note 17)	2,984,193	1	2,984,953	1	2,946,359	1
Right-of-use assets, net (Note 18)	1,058,893	-	825,209	-	973,168	-
Intangible assets, net (Note 19)	1,642,265	-	1,648,636	-	1,667,748	-
Deferred tax assets (Notes 4 and 36)	183,030	-	212,925	-	315,856	-
Other assets	313,318	-	313,111	-	279,791	-
<b>TOTAL</b>	<b>\$ 679,980,991</b>	<b>100</b>	<b>\$ 680,047,467</b>	<b>100</b>	<b>\$ 678,084,824</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>						
<b>LIABILITIES</b>						
Due to the Central Bank and other banks (Notes 20 and 44)	\$ 621,953	-	\$ 984,839	-	\$ 11,942,554	2
Funds borrowed from the Central Bank and other banks (Notes 44 and 46)	24,140	-	22,340	-	-	-
Financial liabilities at fair value through profit or loss (Notes 8, 38 and 43)	4,091,990	1	5,196,435	1	5,450,798	1
Securities sold under repurchase agreements (Notes 9, 21, 44 and 46)	3,402,084	1	3,530,487	1	10,533,837	2
Payables (Notes 22 and 44)	6,112,255	1	5,054,390	1	13,830,548	2
Current tax liabilities (Note 4)	245,488	-	176,737	-	370,313	-
Deposits and remittances (Notes 23, 38 and 44)	568,807,056	84	582,152,911	86	542,827,049	80
Bank debentures (Notes 24, 43, 44 and 46)	22,601,900	3	22,601,900	3	25,001,900	4
Principal received on structured products (Note 44)	20,347,863	3	8,190,621	1	16,969,971	2
Other financial liabilities (Notes 25, 44 and 46)	1,581,573	-	868,202	-	880,170	-
Provisions (Notes 26 and 38)	1,009,678	-	1,063,091	-	1,193,968	-
Lease liabilities (Notes 18, 38, 44 and 46)	1,065,412	-	839,255	-	979,486	-
Other liabilities (Note 46)	622,494	-	622,554	-	653,215	-
<b>Total liabilities</b>	<b>630,533,886</b>	<b>93</b>	<b>631,303,762</b>	<b>93</b>	<b>630,633,809</b>	<b>93</b>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE BANK (Notes 9, 15 and 28)</b>						
Share capital	34,481,044	5	34,481,044	5	33,558,193	5
Capital surplus	456,426	-	456,426	-	456,426	-
Retained earnings						
Legal reserve	9,547,845	1	9,547,845	1	8,458,068	1
Special reserve	23,543	-	23,543	-	76,215	-
Unappropriated earnings	4,039,915	1	3,259,093	1	4,569,977	1
Total retained earnings	13,611,303	2	12,830,481	2	13,104,260	2
Other equity	898,332	-	975,754	-	332,136	-
<b>Total equity</b>	<b>49,447,105</b>	<b>7</b>	<b>48,743,705</b>	<b>7</b>	<b>47,451,015</b>	<b>7</b>
<b>TOTAL</b>	<b>\$ 679,980,991</b>	<b>100</b>	<b>\$ 680,047,467</b>	<b>100</b>	<b>\$ 678,084,824</b>	<b>100</b>

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

# FAR EASTERN INTERNATIONAL BANK LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

(Reviewed, Not Audited)

	For the Three Months Ended March 31				Percentage Increase (Decrease) %
	2021		2020		
	Amount	%	Amount	%	
INTEREST REVENUES (Notes 29 and 38)	\$ 2,377,018	84	\$ 2,893,919	126	(18)
INTEREST EXPENSES (Notes 18, 29 and 38)	<u>782,948</u>	<u>28</u>	<u>1,420,347</u>	<u>62</u>	(45)
NET INTERESTS	<u>1,594,070</u>	<u>56</u>	<u>1,473,572</u>	<u>64</u>	8
NET REVENUES AND GAINS OTHER THAN INTEREST					
Net service fee income (Notes 30 and 38)	863,748	31	956,562	42	(10)
Gain (loss) on financial assets and liabilities at fair value through profit or loss (Notes 31, 38 and 43)	285,865	10	(281,008)	(12)	202
Realized gain (loss) on financial assets at fair value through other comprehensive income (Notes 9 and 28)	(18,132)	-	2,737	-	(762)
Net foreign exchange gain	1,105	-	57,514	2	(98)
Shares of profit of associates for using equity method (Note 15)	38,220	1	30,675	1	25
Others	<u>66,372</u>	<u>2</u>	<u>59,297</u>	<u>3</u>	12
Total net revenues and gains other than interest	<u>1,237,178</u>	<u>44</u>	<u>825,777</u>	<u>36</u>	50
NET REVENUES	<u>2,831,248</u>	<u>100</u>	<u>2,299,349</u>	<u>100</u>	23
PROVISION FOR LOSS ON BAD DEBTS EXPENSE, COMMITMENT AND GUARANTEE (Notes 13, 14, 16, 26 and 38)	<u>134,241</u>	<u>5</u>	<u>233,184</u>	<u>10</u>	(42)

(Continued)

# FAR EASTERN INTERNATIONAL BANK LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

(Reviewed, Not Audited)

	For the Three Months Ended March 31				Percentage Increase (Decrease) %
	2021		2020		
	Amount	%	Amount	%	
<b>OPERATING EXPENSES</b>					
Employee benefits expense (Notes 4, 27, 32, 33 and 38)	\$ 1,062,458	38	\$ 958,024	42	11
Depreciation and amortization (Notes 17, 18 and 34)	179,587	6	177,838	8	1
Other general and administrative expenses (Notes 18, 35 and 38)	<u>533,393</u>	<u>19</u>	<u>528,056</u>	<u>23</u>	1
Total operating expenses	<u>1,775,438</u>	<u>63</u>	<u>1,663,918</u>	<u>73</u>	7
<b>INCOME BEFORE INCOME TAX</b>	921,569	32	402,247	17	129
<b>INCOME TAX EXPENSE</b> (Notes 4 and 36)	<u>122,488</u>	<u>4</u>	<u>22,814</u>	<u>1</u>	437
<b>NET INCOME FOR THE PERIOD</b>	<u>799,081</u>	<u>28</u>	<u>379,433</u>	<u>16</u>	111
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b> (Notes 4, 9, 11, 15, 27, 28 and 36)					
Items that will not be reclassified subsequently to profit or loss:					
Unrealized gain (loss) on valuation of investments in equity instruments at fair value through other comprehensive income	132,013	5	(267,566)	(12)	149
Share of other comprehensive income (loss) of associates for using equity method	<u>1,347</u>	<u>-</u>	<u>(1,450)</u>	<u>-</u>	193
	<u>133,360</u>	<u>5</u>	<u>(269,016)</u>	<u>(12)</u>	150
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations	(6,815)	-	(5,522)	-	(23)
Share of other comprehensive income (loss) of associates for using equity method	(24,011)	(1)	(18,787)	(1)	(28)

(Continued)

# FAR EASTERN INTERNATIONAL BANK LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

(Reviewed, Not Audited)

	For the Three Months Ended March 31				Percentage Increase (Decrease) %
	2021		2020		
	Amount	%	Amount	%	
Gain (loss) on investments in debt instruments measured at fair value through other comprehensive income	\$ (199,872)	(7)	\$ 77,824	4	(357)
Income tax benefit relating to items that may be reclassified subsequently	1,657	-	2,670	-	(38)
	(229,041)	(8)	56,185	3	(508)
Other comprehensive loss for the period	(95,681)	(3)	(212,831)	(9)	55
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>\$ 703,400</b>	<b>25</b>	<b>\$ 166,602</b>	<b>7</b>	<b>322</b>
<b>NET INCOME ATTRIBUTABLE TO:</b>					
Owners of the Bank	\$ 799,081	28	\$ 379,433	16	111
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>					
Owners of the Bank	\$ 703,400	25	\$ 166,602	7	322
<b>EARNINGS PER SHARE (Note 37)</b>					
Basic	\$0.23		\$0.11		
Diluted	\$0.23		\$0.11		

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

(Concluded)

**FAR EASTERN INTERNATIONAL BANK LTD. AND SUBSIDIARIES**

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

	Equity Attributable to Shareholders of the Parent					Others		Total Equity
	Share Capital (Note 28)	Capital Surplus (Note 28)	Retained Earnings (Note 28)			Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income (Notes 9 and 28)	
			Legal Reserve	Special Reserve	Unappropriated Earnings			
BALANCE AT JANUARY 1, 2020	\$ 33,558,193	\$ 456,426	\$ 8,458,068	\$ 76,215	\$ 4,299,505	\$ (72,090)	\$ 508,096	\$ 47,284,413
Net income for the three months ended March 31, 2020	-	-	-	-	379,433	-	-	379,433
Other comprehensive income (loss) for the three months ended March 31, 2020	-	-	-	-	-	(2,852)	(209,979)	(212,831)
Total comprehensive income (loss) for the three months ended March 31, 2020	-	-	-	-	379,433	(2,852)	(209,979)	166,602
Disposal of investments in equity instruments at fair value through other comprehensive income (loss)	-	-	-	-	(108,961)	-	108,961	-
BALANCE AT MARCH 31, 2020	<u>\$ 33,558,193</u>	<u>\$ 456,426</u>	<u>\$ 8,458,068</u>	<u>\$ 76,215</u>	<u>\$ 4,569,977</u>	<u>\$ (74,942)</u>	<u>\$ 407,078</u>	<u>\$ 47,451,015</u>
BALANCE AT JANUARY 1, 2021	\$ 34,481,044	\$ 456,426	\$ 9,547,845	\$ 23,543	\$ 3,259,093	\$ (196,471)	\$ 1,172,225	\$ 48,743,705
Net income for the three months ended March 31, 2021	-	-	-	-	799,081	-	-	799,081
Other comprehensive income (loss) for the three months ended March 31, 2021	-	-	-	-	-	(5,158)	(90,523)	(95,681)
Total comprehensive income (loss) for the three months ended March 31, 2021	-	-	-	-	799,081	(5,158)	(90,523)	703,400
Disposal of investments in equity instruments at fair value through other comprehensive income (loss)	-	-	-	-	(18,259)	-	18,259	-
BALANCE AT MARCH 31, 2021	<u>\$ 34,481,044</u>	<u>\$ 456,426</u>	<u>\$ 9,547,845</u>	<u>\$ 23,543</u>	<u>\$ 4,039,915</u>	<u>\$ (201,629)</u>	<u>\$ 1,099,961</u>	<u>\$ 49,447,105</u>

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



# FAR EASTERN INTERNATIONAL BANK LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 921,569	\$ 402,247
Adjustments for:		
Depreciation	172,599	170,862
Amortization	6,988	6,976
Provision for loss on bad debts expense, commitment and guarantee	259,088	338,281
Net valuation loss on financial assets and liabilities at fair value through profit or loss	18,231	865,987
Interest expenses	782,948	1,420,347
Interest revenues	(2,377,018)	(2,893,919)
Dividends revenue	(4,895)	(4,317)
Shares of profit from associates	(38,220)	(30,675)
Unrealized net gain on foreign currency exchange	(29,252)	(21,565)
Other adjustments	(13,458)	(26,340)
Changes in operating assets and liabilities		
Decrease (increase) in due from the Central Bank and other banks	209,864	(244,408)
Decrease in financial assets at fair value through profit or loss	1,010,807	3,518,725
Decrease (increase) in financial assets at fair value through other comprehensive income	4,598,158	(3,641,544)
Decrease (increase) in receivables	(224,983)	2,082,067
Increase in discounts and loans	(16,600,480)	(15,241,005)
Increase (decrease) in due to the Central Bank and other banks	(353,179)	805,473
Increase (decrease) in financial liabilities at fair value through profit or loss	(1,104,445)	1,541,494
Increase in payables	1,196,506	6,907,242
Increase (decrease) in deposits and remittances	(13,012,103)	5,500,400
Increase in principal received on structured products	<u>12,172,785</u>	<u>8,054,616</u>
Cash generated from (used in) operations	(12,408,490)	9,510,944
Interest received	2,373,615	2,883,844
Dividends received	458	-
Interest paid	(788,946)	(1,309,965)
Income tax paid	<u>14,585</u>	<u>(86,653)</u>
Net cash generated from (used in) operating activities	<u>(10,808,778)</u>	<u>10,998,170</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property and equipment	(69,438)	(120,341)
Proceeds from disposal of property and equipment	93	25
Decrease (increase) in other financial assets	225,374	(2,235,149)
Increase in other assets	<u>(37,017)</u>	<u>(17,012)</u>
Net cash generated from (used in) investing activities	<u>119,012</u>	<u>(2,372,477)</u>

(Continued)

# FAR EASTERN INTERNATIONAL BANK LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2021	2020
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in funds borrowed from the Central Bank and other banks	\$ 1,800	\$ -
Increase (decrease) in securities sold under repurchase agreements	(131,461)	869,340
Repayments of the principal portion of lease liabilities	(111,237)	(115,793)
Increase (decrease) in other financial liabilities	713,371	(121,753)
Decrease in other liabilities	(1,077)	(8,109)
Net cash generated from financing activities	471,396	623,685
<b>EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>		
	(52,280)	(36,465)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		
	(10,270,650)	9,212,913
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD</b>		
	36,990,984	34,212,120
<b>CASH AND CASH EQUIVALENTS, END OF THE PERIOD</b>		
	\$ 26,720,334	\$ 43,425,033

Reconciliation of the amounts in the consolidated statements of cash flows with the equivalent items reported in the consolidated balance sheets is as follows:

	March 31, 2021	December 31, 2020	March 31, 2020
Cash and cash equivalents in consolidated balance sheets	\$ 7,953,001	\$ 6,409,009	\$ 13,740,528
Due from the Central Bank and other banks that meet the IAS 7 definition of “cash and cash equivalents”	14,190,730	19,621,270	17,615,234
Securities purchased under resale agreements that meet the IAS 7 definition of “cash and cash equivalents”	4,576,603	10,960,705	12,069,271
Cash and cash equivalents in consolidated statements of cash flows	\$ 26,720,334	\$ 36,990,984	\$ 43,425,033

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

(Concluded)

# **FAR EASTERN INTERNATIONAL BANK LTD. AND SUBSIDIARIES**

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

---

### **1. GENERAL INFORMATION**

Far Eastern International Bank Ltd. (the “Bank”) obtained its license on January 11, 1992 and started its business on April 11, 1992. The Bank (a) accepts deposits and extends loans and guarantees; (b) issues letters of credit, handles domestic and foreign remittances, and accepts commercial drafts; (c) invests in securities and acts as an agent for trading government bonds, corporate bonds and bank debentures; and (d) conducts relevant businesses that are authorized by the relevant authorities.

The operations of the Bank’s Trust Department include pecuniary trust, securities trust, real estate trust, creditor’s right of money or guarantee, movable property trust and ground right trust and related operations. These operations are regulated under the Banking Act and Trust Enterprise Act.

As of March 31, 2021, the Bank’s operating units included the Business Department, International Banking Department, Trust Department, Credit Card Department, Offshore Banking Unit (OBU), and 55 domestic branches, as well as an overseas branch in Hong Kong.

The Bank’s shares are listed on the Taiwan Stock Exchange. Global depositary receipts (GDR), which represent ownership of ordinary shares of the Bank, have been listed on the Luxembourg Stock Exchange since January 2014.

### **2. APPROVAL OF FINANCIAL REPORTS**

The consolidated financial statements were reported to the Bank’s Board of Directors on May 6, 2021.

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

- a. The Bank and its subsidiaries’ initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Public Banks and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC) and SIC Interpretations (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

Except as described below, the initial application of the amendments to the IFRSs endorsed and issued into effect by the FSC will not have material impact on the Bank and its subsidiaries’ accounting policies:

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

The Bank and its subsidiaries have chosen to apply the practical expediency of the amendments to deal with the changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities are accounted for by updating the effective interest rate at the time the basis is changed, provided the changes are necessary as a direct result of the reform and the new basis is economically equivalent to the previous basis.

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

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

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

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

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

Note 4: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 5: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 6: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 7: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

The impacts on the Bank and its subsidiaries are described as follows:

1) Amendments to IAS 1 “Disclosure of Accounting Policies”

The amendments specify that the enterprise should refer to the definition of material to determine its material accounting policy information to be disclosed. Accounting policy information is material if it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments also clarify that:

- Not all accounting policy information relating to material transactions, other events or conditions is itself material;
- Accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed; and
- The enterprise may consider the accounting policy information as material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial.

The amendments also illustrate that accounting policy information is likely to be considered as material to the financial statements if that information relates to material transactions, other events or conditions and:

- a) The enterprise changed its accounting policy during the reporting period and this change resulted in a material change to the information in the financial statements;
- b) The enterprise chose the accounting policy from options permitted by the standards;
- c) The accounting policy was developed in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” in the absence of an IFRS that specifically applies;
- d) The accounting policy relates to an area for which the enterprise is required to make significant judgements or assumptions in applying an accounting policy, and the enterprise discloses those judgements or assumptions; or
- e) The accounting is complex and users of the financial statements would otherwise not understand those material transactions, other events or conditions.

2) Amendments to IAS 8 “Definition of Accounting Estimates”

The amendments define that accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty. In applying accounting policies, the Bank and its subsidiaries may be required to measure items at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, the Bank and its subsidiaries use measurement techniques or inputs to develop accounting estimates to achieve the objective. The effects on an accounting estimate of a change in a measurement technique or a change in an input are changes in accounting estimates unless they result from the correction of prior period errors.

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

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### Statement of Compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks and IAS 34 “Interim Financial Reporting” as endorsed and issued into effect by the FSC. Disclosure information included in the interim financial statements is less than those required in a complete set of annual financial statements.

##### Basis of Preparation

The financial reports have been prepared on the historical cost basis except for financial instruments which are measured at fair value and net benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

##### Current and Noncurrent Assets and Liabilities

Accounts included in the balance sheets are not classified as current or noncurrent since the major components of the financial reports are from the banking sector, whose operating cycle cannot be reasonably identified. Nevertheless, accounts are properly categorized in accordance with their nature and sequenced by their liquidity. Refer to Note 44 for the maturity analysis of liabilities.

##### Basis of Consolidation

- a. Principles of preparing consolidated financial reports

The financial reports incorporate the financial reports of the Bank and its subsidiaries.

Intercompany transactions, balances, income and expenses between the Bank and its subsidiaries have been eliminated upon consolidation.

- b. Entities included in financial reports

Entities included in financial reports were as follows:

Investor Company	Investee Company	Nature of Businesses	% of Ownership		
			March 31, 2021	December 31, 2020	March 31, 2020
The Bank	Far Eastern Asset Management Co., Ltd. (“FEAMC”)	Purchase, evaluation, auction and management of rights of financial institution creditors	100	100	100
	Far Eastern International Securities Co., Ltd. (“FEIS”)	Foreign securities broker, wealth management and offshore fund consulting	100	100	100
Far Eastern Asset Management Co., Ltd. (“FEAMC”)	FEIB Financial Leasing Co., Ltd. (“FEIL”)	Leasing operation	100	100	100

##### Other Significant Accounting Policies

Except for those described below, please refer to consolidated financial statements as of December 31, 2020 for details of summary of significant accounting policies.

a. Post-employment benefits

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

b. Taxation

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

## 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The same critical accounting judgements and key sources of estimation uncertainty have been followed in the financial statements as were applied in the preparation of the consolidated financial statements for the year ended December 31, 2020.

## 6. CASH AND CASH EQUIVALENTS

	March 31, 2021	December 31, 2020	March 31, 2020
Cash on hand	\$ 3,231,180	\$ 2,623,863	\$ 3,078,344
Notes and checks for clearing	1,311,306	368,465	7,826,008
Deposits due from other banks	3,040,004	3,062,445	2,712,908
Balance with other banks	<u>370,511</u>	<u>354,236</u>	<u>123,268</u>
	<u>\$ 7,953,001</u>	<u>\$ 6,409,009</u>	<u>\$ 13,740,528</u>

## 7. DUE FROM THE CENTRAL BANK AND OTHER BANKS

	March 31, 2021	December 31, 2020	March 31, 2020
Due from other banks	\$ 7,278,390	\$ 13,173,772	\$ 1,103,934
New Taiwan dollar reserve deposits - Type A	6,781,670	6,316,477	16,388,136
New Taiwan dollar reserve deposits - Type B	13,360,582	13,516,394	12,436,452
Foreign-currency reserve deposits	<u>130,670</u>	<u>131,021</u>	<u>123,164</u>
	<u>\$ 27,551,312</u>	<u>\$ 33,137,664</u>	<u>\$ 30,051,686</u>

The reserve deposits are required by law and determined at a prescribed percentage of the monthly average balances. The Type B reserve deposits can be withdrawn only when the balances are adjusted monthly. The Type A and foreign-currency reserve deposits can be withdrawn on demand but bear no interest.

As of March 31, 2021, December 31, 2020 and March 31, 2020, due from the Central Bank and other banks falling in the definition of IAS 7 "cash and cash equivalents" (i.e. short-term, highly liquid investments, readily convertible to known amounts of cash and subject to an insignificant risk of changes in value); amounted to \$14,190,730 thousand, \$19,621,270 thousand and \$17,615,234 thousand, respectively, and were included in cash and cash equivalents in the consolidated statements of cash flows.

The assets pledged as collaterals are disclosed in Note 39.

## 8. FINANCIAL ASSETS AND LIABILITIES AT FVTPL

### Financial assets mandatorily classified as at FVTPL

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
<b>Non-derivative financial assets</b>			
Government bond	\$ 12,320,895	\$ 11,750,113	\$ 14,252,099
Stock listed on TWSE and TPEX	762,580	673,149	594,278
Beneficiary certificates	551,944	234,854	181,955
Commercial paper	-	-	10,217,514
Negotiable certificates of deposit	-	-	600,221
	<u>13,635,419</u>	<u>12,658,116</u>	<u>25,846,067</u>
<b>Derivative financial assets</b>			
Foreign-currency swap contracts	2,658,872	3,319,867	1,875,765
Interest rate swap contracts	1,412,615	1,413,015	1,938,470
Currency option contracts	385,441	603,815	695,753
Forward exchange contracts	238,156	404,968	186,568
Others	165,378	251,617	90,642
	<u>4,860,462</u>	<u>5,993,282</u>	<u>4,787,198</u>
<b>Hybrid contract</b>			
Asset swap fixed-income	8,503,245	8,998,110	13,429,919
Credit linked loan contracts	2,462,417	2,350,490	2,992,226
Credit linked note contracts	1,061,193	1,574,134	1,366,368
Convertible bonds	197,030	183,304	253,526
	<u>12,223,885</u>	<u>13,106,038</u>	<u>18,042,039</u>
<b>Total financial assets mandatorily classified as at FVTPL</b>	<u>\$ 30,719,766</u>	<u>\$ 31,757,436</u>	<u>\$ 48,675,304</u>

### Financial liabilities at FVTPL

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
<b>Derivative financial liabilities</b>			
Foreign-currency swap contracts	\$ 2,341,262	\$ 2,995,733	\$ 2,395,321
Interest rate swap contracts	964,204	1,038,249	1,810,041
Currency option contracts	385,622	604,574	696,530
Forward exchange contracts	292,189	351,565	158,715
Credit default swap	1,149	239	296,283
Others	107,564	206,075	93,908
	<u>4,091,990</u>	<u>5,196,435</u>	<u>5,450,798</u>
<b>Total financial liabilities at FVTPL</b>	<u>\$ 4,091,990</u>	<u>\$ 5,196,435</u>	<u>\$ 5,450,798</u>

The Bank engages in derivative transactions mainly to accommodate customers' needs, manage its exposure positions and to accommodate its fund needs in different currencies.



Outstanding derivative contract (notional) amounts were as follows:

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
Foreign-currency swap contracts	\$ 378,942,087	\$ 388,506,251	\$ 371,724,259
Interest rate swap contracts	195,563,441	150,874,919	157,928,951
Currency option contracts	64,459,609	68,220,685	107,549,929
Forward exchange contracts	22,826,974	19,346,925	22,507,017
Seller of credit default swap contracts	17,159,514	19,430,192	24,028,893
Interest rate option contracts	4,853,100	4,850,800	5,025,400
Cross-currency swap contracts	2,147,875	3,374,610	6,505,090
Forward contracts	507,869	370,749	-
Bond futures	487,880	417,057	1,201,064
Non-deliverable forward contracts	39,552	40,121	60,774
Stock index futures	13,175	10,350	-
Stock index options	-	160,600	-
Convertible bond option contracts	-	-	1,200

## 9. FINANCIAL ASSETS AT FVTOCI

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
<u>Investments in equity instruments</u>			
Stock listed on TWSE and TPEX	\$ 1,512,498	\$ 1,088,114	\$ 1,005,293
Stock unlisted on TWSE and TPEX	296,158	296,158	319,751
	<u>1,808,656</u>	<u>1,384,272</u>	<u>1,325,044</u>
<u>Investments in debt instruments</u>			
Negotiable certificates of deposit	75,970,519	80,153,487	60,364,557
Government bonds	37,015,025	36,594,394	38,116,763
Commercial paper	23,293,065	24,930,474	-
Corporate bonds	15,415,901	14,819,283	9,408,520
Bank debentures	15,236,653	15,489,183	18,671,942
Mortgage backed securities	4,216,940	4,288,580	7,467,870
	<u>171,148,103</u>	<u>176,275,401</u>	<u>134,029,652</u>
Total financial assets at FVTOCI	<u>\$ 172,956,759</u>	<u>\$ 177,659,673</u>	<u>\$ 135,354,696</u>

The above investments in equity instrument in the form of ordinary shares for medium- and long-term strategic purposes and expects to make a profit through long-term investments. Therefore, the designated investments are selected to be measured at FVTOCI. The Bank recognized dividends revenue from equity instruments at FVTOCI as below:

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Dividends revenue recognized in profit or loss		
On equity held at period end	\$ 4,437	\$ 4,317
On equity disposed of in current period	<u>-</u>	<u>-</u>
	<u>\$ 4,437</u>	<u>\$ 4,317</u>

Because of the consideration of asset allocation, the management adjusted the portfolio; the information about disposal of equity instruments in the current period is as below:

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Fair value at the date of disposal	<u>\$ 95,487</u>	<u>\$ 176,120</u>
Accumulated loss transferred to retained earnings due to disposal	<u>\$ (19,628)</u>	<u>\$ (107,821)</u>

For the above information of credit risk management and impairment assessment on investments in debt instruments at FVTOCI, refer to Note 11. For the information of mortgage backed securities, refer to Note 39.

Part of the bank debentures and government bonds have been issued under repurchase agreements. The book value were as follows. Refer to Note 21 for related information.

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
Bank debentures	<u>\$ 2,964,411</u>	<u>\$ 3,412,187</u>	<u>\$ 10,972,552</u>
Government bonds	<u>\$ 595,272</u>	<u>\$ 302,764</u>	<u>\$ -</u>

#### **10. DEBT INSTRUMENT INVESTMENT MEASURED AT AMORTIZED COST**

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
Corporate bonds	\$ 570,620	\$ 570,160	\$ 605,080
Bank debentures	<u>508,877</u>	<u>507,721</u>	<u>1,953,613</u>
	1,079,497	1,077,881	2,558,693
Less: Allowance for loss	<u>119</u>	<u>117</u>	<u>162</u>
	<u>\$ 1,079,378</u>	<u>\$ 1,077,764</u>	<u>\$ 2,558,531</u>

For the information on related financial assets' credit risk management and impairment at amortized cost, see Note 11.

#### **11. CREDIT RISK MANAGEMENT OF INVESTMENTS IN DEBT INSTRUMENTS**

The policy which the Bank implements is to invest only in debt instruments with credit ratings above (and including) investment grade and with impairment low in credit risk. The Bank continued to track external rating information to monitor changes in credit risk of the investments in debt instruments and to review other information such as the bond yield curve and the debtor's material information to assess whether the credit risk of the debt instrument investments has increased significantly since the original recognition.

The Bank considers the historical default loss rate provided by the independent rating agencies, the debtor's current financial status and the industry's forward-looking forecast to measure the 12-month expected credit loss or full-lifetime expected credit loss of the debt instrument investments.

The investments in debt instruments are classified as financial assets at FVTOCI and financial assets at amortized cost. The information of changes in carrying amount were as follows:

March 31, 2021

	<b>At FVTOCI</b>	<b>At Amortized Cost</b>	<b>Total</b>
Total carrying amount	\$ 170,557,891	\$ 1,079,497	\$ 171,637,388
Less: Impairment loss	<u>14,343</u>	<u>119</u>	<u>14,462</u>
Amortized cost	170,543,548	<u>\$ 1,079,378</u>	171,622,926
Fair value adjustment	<u>604,555</u>		<u>604,555</u>
	<u>\$ 171,148,103</u>		<u>\$ 172,227,481</u>

December 31, 2020

	<b>At FVTOCI</b>	<b>At Amortized Cost</b>	<b>Total</b>
Total carrying amount	\$ 175,486,919	\$ 1,077,881	\$ 176,564,800
Less: Impairment loss	<u>15,946</u>	<u>117</u>	<u>16,063</u>
Amortized cost	175,470,973	<u>\$ 1,077,764</u>	176,548,737
Fair value adjustment	<u>804,428</u>		<u>804,428</u>
	<u>\$ 176,275,401</u>		<u>\$ 177,353,165</u>

March 31, 2020

	<b>At FVTOCI</b>	<b>At Amortized Cost</b>	<b>Total</b>
Total carrying amount	\$ 133,459,672	\$ 2,558,693	\$ 136,018,365
Less: Impairment loss	<u>6,299</u>	<u>162</u>	<u>6,461</u>
Amortized cost	133,453,373	<u>\$ 2,558,531</u>	136,011,904
Fair value adjustment	<u>576,279</u>		<u>576,279</u>
	<u>\$ 134,029,652</u>		<u>\$ 136,588,183</u>

The investments in debt instruments indicates normal credit level under assessment. The information of changes in allowance for loss which is 12-month expected credit loss were as follows:

For the three months ended March 31, 2021

	<b>At FVTOCI</b>	<b>At Amortized Cost</b>	<b>Total</b>
Beginning on January 1, 2021	\$ 15,946	\$ 117	\$ 16,063
Purchase of new debt instruments	8,503	-	8,503
Derecognition	(10,007)	-	(10,007)
Exchange rate and other changes	<u>(99)</u>	<u>2</u>	<u>(97)</u>
Balance on March 31, 2021	<u>\$ 14,343</u>	<u>\$ 119</u>	<u>\$ 14,462</u>

For the three months ended March 31, 2020

	<b>At FVTOCI</b>	<b>At Amortized Cost</b>	<b>Total</b>
Beginning on January 1, 2020	\$ 8,905	\$ 256	\$ 9,161
Purchase of new debt instruments	836	-	836
Derecognition	(210)	-	(210)
Exchange rate and other changes	<u>(3,232)</u>	<u>(94)</u>	<u>(3,326)</u>
Balance on March 31, 2020	<u>\$ 6,299</u>	<u>\$ 162</u>	<u>\$ 6,461</u>

**12. SECURITIES PURCHASED UNDER RESALE AGREEMENTS**

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
Government bonds	\$ 2,311,817	\$ 7,439,318	\$ 9,247,190
Commercial paper	2,265,498	2,474,535	2,823,086
Negotiable certificates of deposit	-	<u>1,048,085</u>	-
	<u>4,577,315</u>	<u>10,961,938</u>	<u>12,070,276</u>
Less: Allowance for loss	<u>712</u>	<u>1,233</u>	<u>1,005</u>
	<u>\$ 4,576,603</u>	<u>\$ 10,960,705</u>	<u>\$ 12,069,271</u>
Resale date	2021.04.01- 2021.04.26	2021.01.04- 2021.01.29	2020.04.01- 2020.04.22
Resale price	<u>\$ 4,578,043</u>	<u>\$ 10,963,209</u>	<u>\$ 12,072,120</u>

The total carrying amounts shown above have been included as cash and cash equivalents in the statements of cash flows.

**13. RECEIVABLES, NET**

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
Credit card	\$ 12,974,826	\$ 13,954,185	\$ 12,843,286
Factoring	3,056,341	2,650,059	2,963,698
Buying debt receivable	1,561,547	1,120,220	1,073,944
Interest	841,719	838,316	1,060,706
Acceptances	818,356	901,886	478,106
Forfeiting	735,864	755,913	-
Lease receivables	693,869	724,018	812,688
Spot exchange transactions	490,011	379,924	679,494
Others	<u>581,031</u>	<u>495,255</u>	<u>727,316</u>
	<u>21,753,564</u>	<u>21,819,776</u>	<u>20,639,238</u>
Less: Allowance for possible losses	<u>521,763</u>	<u>519,052</u>	<u>500,912</u>
	<u>\$ 21,231,801</u>	<u>\$ 21,300,724</u>	<u>\$ 20,138,326</u>

The changes in the total carrying amount of receivables and other financial assets were as follows:

	<b>For the Three Months Ended March 31, 2021</b>			
	<b>Stage 1 (Note 1)</b>	<b>Stage 2 (Note 2)</b>	<b>Stage 3 (Note 3)</b>	<b>Total</b>
Beginning on January 1, 2021	\$ 19,336,317	\$ 61,434	\$ 1,178,967	\$ 20,576,718
Changes of financial instruments recognized at the beginning of the period:				
Transfer to Stage 2	(47,973)	52,222	(238)	4,011
Transfer to Stage 3	(30,631)	(21,067)	54,809	3,111
Transfer to Stage 1	9,384	(14,387)	(256)	(5,259)
Financial assets derecognized in the current period	(5,075,328)	(5,375)	(61,589)	(5,142,292)
Purchased or original financial assets	4,901,924	1,690	9,633	4,913,247
Write-offs	(83)	(12,466)	(20,517)	(33,066)
Exchange rate and other changes	<u>(14,616)</u>	<u>(471)</u>	<u>(2,868)</u>	<u>(17,955)</u>
Balance on March 31, 2021	<u>\$ 19,078,994</u>	<u>\$ 61,580</u>	<u>\$ 1,157,941</u>	<u>\$ 20,298,515</u>

	<b>For the Three Months Ended March 31, 2020</b>			
	<b>Stage 1 (Note 1)</b>	<b>Stage 2 (Note 2)</b>	<b>Stage 3 (Note 3)</b>	<b>Total</b>
Beginning on January 1, 2020	\$ 20,173,268	\$ 69,452	\$ 1,270,097	\$ 21,512,817
Changes of financial instruments recognized at the beginning of the period:				
Transfer to Stage 2	(49,620)	54,109	(252)	4,237
Transfer to Stage 3	(34,454)	(23,955)	61,059	2,650
Transfer to Stage 1	9,715	(13,444)	(377)	(4,106)
Financial assets derecognized in the current period	(6,089,886)	(5,212)	(68,186)	(6,163,284)
Purchased or original financial assets	3,523,545	2,464	16,003	3,542,012
Write-offs	(923)	(17,365)	(26,080)	(44,368)
Exchange rate and other changes	<u>(10,297)</u>	<u>(3,741)</u>	<u>(1,491)</u>	<u>(15,529)</u>
Balance on March 31, 2020	<u>\$ 17,521,348</u>	<u>\$ 62,308</u>	<u>\$ 1,250,773</u>	<u>\$ 18,834,429</u>

Note 1: 12-Month ECLs.

Note 2: Lifetime ECLs.

Note 3: Lifetime ECLs (credit impairment on financial assets).

The changes in the allowance of receivables and other financial assets were as follows:

<b>For the Three Months Ended March 31, 2021</b>						
	<b>12-Month Expected Credit Loss (Stage 1)</b>	<b>Lifetime ECLs (Stage 2)</b>	<b>Lifetime ECLs (Credit Impairment on Financial Assets) (Stage 3)</b>	<b>Impairment Under the Guidelines of IFRS 9</b>	<b>The Difference of Impairment under the Regulations</b>	<b>Total</b>
Beginning on January 1, 2021	\$ 33,195	\$ 6,387	\$ 376,307	\$ 415,889	\$ 103,403	\$ 519,292
Changes of financial instruments recognized at the beginning of the period:						
Transfer to Stage 2	(23)	5,598	(42)	5,533	-	5,533
Transfer to Stage 3	(15)	(1,788)	13,864	12,061	-	12,061
Transfer to Stage 1	5	(1,783)	(30)	(1,808)	-	(1,808)
Financial assets derecognized in the current period	(3,936)	(662)	(10,933)	(15,531)	-	(15,531)
Purchased or original financial assets	11,604	235	4,328	16,167	-	16,167
The difference of impairment under the Regulations	-	-	-	-	(4,998)	(4,998)
Write-offs	(83)	(12,466)	(20,517)	(33,066)	-	(33,066)
Exchange rate and other changes	(102)	11,282	13,242	24,422	-	24,422
Balance on March 31, 2021	<u>\$ 40,645</u>	<u>\$ 6,803</u>	<u>\$ 376,219</u>	<u>\$ 423,667</u>	<u>\$ 98,405</u>	<u>\$ 522,072</u>
<b>For the Three Months Ended March 31, 2020</b>						
	<b>12-Month Expected Credit Loss (Stage 1)</b>	<b>Lifetime ECLs (Stage 2)</b>	<b>Lifetime ECLs (Credit Impairment on Financial Assets) (Stage 3)</b>	<b>Impairment Under the Guidelines of IFRS 9</b>	<b>The Difference of Impairment under the Regulations</b>	<b>Total</b>
Beginning on January 1, 2020	\$ 35,793	\$ 7,343	\$ 382,562	\$ 425,698	\$ 94,421	\$ 520,119
Changes of financial instruments recognized at the beginning of the period:						
Transfer to Stage 2	(21)	5,797	(46)	5,730	-	5,730
Transfer to Stage 3	(15)	(2,428)	16,073	13,630	-	13,630
Transfer to Stage 1	4	(2,040)	(67)	(2,103)	-	(2,103)
Financial assets derecognized in the current period	(9,057)	(879)	(12,177)	(22,113)	-	(22,113)
Purchased or original financial assets	5,853	287	4,922	11,062	-	11,062
The difference of impairment under the Regulations	-	-	-	-	(14,331)	(14,331)
Write-offs	(923)	(17,365)	(26,080)	(44,368)	-	(44,368)
Exchange rate and other changes	798	15,769	16,942	33,509	-	33,509
Balance on March 31, 2020	<u>\$ 32,432</u>	<u>\$ 6,484</u>	<u>\$ 382,129</u>	<u>\$ 421,045</u>	<u>\$ 80,090</u>	<u>\$ 501,135</u>

#### 14. DISCOUNTS AND LOANS, NET

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
Negotiations, discounts and overdraft	\$ 107,181	\$ 259,841	\$ 86,692
Short-term loans	78,345,378	66,840,656	82,489,824
Medium-term loans	147,058,553	144,009,562	146,532,509
Long-term loans	177,889,010	176,390,904	175,398,241
Overdue receivable	<u>1,569,542</u>	<u>1,355,749</u>	<u>525,066</u>
	404,969,664	388,856,712	405,032,332
Less: Allowance for possible losses	<u>5,590,972</u>	<u>5,663,943</u>	<u>5,339,276</u>
	<u>\$ 399,378,692</u>	<u>\$ 383,192,769</u>	<u>\$ 399,693,056</u>

The details of the provision for possible losses were as follows:

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Provision for possible losses - discounts and loans	\$ 268,140	\$ 340,485
Provision for possible losses - receivables and other financial assets	32,151	19,408
Reversal of possible losses - reserve for commitment and guarantee obligations	(41,203)	(21,612)
Amounts recovered - discounts and loans	(86,035)	(62,172)
Amounts recovered - receivables and other financial assets	<u>(38,812)</u>	<u>(42,925)</u>
	<u>\$ 134,241</u>	<u>\$ 233,184</u>

The changes in the total carrying amount of discounts and loan were as follows:

	<b>For the Three Months Ended March 31, 2021</b>			
	<b>Stage 1 (Note 1)</b>	<b>Stage 2 (Note 2)</b>	<b>Stage 3 (Note 3)</b>	<b>Total</b>
Beginning on January 1, 2021	\$ 383,428,760	\$ 1,054,943	\$ 4,373,009	\$ 388,856,712
Changes of financial instruments recognized at the beginning of the period:				
Transfer to Stage 2	(306,459)	302,484	(1,577)	(5,552)
Transfer to Stage 3	(232,027)	(341,835)	539,437	(34,425)
Transfer to Stage 1	328,328	(362,735)	(2,330)	(36,737)
Financial assets derecognized in the current period	(27,276,428)	(63,504)	(319,119)	(27,659,051)
Purchased or original financial assets	44,180,457	2,224	104,034	44,286,715
Write-offs	(1,535)	(138,877)	(208,456)	(348,868)
Exchange rate and other changes	<u>(91,860)</u>	<u>555</u>	<u>2,175</u>	<u>(89,130)</u>
Balance on March 31, 2021	<u>\$ 400,029,236</u>	<u>\$ 453,255</u>	<u>\$ 4,487,173</u>	<u>\$ 404,969,664</u>

	<b>For the Three Months Ended March 31, 2020</b>			
	<b>Stage 1 (Note 1)</b>	<b>Stage 2 (Note 2)</b>	<b>Stage 3 (Note 3)</b>	<b>Total</b>
Beginning on January 1, 2020	\$ 383,679,108	\$ 1,062,772	\$ 5,458,548	\$ 390,200,428
Changes of financial instruments recognized at the beginning of the period:				
Transfer to Stage 2	(682,254)	680,516	(3,312)	(5,050)
Transfer to Stage 3	(87,470)	(135,215)	222,141	(544)
Transfer to Stage 1	140,278	(144,294)	(4,109)	(8,125)
Financial assets derecognized in the current period	(30,446,622)	(96,784)	(331,529)	(30,874,935)
Purchased or original financial assets	46,111,272	1,877	98,125	46,211,274
Write-offs	-	(277,164)	(313,101)	(590,265)
Exchange rate and other changes	<u>91,814</u>	<u>5,469</u>	<u>2,266</u>	<u>99,549</u>
Balance on March 31, 2020	<u>\$ 398,806,126</u>	<u>\$ 1,097,177</u>	<u>\$ 5,129,029</u>	<u>\$ 405,032,332</u>

Note 1: 12-Month ECLs.

Note 2: Lifetime ECLs.

Note 3: Lifetime ECLs (credit impairment on financial assets).

The changes in the allowance of discounts and loan were as follows:

	For the Three Months Ended March 31, 2021					
	12-Month Expected Credit Loss (Stage 1)	Lifetime ECLs (Stage 2)	Lifetime ECLs (Credit Impairment on Financial Assets) (Stage 3)	Impairment Under the Guidelines of IFRS 9	The Difference of Impairment Under the Regulations	Total
Beginning on January 1, 2021	\$ 478,683	\$ 132,020	\$ 1,633,428	\$ 2,244,131	\$ 3,419,812	\$ 5,663,943
Changes of financial instruments recognized at the beginning of the period:						
Transfer to Stage 2	(1,002)	103,242	(1,410)	100,830	-	100,830
Transfer to Stage 3	(752)	(49,160)	367,161	317,249	-	317,249
Transfer to Stage 1	622	(31,491)	(2,136)	(33,005)	-	(33,005)
Financial assets derecognized in the current period	(29,594)	(29,333)	(137,723)	(196,650)	-	(196,650)
Purchased or original financial assets	110,074	1,271	38,386	149,731	-	149,731
The difference of impairment under the Regulations.	-	-	-	-	(207,881)	(207,881)
Write-offs	(1,535)	(138,877)	(208,456)	(348,868)	-	(348,868)
Exchange rate and other changes	695	138,109	6,819	145,623	-	145,623
Balance on March 31, 2021	<u>\$ 557,191</u>	<u>\$ 125,781</u>	<u>\$ 1,696,069</u>	<u>\$ 2,379,041</u>	<u>\$ 3,211,931</u>	<u>\$ 5,590,972</u>

	For the Three Months Ended March 31, 2020					
	12-Month Expected Credit Loss (Stage 1)	Lifetime ECLs (Stage 2)	Lifetime ECLs (Credit Impairment on Financial Assets) (Stage 3)	Impairment Under the Guidelines of IFRS 9	The Difference of Impairment Under the Regulations	Total
Beginning on January 1, 2020	\$ 690,586	\$ 101,911	\$ 849,067	\$ 1,641,564	\$ 3,934,047	\$ 5,575,611
Changes of financial instruments recognized at the beginning of the period:						
Transfer to Stage 2	(2,340)	73,117	(1,271)	69,506	-	69,506
Transfer to Stage 3	(140)	(32,288)	74,193	41,765	-	41,765
Transfer to Stage 1	233	(26,921)	(2,245)	(28,933)	-	(28,933)
Financial assets derecognized in the current period	(83,083)	(23,837)	(58,200)	(165,120)	-	(165,120)
Purchased or original financial assets	119,314	1,025	38,020	158,359	-	158,359
The difference of impairment under the Regulations.	-	-	-	-	(484,218)	(484,218)
Write-offs	-	(277,164)	(313,101)	(590,265)	-	(590,265)
Exchange rate and other changes	152	275,235	487,184	762,571	-	762,571
Balance on March 31, 2020	<u>\$ 724,722</u>	<u>\$ 91,078</u>	<u>\$ 1,073,647</u>	<u>\$ 1,889,447</u>	<u>\$ 3,449,829</u>	<u>\$ 5,339,276</u>

## 15. INVESTMENT ACCOUNTED FOR USING EQUITY METHOD

	March 31, 2021		December 31, 2020		March 31, 2020	
	Amount	% of Ownership	Amount	% of Ownership	Amount	% of Ownership
Dah Chung Bills Finance Corp.	\$ 1,794,056	22.06	\$ 1,782,278	22.06	\$ 1,705,314	22.06
Deutsche Far Eastern Asset Management Co., Ltd.	<u>133,429</u>	40.00	<u>129,651</u>	40.00	<u>117,646</u>	40.00
	<u>\$ 1,927,485</u>		<u>\$ 1,911,929</u>		<u>\$ 1,822,960</u>	

The Bank holds 22.06% of the shares and is the single largest shareholder of Dah Chung Bills Finance Corp (Dah Chung). The Bank does not have absolute difference in shareholding ratio compared with other shareholders, does not control more than half of the seats in the board of directors, does not have the control power to dominate the related activities, and only has significant influence over the invested company. Therefore, Dah Chung is reported as an associate in the financial statements.



The above associates are individually immaterial to the Bank and its subsidiaries; the share of the Bank and its subsidiaries in these associates' financial performance was summarized as follows:

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Net income from continuing operation	\$ 38,220	\$ 30,675
Other comprehensive income	<u>(22,664)</u>	<u>(20,237)</u>
Total comprehensive income	<u>\$ 15,556</u>	<u>\$ 10,438</u>

## 16. OTHER FINANCIAL ASSETS, NET

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
Nonaccrual loans other than discounts and loans	\$ 589	\$ 358	\$ 426
Less: Allowance for possible losses (Note 13)	<u>309</u>	<u>240</u>	<u>223</u>
	<u>280</u>	<u>118</u>	<u>203</u>
Refundable deposits	3,217,305	3,609,140	5,715,843
Less: Allowance for loss	<u>534</u>	<u>618</u>	<u>1,590</u>
	<u>3,216,771</u>	<u>3,608,522</u>	<u>5,714,253</u>
Interbank clearing account	2,000,406	2,000,158	1,002,911
Deposits with original maturity more than 3 months	869,000	876,400	852,000
Restricted assets	<u>338,038</u>	<u>169,762</u>	<u>228,177</u>
	<u>\$ 6,424,495</u>	<u>\$ 6,654,960</u>	<u>\$ 7,797,544</u>

The above restricted assets are margin and collection charged from customers placed in specified current deposit of FEIL.

The assets pledged as collaterals are disclosed in Note 39.

## 17. PROPERTY AND EQUIPMENT, NET

	<b>For the Three Months Ended March 31, 2021</b>						
	<b>Land</b>	<b>Buildings and Improvements</b>	<b>Computer Equipment</b>	<b>Transportation Equipment</b>	<b>Miscellaneous Equipment</b>	<b>Equipment Prepayment</b>	
<u>Cost</u>							
Beginning balance	\$ 1,447,433	\$ 1,148,967	\$ 2,296,186	\$ 1,281	\$ 1,563,669	\$ 24,576	\$ 6,482,112
Additions	-	413	32,297	-	3,758	32,970	69,438
Disposals	-	-	(15,490)	-	(5,426)	-	(20,916)
Others	-	-	6,338	-	(44)	(6,538)	(244)
Ending balance	<u>1,447,433</u>	<u>1,149,380</u>	<u>2,319,331</u>	<u>1,281</u>	<u>1,561,957</u>	<u>51,008</u>	<u>6,530,390</u>
<u>Accumulated depreciation</u>							
Beginning balance	-	603,003	1,520,111	1,247	1,372,798	-	3,497,159
Depreciation	-	6,560	50,364	9	13,166	-	70,099
Disposals	-	-	(15,490)	-	(5,426)	-	(20,916)
Others	-	3	(114)	-	(34)	-	(145)
Ending balance	<u>-</u>	<u>609,566</u>	<u>1,554,871</u>	<u>1,256</u>	<u>1,380,504</u>	<u>-</u>	<u>3,546,197</u>
Net ending balance	<u>\$ 1,447,433</u>	<u>\$ 539,814</u>	<u>\$ 764,460</u>	<u>\$ 25</u>	<u>\$ 181,453</u>	<u>\$ 51,008</u>	<u>\$ 2,984,193</u>

	For the Three Months Ended March 31, 2020						
	Land	Buildings and Improvements	Computer Equipment	Transportation Equipment	Miscellaneous Equipment	Equipment Prepayment	Total
<u>Cost</u>							
Beginning balance	\$ 1,447,433	\$ 1,157,193	\$ 1,967,848	\$ 1,414	\$ 1,577,258	\$ 98,722	\$ 6,249,868
Additions	-	1,961	74,143	-	10,803	33,434	120,341
Disposals	-	-	(20,853)	(91)	(10,726)	-	(31,670)
Others	-	102	66,277	-	(24,375)	(65,626)	(23,622)
Ending balance	<u>1,447,433</u>	<u>1,159,256</u>	<u>2,087,415</u>	<u>1,323</u>	<u>1,552,960</u>	<u>66,530</u>	<u>6,314,917</u>
<u>Accumulated depreciation</u>							
Beginning balance	-	591,638	1,380,608	1,344	1,362,987	-	3,336,577
Depreciation	-	6,623	41,725	10	15,116	-	63,474
Disposals	-	-	(20,853)	(92)	(10,705)	-	(31,650)
Others	-	-	72	-	85	-	157
Ending balance	-	<u>598,261</u>	<u>1,401,552</u>	<u>1,262</u>	<u>1,367,483</u>	-	<u>3,368,558</u>
Net ending balance	<u>\$ 1,447,433</u>	<u>\$ 560,995</u>	<u>\$ 685,863</u>	<u>\$ 61</u>	<u>\$ 185,477</u>	<u>\$ 66,530</u>	<u>\$ 2,946,359</u>

The above items of property and equipment are depreciated on a straight-line basis over the following estimated useful lives:

Buildings and improvements	5 to 55 years
Computer equipment	3 to 7 years
Transportation equipment	3 to 7 years
Miscellaneous equipment	3 to 20 years

## 18. LEASE ARRANGEMENTS

The Bank and its subsidiaries lease buildings mainly for the use of the Bank's branches and offices. Right-of-use assets, lease liabilities and recognition of depreciation expense and interest expense are as follows:

	March 31, 2021	December 31, 2020	March 31, 2020
Net carrying amount of right-of-use assets	<u>\$ 1,058,893</u>	<u>\$ 825,209</u>	<u>\$ 973,168</u>
Carrying amount of lease liabilities	<u>\$ 1,065,412</u>	<u>\$ 839,255</u>	<u>\$ 979,486</u>
The range of discount rate	0.70%-5.27%	0.70%-5.27%	0.70%-5.27%

The right-of-use assets disclosed above did not have sublease and impairment during the three months ended March 31, 2021 and 2020.

	For the Three Months Ended March 31	
	2021	2020
Additions to right-of-use assets	<u>\$ 336,289</u>	<u>\$ 56,959</u>
Cash outflow for leases	<u>\$ 115,011</u>	<u>\$ 120,032</u>
Depreciation expense of right-of-use assets	<u>\$ 102,500</u>	<u>\$ 107,388</u>
Interest expense of lease liabilities	<u>\$ 2,385</u>	<u>\$ 2,327</u>
Other lease information		
Short-term lease expenses	<u>\$ 1,389</u>	<u>\$ 1,912</u>

## 19. INTANGIBLE ASSETS, NET

	March 31, 2021	December 31, 2020	March 31, 2020
Operation rights	\$ 1,538,210	\$ 1,538,210	\$ 1,538,210
Fair value of core deposits	<u>428,887</u>	<u>428,887</u>	<u>428,887</u>
	1,967,097	1,967,097	1,967,097
Less: Accumulated amortization	<u>324,832</u>	<u>318,461</u>	<u>299,349</u>
	<u>\$ 1,642,265</u>	<u>\$ 1,648,636</u>	<u>\$ 1,667,748</u>

In April 2010, the Bank acquired the assets and liabilities of Chinfon Bank, classified as Package B of Chinfon Bank, through a bidding process. The acquired management and operation rights of Chinfon Bank's branches have indefinite useful life, while the fair value of core deposits is amortized over 4 to 15 years.

After assessed the operation rights of branches have indefinite useful life, and the operation rights are expected to generate net cash flows continuously; therefore, the operation rights are not amortized annually.

The Bank assessed the recoverable amount of the cash generating unit of the operation rights for impairment in 2020 and 2019; the recoverable amount is determined based on the net fair value. To reflect risks specific to the operation right, the net fair value was then calculated using the discounted cash flows based on the Bank's financial forecast, and no impairment was assessed. Therefore, the Bank did not recognize any impairment loss on its operation rights for the three months ended March 31, 2021 and 2020.

## 20. DUE TO THE CENTRAL BANK AND OTHER BANKS

	March 31, 2021	December 31, 2020	March 31, 2020
Call loans to banks	\$ 585,650	\$ 955,890	\$ 11,928,634
Due to banks	27,830	20,269	13,920
Bank overdrafts	<u>8,473</u>	<u>8,680</u>	<u>-</u>
	<u>\$ 621,953</u>	<u>\$ 984,839</u>	<u>\$ 11,942,554</u>

## 21. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

	March 31, 2021	December 31, 2020	March 31, 2020
Bank debentures (Note 9)	\$ 2,804,489	\$ 3,227,448	\$ 10,533,837
Government bonds (Note 9)	<u>597,595</u>	<u>303,039</u>	<u>-</u>
	<u>\$ 3,402,084</u>	<u>\$ 3,530,487</u>	<u>\$ 10,533,837</u>
Repurchase date	2021.04.05- 2021.04.19	2021.01.06- 2021.01.19	2020.04.01- 2020.05.22
Repurchase price	<u>\$ 3,402,881</u>	<u>\$ 3,532,088</u>	<u>\$ 10,550,443</u>

## 22. PAYABLES

	March 31, 2021	December 31, 2020	March 31, 2020
Accrued expenses	\$ 1,732,403	\$ 1,604,630	\$ 1,754,442
Notes and checks for clearing	1,311,306	368,465	7,826,008
Liabilities on bank acceptances	818,356	901,886	478,106
Accounts payable factoring	700,750	679,375	987,873
Accrued interest	656,395	662,393	1,119,385
Securities settlement payables	135,065	24,993	975,870
Others	<u>757,980</u>	<u>812,648</u>	<u>688,864</u>
	<u>\$ 6,112,255</u>	<u>\$ 5,054,390</u>	<u>\$ 13,830,548</u>

## 23. DEPOSITS AND REMITTANCES

	March 31, 2021	December 31, 2020	March 31, 2020
Checking deposits	\$ 3,034,761	\$ 2,852,142	\$ 5,516,780
Demand deposits	114,103,437	119,892,800	76,343,283
Demand savings	89,081,345	84,021,440	75,557,693
Time savings	70,375,925	71,626,336	74,892,900
Negotiable certificates of deposit	827,500	826,500	1,620,500
Time deposits	291,362,584	302,855,297	308,833,127
Remittances	<u>21,504</u>	<u>78,396</u>	<u>62,766</u>
	<u>\$ 568,807,056</u>	<u>\$ 582,152,911</u>	<u>\$ 542,827,049</u>

## 24. BANK DEBENTURES

### Domestic Bank Debentures

Item	Issuance Period	Note	March 31, 2021	December 31, 2020	March 31, 2020
Subordinated bank debentures - seven-year maturity; first issue in 2013	2013.11.06-2020.11.06	Interest payable on November 6 each year fixed interest rate at 2.10%	\$ -	\$ -	\$ 4,000,000
Subordinated bank debentures - seven-year maturity; first issue in 2014	2014.12.23-2021.12.23	Interest payable on December 23 each year fixed interest rate at 2.05%	1,100,000	1,100,000	1,100,000
Subordinated bank debentures - seven-year maturity; first issue in 2015	2015.09.30-2022.09.30	Interest payable on September 30 each year fixed interest rate at 1.95%	3,000,000	3,000,000	3,000,000
Subordinated bank debentures - seven-year maturity; first issue in 2016	2016.09.27-2023.09.27	Interest payable on September 27 each year fixed interest rate at 1.55%	4,000,000	4,000,000	4,000,000
Subordinated bank debentures - perpetual; first issue in 2018	2018.09.18-	Interest payable on September 18 each year fixed interest rate at 3.20%	2,900,000	2,900,000	2,900,000
General bank debentures - five-year maturity; first issue in 2019	2019.02.21-2024.02.21	Interest payable on February 21 each year fixed interest rate at 0.95%	2,500,000	2,500,000	2,500,000
Subordinated bank debentures - seven-year maturity; second issue in 2019	2019.07.30-2026.07.30	Interest payable on July 30 each year fixed interest rate at 1.15%	2,000,000	2,000,000	2,000,000

(Continued)

Item	Issuance Period	Note	March 31, 2021	December 31, 2020	March 31, 2020
Subordinated bank debentures - ten-year maturity; second issue in 2019	2019.07.30-2029.07.30	Interest payable on July 30 each year fixed interest rate at 1.25%	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000
General bank debentures - five-year maturity; third issue in 2019	2019.09.26-2024.09.26	Interest payable on September 26 each year fixed interest rate at 0.75%	3,500,000	3,500,000	3,500,000
Subordinated bank debentures - seven-year maturity; first issue in 2020	2020.11.26-2027.11.26	Interest payable on November 26 each year fixed interest rate at 0.75%	1,600,000	1,600,000	-
Subordinated bank debentures - seven-year maturity; 1-1 issue in 2005; acquired from Chinfon Bank	Matured on 2012.06.28	-	1,660	1,660	1,660
Subordinated bank debentures - seven-year maturity; 1-1 issue in 2002; acquired from Chinfon Bank	Matured on 2009.06.28	-	<u>240</u>	<u>240</u>	<u>240</u>
Total bank debentures			<u>\$ 22,601,900</u>	<u>\$ 22,601,900</u>	<u>\$ 25,001,900</u> (Concluded)

The Bank issued the first issuance of perpetual non-cumulative subordinated bank debentures in 2018 in the amount of \$2,900,000 thousand on September 18, 2018 with an interest rate of 3.20% and the interest is paid once a year if the interest payment condition is met. After five years of issuance, the Bank has the right to redeem in advance under the regulation of issuance and the permission by authorities.

## 25. OTHER FINANCIAL LIABILITIES

	March 31, 2021	December 31, 2020	March 31, 2020
Deposit received	\$ 631,848	\$ 408,350	\$ 460,210
Bank loan	500,000	210,000	370,000
Commercial paper	<u>449,725</u>	<u>249,852</u>	<u>49,960</u>
	<u>\$ 1,581,573</u>	<u>\$ 868,202</u>	<u>\$ 880,170</u>
Interest rates	1.02%-1.04%	1.04%-1.05%	1.18%-1.20%

The details of commercial paper were as follows:

	March 31, 2021	December 31, 2020	March 31, 2020
Mega Bank	\$ 200,000	\$ -	\$ -
Shin Kong Bank	100,000	100,000	-
International Bills Finance Corp.	50,000	50,000	-
Mega Bills Finance Corp.	50,000	50,000	50,000
Taiwan Finance Corp.	50,000	50,000	-
Less: Unamortized discount on commercial paper	<u>275</u>	<u>148</u>	<u>40</u>
	<u>\$ 449,725</u>	<u>\$ 249,852</u>	<u>\$ 49,960</u>
Interest rates	0.99%-1.04%	1.02%-1.05%	1.18%

## 26. PROVISIONS

	March 31, 2021	December 31, 2020	March 31, 2020
Reserve for employee benefits liability - defined benefit plans (Note 27)	\$ 688,775	\$ 700,977	\$ 886,625
Reserve for obligations guarantee	271,980	286,576	250,813
Reserve for financing commitment	<u>48,923</u>	<u>75,538</u>	<u>56,530</u>
	<u>\$ 1,009,678</u>	<u>\$ 1,063,091</u>	<u>\$ 1,193,968</u>

The changes in provision for losses on guarantees and financing commitments are as follows:

	For the Three Months Ended March 31, 2021					Total
	12-Month Expected Credit Loss (Stage 1)	Lifetime ECLs (Stage 2)	Lifetime ECLs (Credit Impairment on Financial Assets) (Stage 3)	Impairment Under the Guidelines of IFRS 9	The Difference of Impairment Under the Regulations	
Beginning on January 1, 2021	\$ 83,913	\$ 12,417	\$ 21,140	\$ 117,470	\$ 244,644	\$ 362,114
Changes of financial instruments recognized at the beginning of the period:						
Transfer to Stage 2	(9)	8,628	(50)	8,569	-	8,569
Transfer to Stage 3	(1)	(15)	410	394	-	394
Transfer to Stage 1	9	(7,215)	(99)	(7,305)	-	(7,305)
Financial assets derecognized in the current period	(5,386)	(904)	(268)	(6,558)	-	(6,558)
Purchased or original financial assets	9,737	952	-	10,689	-	10,689
The difference of impairment under the Regulations	-	-	-	-	(40,665)	(40,665)
Exchange rate and other changes	<u>(5,518)</u>	<u>(824)</u>	<u>7</u>	<u>(6,335)</u>	<u>-</u>	<u>(6,335)</u>
Balance on March 31, 2021	<u>\$ 82,745</u>	<u>\$ 13,039</u>	<u>\$ 21,140</u>	<u>\$ 116,924</u>	<u>\$ 203,979</u>	<u>\$ 320,903</u>
	For the Three Months Ended March 31, 2020					
	12-Month Expected Credit Loss (Stage 1)	Lifetime ECLs (Stage 2)	Lifetime ECLs (Credit Impairment on Financial Assets) (Stage 3)	Impairment Under the Guidelines of IFRS 9	The Difference of Impairment Under the Regulations	Total
Beginning on January 1, 2020	\$ 88,593	\$ 11,704	\$ 22,832	\$ 123,129	\$ 205,736	\$ 328,865
Changes of financial instruments recognized at the beginning of the period:						
Transfer to Stage 2	(7)	8,069	(7)	8,055	-	8,055
Transfer to Stage 3	(1)	(24)	514	489	-	489
Transfer to Stage 1	7	(8,417)	(454)	(8,864)	-	(8,864)
Financial assets derecognized in the current period	(10,127)	(1,038)	(256)	(11,421)	-	(11,421)
Purchased or original financial assets	12,612	86	-	12,698	-	12,698
The difference of impairment under the Regulations	-	-	-	-	(26,241)	(26,241)
Exchange rate and other changes	<u>2,528</u>	<u>1,219</u>	<u>15</u>	<u>3,762</u>	<u>-</u>	<u>3,762</u>
Balance on March 31, 2020	<u>\$ 93,605</u>	<u>\$ 11,599</u>	<u>\$ 22,644</u>	<u>\$ 127,848</u>	<u>\$ 179,495</u>	<u>\$ 307,343</u>

## 27. RETIREMENT BENEFIT PLANS

The Bank's pension expenses related to the defined benefit plans were estimated based on the pension cost rate determined by actuarial calculations on December 31, 2020 and 2019. The related pension expenses for the three months ended March 31, 2021 and 2020 were \$5,721 thousand and \$4,428 thousand, respectively.

## 28. EQUITY

### a. Share capital

#### Ordinary shares

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
Authorized shares (in thousands)	<u>5,500,000</u>	<u>5,500,000</u>	<u>4,500,000</u>
Authorized capital	<u>\$ 55,000,000</u>	<u>\$ 55,000,000</u>	<u>\$ 45,000,000</u>
Issued and paid shares (in thousands)	<u>3,448,104</u>	<u>3,448,104</u>	<u>3,355,819</u>
Issued capital	<u>\$ 34,481,044</u>	<u>\$ 34,481,044</u>	<u>\$ 33,558,193</u>

Issued ordinary shares with par value of \$10 are entitled to the right to vote and to receive dividends.

At the shareholders' meeting held on June 19, 2019, the Bank resolved to increase its capital by using its undistributed earnings of \$866,334 thousand. As a result, the Bank issued 86,633 thousand ordinary shares at a par value of NT\$10. After the issuance, the share capital of the Bank amounted to \$33,558,193 thousand.

At the shareholders' meeting held on June 11, 2020, the Bank resolved to increase its capital by using its undistributed earnings of \$922,851 thousand. As a result, the Bank issued 92,285 thousand ordinary shares at a par value of NT\$10. After the issuance, the share capital of the Bank amounted to \$34,481,044 thousand.

At the shareholders' meeting held on June 11, 2020, the Bank resolved to change its authorized capital to \$55,000,000 thousand. The amendment to the registration of capital was completed on July 7, 2020.

#### Global depository receipts

As of March 31, 2021, the outstanding GDRs were 214 thousand units, equivalent to 4,271 thousand ordinary shares

### b. Capital surplus

The capital surplus arising from shares issued in excess of par and treasury stock transactions may be used to offset a deficit, or, if the Bank has no deficit, distributed as cash dividends or transferred to capital (limited to a certain percentage of the Bank's paid-in capital and once a year). However, capital surplus arising from investment accounted for using equity method may not be used for any purpose.

### c. Retained earnings and dividend policy

The appropriations of earnings were approved in the shareholders' meetings held on June 11, 2020. In case of surplus after settlement of accounts for each fiscal year, the Bank shall recover all the losses incurred in the previous years, if any, before setting aside a legal reserve of thirty percent (30%) of the net profit and appropriating, according to law and regulations, a special reserve shall be retained, and shall first be distributed to the dividends of Preferred Stock. The remaining amount together with the accumulated retained profits of the last year and the reversals of special reserves are available for distribution as dividends for Common Stock. The dividends for Common Stock shall be distributed at least thirty per cent (30%) of the remaining amount. The Board of Directors shall prepare the earnings distribution in accordance with the existing circumstances at the time, taking into account the future development plan of the Bank. Any allocation of cash dividend shall, in principle, be no less than 10% of the total dividends to be distributed that year.

The Banking Law provides that, unless legal reserve reached the Bank's paid-in capital, cash dividends are limited to 15% of paid-in capital.

Under the Company Law, legal reserve should be appropriated until it has reached the Bank's paid-in capital. This reserve may be used to offset a deficit. According to an amendment to the Company Law, when the Bank has no deficit and its legal reserve has exceeded 25% of its paid-in capital, the excess may be distributed in the form of stocks or cash.

An amount equal to the net debit balance of other items of shareholders' equity (including exchange differences on translating foreign operations, unrealized gain (loss) on financial assets at FVTOCI) shall be transferred from unappropriated earnings to a special reserve before any appropriation of earnings. Any special reserve appropriated may be reversed to the extent of the decrease in the net debit balance.

The appropriations of earnings for the 2020 and 2019, which were proposed in the Bank's Board of Directors and approved in the shareholders' meetings on March 26, 2021 and June 11, 2020, respectively, were as follows:

	<u>Appropriation of Earnings</u>		<u>Dividends Per Share</u> <u>(Dollars)</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Cash dividends	\$ 1,124,082	\$ 1,570,524	\$0.326	\$0.468
Stock dividends	658,588	922,851	0.191	0.275

The appropriations of earnings for 2020 are subject to the resolution of the shareholders' meeting to be held on June 18, 2021.

From 2017, the Public Banks can reverse the same amount of the special reserve appropriated in 2016 to 2018 for the expenditure of employee transformation, settlement or educational training to enhance the ability of employees with respect to development of financial technology or business.

According to Rule No. 10802714560 issued by the FSC on May 15, 2019, a public bank shall no longer continue to appropriate earnings to special reserve for the purpose of protecting the interests of domestic bank practitioners in the development of financial technology, but still needs to budget for paying costs of employee transformation and training and for possible obligations of employees.

d. Other equity items

Unrealized gain or loss on financial assets measured at FVTOCI:

	<u>For the Three Months Ended</u> <u>March 31</u>	
	<u>2021</u>	<u>2020</u>
Beginning on January 1	\$ 1,172,225	\$ 508,096
Recognized for the current period		
Unrealized gain or loss		
Debt instruments	(222,441)	76,244
Equity instruments	132,013	(267,566)
Share of other comprehensive income (loss) of associates for using the equity method	(22,664)	(20,237)
Investment in debt instruments transferred to current income (loss) due to disposal	<u>22,569</u>	<u>1,580</u>
Other comprehensive income recognized for the current period	<u>(90,523)</u>	<u>(209,979)</u>

(Continued)



	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Loss of equity instruments transferred to retained earnings due to disposal	\$ 18,259	\$ 108,961
Balance on March 31	<u>\$ 1,099,961</u>	<u>\$ 407,078</u> (Concluded)

## 29. NET INTERESTS

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Interest revenues		
Discounts and loans	\$ 1,822,019	\$ 2,243,119
Securities	248,248	343,593
Credit cards	236,906	216,344
Others	<u>69,845</u>	<u>90,863</u>
	<u>2,377,018</u>	<u>2,893,919</u>
Interest expenses		
Deposits and remittances	654,049	1,127,138
Bank debentures	85,213	104,176
Structured products	28,646	84,096
Bonds under repurchase agreements	2,682	48,727
Others	<u>12,358</u>	<u>56,210</u>
	<u>782,948</u>	<u>1,420,347</u>
	<u>\$ 1,594,070</u>	<u>\$ 1,473,572</u>

## 30. NET SERVICE FEE INCOME

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Service fee income		
Fees from trustee business	\$ 300,048	\$ 243,874
Fees from credit card	208,452	219,390
Fees from brokering	197,246	163,167
Fees from insurance commission	152,117	176,901
Fees from loan	123,769	295,356
Others	<u>87,910</u>	<u>79,256</u>
	<u>1,069,542</u>	<u>1,177,944</u> (Continued)

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Service fee expense		
Refund from credit card	\$ 60,456	\$ 59,827
Visa and Master	37,375	34,929
National credit card center fee	28,273	12,967
Agency service fee	16,391	16,849
Interbank service fee	13,206	12,064
Credit investigation	11,774	12,298
Promotion service fee	1,232	33,435
Others	<u>37,087</u>	<u>39,013</u>
	<u>205,794</u>	<u>221,382</u>
	<u>\$ 863,748</u>	<u>\$ 956,562</u>

(Concluded)

### 31. NET GAIN ON FINANCIAL ASSETS AND LIABILITIES AT FVTPL

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Gain on disposal	\$ 262,933	\$ 502,905
Loss on valuation	(18,231)	(865,987)
Net interests	40,705	82,074
Dividends	<u>458</u>	<u>-</u>
	<u>\$ 285,865</u>	<u>\$ (281,008)</u>

### 32. EMPLOYEE BENEFITS EXPENSE

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Salaries	\$ 880,851	\$ 796,767
Labor and health insurance	64,662	60,674
Post-employment benefits (Note 27)	39,679	38,255
Others	<u>77,266</u>	<u>62,328</u>
	<u>\$ 1,062,458</u>	<u>\$ 958,024</u>

### 33. EMPLOYEES' COMPENSATION AND REMUNERATION OF DIRECTORS AND SUPERVISORS

According to the Bank's Articles, from the Bank's income before income tax, remuneration of directors and employees' compensation, the Bank should retain 3.5%-4.5% for employees' compensation and no greater than 1.5% for remuneration of directors. For the three months ended March 31, 2021 and 2020, the Bank's accrued employees' compensation were \$33,102 thousand and \$14,260 thousand, and the remuneration of directors were \$10,728 thousand and \$4,740 thousand, respectively.

On March 26, 2021 the Bank's Board of Directors resolved to pay employees' compensation of \$116,261 thousand and remuneration of directors of \$38,754 thousand for the year ended December 31, 2020, both in cash. If there is a change in the amounts after the consolidated financial statements for the year ended December 31, 2020 were authorized for issue, the differences will be recorded as a change in the accounting estimate and adjusted in the next year. There was no difference between the actual amounts of employees' compensation and remuneration of directors approved in 2020 and 2019 and the amounts recognized in the financial statements for the year ended December 31, 2020 and 2019.

Information on the employees' compensation and remuneration of directors resolved by the Bank's Board of Directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

#### 34. DEPRECIATION AND AMORTIZATION

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Depreciation		
Property and equipment (Note 17)	\$ 70,099	\$ 63,474
Leased right-of-use assets (Note 18)	<u>102,500</u>	<u>107,388</u>
	<u>\$ 172,599</u>	<u>\$ 170,862</u>
Amortization - intangible assets	<u>\$ 6,988</u>	<u>\$ 6,976</u>

#### 35. OTHER GENERAL AND ADMINISTRATIVE EXPENSES

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Tax and government fees	\$ 142,411	\$ 152,853
Marketing and advertising	135,960	104,379
Software	53,954	54,096
Telecommunications	39,921	41,612
Others	<u>161,147</u>	<u>175,116</u>
	<u>\$ 533,393</u>	<u>\$ 528,056</u>

#### 36. INCOME TAX EXPENSE

- a. Income tax expense recognized in profit or loss

The major components of tax expenses were as follows:

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Current tax expense	\$ 89,920	\$ 84,387
Deferred tax expense	<u>32,568</u>	<u>(61,573)</u>
Income tax expense recognized in profit or loss	<u>\$ 122,488</u>	<u>\$ 22,814</u>

b. Income tax benefit recognized in other comprehensive income

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Exchange differences on translation of foreign currency	<u>\$ 1,657</u>	<u>\$ 2,670</u>

c. Income tax assessments

The income tax returns of the Bank through 2018 had been assessed by the tax authorities. The income tax returns of FEIS and FEAMC through 2019 had been assessed by the tax authorities.

### 37. EARNINGS PER SHARE

The earnings per share (EPS) disclosed in the consolidated income statement are based on net income attributable to owners of the Bank.

	<b>Unit: NT\$ Per Share</b>	
	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Basic EPS	<u>\$ 0.23</u>	<u>\$ 0.11</u>
Diluted EPS	<u>\$ 0.23</u>	<u>\$ 0.11</u>

The net income and weighted average number of ordinary shares outstanding for EPS calculation were as follows:

#### Net Income for the Current Period

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Net income used in the computation of basic and diluted EPS	<u>\$ 799,081</u>	<u>\$ 379,433</u>

#### Number of Ordinary Shares (In Thousand Shares)

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Weighted average number of ordinary shares in the computation of basic EPS	3,448,104	3,448,104
Effect of dilutive potential ordinary shares Employees' compensation	<u>13,063</u>	<u>17,024</u>
Weighted average number of ordinary shares used in the computation of diluted EPS	<u>3,461,167</u>	<u>3,465,128</u>

The weighted average number of ordinary shares outstanding used in the calculation of the EPS for the three months ended March 31, 2020 was retroactively adjusted for the issuance of stock dividends. The basic and diluted after-tax EPS were adjusted retrospectively as follows:

	<b>Before Adjustment</b>	<b>After Adjustment</b>
Basic EPS	<u>\$ 0.11</u>	<u>\$ 0.11</u>
Diluted EPS	<u>\$ 0.11</u>	<u>\$ 0.11</u>

Employees' compensation for the current year should be considered in calculating the weighted-average number of shares outstanding used for calculating diluted EPS. The dilutive effect of the potential shares should be included in the calculation of diluted EPS until the board meeting resolves the number of shares to be distributed as employees' compensation at their board meeting in the following year.

### 38. RELATED-PARTY TRANSACTIONS

The Bank and its subsidiaries had significant business transactions with the following related parties:

<u>Related Party</u>	<u>Relationship with the Bank</u>
Ding Ding Integrated Marketing Service Co.	Chairman is the vice-chairman of the Bank
Asia Cement Corp.	Chairman is the vice-chairman of the Bank
Far Eastern Department Store Corp.	Chairman is the vice-chairman of the Bank
Yuan Ding Co., Ltd.	Chairman is the vice-chairman of the Bank
U-Ming Marine Transport Corp.	Chairman is the vice-chairman of the Bank
Far EasTone Telecommunications Corporation	Chairman is the vice-chairman of the Bank
Oriental Union Chemical Corporation	Chairman is the vice-chairman of the Bank
Far Eastern New Century Corp.	Chairman is the vice-chairman of the Bank
U-Ming Marine Transport (Singapore) Private, Ltd.	Chairman of parent company is the vice-chairman of the Bank
Yuan Long Stainless Steel Co.	Chairman of parent company is the vice-chairman of the Bank
Everest Textile Co., Ltd.	Chairman is a second-degree relative of the vice chairman of the Bank
Der Ching Investment Corporation	Chairman is a second-degree relative of the vice chairman of the Bank
Far Eastern International Leasing Corp.	Substantive related party
Pacific SOGO Department Stores Corporation	Substantive related party
Others	The Bank's chairman, vice-chairman, managers, their second-degree relatives or substantive related party

The significant transactions and account balances with the above parties (in addition to those disclosed in other notes) are summarized as follows:

a. Loans

Category	Number of Accounts and Related Party	Highest Balance in Current Period	Ending Balance	Normal Loans	Nonperforming Loans	Collateral	Transactions Terms Different from Those for Unrelated Parties
For the three months ended March 31, 2021							
Consumer loans	Four individuals	\$ 2,350	\$ 2,257	\$ 2,257	\$ -	Unsecured loan	Note 2
Loans for residential mortgage	Twenty nine individuals	323,148	304,594	304,594	-	Real estate	Note 2
Others	Yuan Long Stainless Steel Co.	650,000	650,000	650,000	-	Real estate	Note 2
	Everest Textile Co., Ltd.	501,127	501,127	501,127	-	Real estate	Note 2
	Others (Note 1)	502,445	119,645	119,645	-	Real estate, stock	Note 2
			<u>\$ 1,577,623</u>	<u>\$ 1,577,623</u>	<u>\$ -</u>	unlisted on TWSE, stock listed on TWSE and certificates of deposits	
For the three months ended March 31, 2020							
Consumer loans	Four individuals	2,452	\$ 2,414	\$ 2,414	\$ -	Unsecured loan	Note 2
Loans for residential mortgage	Twenty six individuals	271,981	263,713	263,713	-	Real estate	Note 2
Others	Yuan Long Stainless Steel Co.	1,600,000	1,250,000	1,250,000	-	Real estate	Note 2
	Asia Cement Corp.	500,000	500,000	500,000	-	Stock listed on TWSE	Note 2
	Far Eastern Department Store Corp.	500,000	500,000	500,000	-	Stock listed on TWSE	Note 2
	Others (Note 1)	2,515,253	636,414	636,414	-	Machinery, real estate, stock unlisted on TWSE, stock listed on TWSE and certificates of deposits	Note 2
			<u>\$ 3,152,541</u>	<u>\$ 3,152,541</u>	<u>\$ -</u>		

Note 1: The individual amount does not exceed 10% of the total disclosure amount.

Note 2: The terms of loans were no superior to those for unrelated parties.

	Interest Rate	Interest Revenues	Provision for (Reversal of) Possible Losses
For the three months ended March 31			
2021	0.58%-1.87%	<u>\$ 3,598</u>	<u>\$ 1,903</u>
2020	1.05%-3.22%	<u>\$ 7,956</u>	<u>\$ (5,106)</u>

Balances of related allowance for possible losses were \$17,299 thousand and \$32,844 thousand as of March 31, 2021 and 2020, respectively.

b. Guarantees

Related Party	Highest Balance in Current Period	Ending Balance	Reserve for Guarantee Obligations	Interest Rate	Collateral
For the three months ended March 31, 2021					
Far Eastern International Leasing Corp.	\$ 700,000	\$ 700,000	\$ 7,000	0.30%	Real estate
U-Ming Marine Transport Corp.	550,000	550,000	5,500	0.40%	Stock listed on TWSE
Der Ching Investment Corporation	180,000	180,000	1,800	0.50%-0.55%	Stock listed on TWSE
Others (Note)	237,200	229,000	2,290	0.50%-0.80%	Real estate, stock unlisted on TWSE and stock listed on TWSE
		<u>\$ 1,659,000</u>	<u>\$ 16,590</u>		

(Continued)

Related Party	Highest Balance in Current Period	Ending Balance	Reserve for Guarantee Obligations	Interest Rate	Collateral
For the three months ended <u>March 31, 2020</u>					
Far Eastern International Leasing Corp.	\$ 700,000	\$ 700,000	\$ 7,000	0.30%	Real estate
U-Ming Marine Transport Corp.	200,000	200,000	2,000	0.45%	Ship and certificates of deposit
Oriental Union Chemical Corporation	130,000	130,000	1,300	0.50%	Stock unlisted on TWSE
Others (Note)	93,000	<u>63,000</u>	<u>630</u>	0.60%-0.80%	Stock unlisted on TWSE and machinery
		<u>\$ 1,093,000</u>	<u>\$ 10,930</u>		

(Concluded)

Note: The individual amount does not exceed 10% of the total disclosure amount.

c. Derivative instruments (Note 8)

Related Party	Derivative Instrument	Contract Period	Nominal Amount	Valuation Gain (Loss)	Balance Sheet	
					Account	Balance
For the three months ended <u>March 31, 2021</u>						
U-Ming Marine Transport (Singapore) Private, Ltd. Asia Cement Corp.	Interest rate swap contracts	2012.09.27 - 2028.01.10	\$ 2,952,174	\$ (270,528)	Financial liabilities at FVTPL	\$ 12,052
	Cross-currency swap contracts	2018.12.25 - 2021.09.15	427,965	(27,310)	Financial liabilities at FVTPL	801
Far Eastern New Century Corp.	Forward exchange contracts	2021.01.06 - 2021.06.30	2,449,134	(25,256)	Financial assets at FVTPL	18,653
					Financial liabilities at FVTPL	43,909
For the three months ended <u>March 31, 2020</u>						
U-Ming Marine Transport (Singapore) Private, Ltd. Asia Cement Corp.	Interest rate swap contracts	2012.09.27 - 2027.09.30	3,337,092	91,259	Financial assets at FVTPL	75,692
	Cross-currency swap contracts	2018.12.25 - 2021.09.15	453,810	3,976	Financial assets at FVTPL	3,153
Far Eastern New Century Corp.	Forward exchange contracts	2020.01.08 - 2020.06.17	1,338,230	3,355	Financial assets at FVTPL	6,753
					Financial liabilities at FVTPL	3,398

d. Deposits

	March 31, 2021	December 31, 2020	March 31, 2020
Deposits of related parties (each account balance did not exceed 5% of total deposits)	<u>\$ 54,440,672</u>	<u>\$ 55,280,436</u>	<u>\$ 49,339,791</u>
Interest rate	0%-5.84%	0%-5.84%	0%-6.08%
		<b>For the Three Months Ended March 31</b>	
		<b>2021</b>	<b>2020</b>
Interest expenses		<u>\$ 48,642</u>	<u>\$ 112,259</u>

e. Lessee agreements

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
Lease liabilities - Yuan Ding Co., Ltd.	\$ 253,923	\$ -	\$ 74,247
Lease liabilities - Pacific SOGO Department Stores Corp.	19,544	20,826	20,269
Lease liabilities - Far Eastern Department Store Corp.	<u>16,211</u>	<u>17,242</u>	<u>24,654</u>
	<u>\$ 289,678</u>	<u>\$ 38,068</u>	<u>\$ 119,170</u>

The Bank rented part of its office premises from Yuan Ding Co., Ltd., Pacific SOGO Department Stores Corp. and Far Eastern Department Store Corp. Based on the lease agreements, the lease expenses were payable monthly.

f. Service fee expense

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Refund from credit card - Ding Ding Integrated Marketing Service Co.	\$ 38,114	\$ 36,065
Promotion Service fee - Far EasTone Telecommunications Corporation	<u>-</u>	<u>32,473</u>
	<u>\$ 38,114</u>	<u>\$ 68,538</u>

g. Operating expenses

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Marketing and advertising - Pacific SOGO Department Stores Corp.	\$ 22,106	\$ 27,503
Marketing and advertising - Far Eastern Department Store Corp.	<u>12,513</u>	<u>24,567</u>
	<u>\$ 34,619</u>	<u>\$ 52,070</u>

h. Compensation of key management personnel

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Short-term employee benefits	\$ 47,582	\$ 42,824
Post-employment benefits	<u>1,008</u>	<u>608</u>
	<u>\$ 48,590</u>	<u>\$ 43,432</u>



### 39. PLEDGED ASSETS

	March 31, 2021	December 31, 2020	March 31, 2020
FVTOCI			
Government bonds	\$ 3,645,553	\$ 3,651,851	\$ 3,650,993
Negotiable certificates of deposits	2,891,358	2,901,317	2,897,194
Other financial assets - deposits with original maturity more than 3 months	869,000	876,400	852,000
New Taiwan dollar reserve deposits - Type B	<u>500,000</u>	<u>500,000</u>	<u>-</u>
	<u>\$ 7,905,911</u>	<u>\$ 7,929,568</u>	<u>\$ 7,400,187</u>

The government bonds had been provided as the reserve for compensation of trust department as well as security bond for provisional seizures of the debtors' properties. The negotiable certificates of deposits had been pledged as collaterals to back the extension of intraday credit in the Central Bank's real-time gross settlement system. The balance of intraday credit and the amount of collateral may vary at any time. Deposits with original maturity of more than 3 months had been provided as collaterals for overdraft of domestic CNY settlement. New Taiwan dollar reserve deposits - Type B had been used as collaterals to apply for financing of project loans to small and medium enterprises affected by the COVID-19.

### 40. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in Note 44, the Bank and its subsidiaries contingent liabilities and commitments resulting from operating activities as of March 31, 2021, December 31, 2020 and March 31, 2020 are summarized as follows:

- a. Balance sheets and income statements of trust accounts and the trust assets lists were as follows:

#### Balance Sheets of Trust Accounts

	March 31, 2021	December 31, 2020	March 31, 2020
<u>Assets</u>			
Deposits in banks	\$ 8,249,331	\$ 6,412,823	\$ 6,160,440
Accounts receivable	1,709	1,948	9,324
Funds	45,196,834	43,573,775	40,449,602
Equity stocks	4,917,156	4,754,620	4,125,219
Bond investments	-	-	5,695
Real estate, net			
Land	4,441,144	4,516,109	4,173,122
Building	8,321	8,155	218,300
Construction in progress	2,049,185	1,781,096	899,837
Intangible assets			
Superficies	13,471	-	-
Marketable securities in custody	14,773,083	15,496,986	13,260,946
Others	<u>2,324,470</u>	<u>2,310,558</u>	<u>2,207,789</u>
	<u>\$ 81,974,704</u>	<u>\$ 78,856,070</u>	<u>\$ 71,510,274</u>

(Continued)

	March 31, 2021	December 31, 2020	March 31, 2020
<u>Liabilities</u>			
Accounts payable	\$ 1,543	\$ 1,716	\$ 1,824
Income tax payable	61	108	229
Marketable securities in custody payable	14,773,083	15,496,986	13,260,946
Trust capital	65,852,254	62,020,666	57,629,822
Reserve and earnings			
Net income or loss for current period	950,001	1,603,731	(866,364)
Accumulated profit or loss	397,731	(267,169)	1,484,446
Exchange	<u>31</u>	<u>32</u>	<u>(629)</u>
	<u>\$ 81,974,704</u>	<u>\$ 78,856,070</u>	<u>\$ 71,510,274</u> (Concluded)

#### Income Statements of Trust Accounts

	<u>For the Three Months Ended March 31</u>	
	2021	2020
Trust revenue		
Interest	\$ 5,996	\$ 10,073
Cash dividends	452,590	474,556
Realized capital gain - Funds	694,264	301,708
Unrealized capital gain - Common stock	160,337	-
Unrealized capital gain - Funds	<u>21,409</u>	<u>718</u>
	<u>1,334,596</u>	<u>787,055</u>
Trust expenses		
Management	13,658	18,738
Supervision	45	48
Taxes	723	1,251
Service charges	116,153	62,229
Realized capital loss - Funds	233,860	714,379
Unrealized capital loss - Bond	-	2
Unrealized capital loss - Common stock	-	846,535
Unrealized capital loss - Funds	<u>20,019</u>	<u>10,107</u>
	<u>384,458</u>	<u>1,653,289</u>
Net income (loss) before tax	950,138	(866,234)
Income tax	<u>137</u>	<u>130</u>
Net income (loss)	<u>\$ 950,001</u>	<u>\$ (866,364)</u>

## Trust Asset Lists

	March 31, 2021	December 31, 2020	March 31, 2020
Deposits in banks	\$ 8,249,331	\$ 6,412,823	\$ 6,160,440
Bonds investments	-	-	5,695
Funds	45,196,834	43,573,775	40,449,602
Equity stocks	4,917,156	4,754,620	4,125,219
Accounts receivable	1,709	1,948	9,324
Real estate, net			
Land	4,441,144	4,516,109	4,173,122
Building	8,321	8,155	218,300
Construction in progress	2,049,185	1,781,096	899,837
Intangible assets			
Superficies	13,471	-	-
Marketable securities in custody	14,773,083	15,496,986	13,260,946
Others	<u>2,324,470</u>	<u>2,310,558</u>	<u>2,207,789</u>
	<u>\$ 81,974,704</u>	<u>\$ 78,856,070</u>	<u>\$ 71,510,274</u>

As of March 31, 2021, December 31, 2020 and March 31, 2020, funds amounting to \$1,099,856 thousand, \$1,048,795 thousand and \$1,177,455 thousand, respectively, had been recognized in the OBU's books as investment in overseas securities through Non-discretionary Pecuniary Trust of the OBU.

### 41. UNSETTLED LITIGATION EVENTS

Regarding the claims of the Bank against Allied Material Technology Co., in October 2017, the Taiwan High Court ruled that the Bank shall pay the amount of \$244,563 thousand distributed in the reorganization process of Allied Material Technology Co. plus interest to other creditor banks. The Supreme Court remanded the case to the Taiwan High Court in December 2018. The Taiwan High Court's judgment upheld the aforesaid indemnity in January 2021. The Bank has appealed to the Supreme Court in March 2021. Based on attorney's assessment of the remand, there is a certain chance that the Bank will win the litigation. Accordingly, the related liabilities have not been accrued on the financial reports.

### 42. EXCHANGE RATE OF FINANCIAL ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The significant financial assets and liabilities denominated in foreign currencies were as follows:

	March 31, 2021			December 31, 2020			March 31, 2020		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>									
<u>Monetary items</u>									
USD	\$ 3,798,943	28.531	\$ 108,387,638	\$ 3,669,358	28.508	\$ 104,606,058	\$ 3,852,248	30.254	\$ 116,545,900
HKD	2,768,162	3.670	10,159,153	2,312,741	3.678	8,506,261	3,618,408	3.902	14,119,029
CNY	1,458,188	4.345	6,335,828	2,191,586	4.382	9,603,530	937,007	4.260	3,991,651
EUR	124,379	33.480	4,164,199	105,427	35.050	3,695,216	96,241	33.260	3,200,976
JPY	10,669,376	0.258	2,750,565	6,913,596	0.276	1,910,918	7,175,608	0.279	2,002,712
AUD	121,688	21.710	2,641,838	103,490	21.990	2,275,745	237,172	18.640	4,420,895
ZAR	924,238	1.920	1,774,537	1,025,301	1.948	1,997,286	1,720,358	1.686	2,900,524
SGD	42,015	21.210	891,149	59,017	21.580	1,273,597	41,754	21.240	886,851
NZD	9,186	19.950	183,270	7,079	20.600	145,826	7,243	18.110	131,167
CAD	6,133	22.640	138,857	8,865	22.360	198,221	10,741	21.320	229,002
GBP	2,890	39.230	113,376	5,043	38.920	196,259	5,052	37.280	188,345
<u>Financial liabilities</u>									
<u>Monetary items</u>									
USD	3,697,055	28.531	105,480,670	3,548,539	28.508	101,161,750	3,762,924	30.254	113,843,500
HKD	2,817,753	3.670	10,341,153	2,422,617	3.678	8,910,385	3,621,907	3.902	14,132,682
CNY	1,436,007	4.345	6,239,451	2,175,429	4.382	9,532,730	962,337	4.260	4,099,557

(Continued)

	March 31, 2021			December 31, 2020			March 31, 2020		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
EUR	\$ 127,772	33.480	\$ 4,277,812	\$ 104,058	35.050	\$ 3,647,223	\$ 96,198	33.260	\$ 3,199,529
JPY	10,571,802	0.258	2,725,410	7,041,930	0.276	1,946,390	6,703,431	0.279	1,870,928
AUD	120,601	21.710	2,618,243	104,009	21.990	2,287,158	234,352	18.640	4,368,327
ZAR	973,504	1.920	1,869,128	1,055,622	1.948	2,056,352	1,679,053	1.686	2,830,884
SGD	42,123	21.210	893,427	58,970	21.580	1,272,572	41,766	21.240	887,100
GBP	4,796	39.230	188,157	5,027	38.920	195,633	5,058	37.280	188,561
NZD	8,653	19.950	172,620	7,789	20.600	160,459	7,229	18.110	130,925
CAD	7,137	22.640	161,571	7,881	22.360	176,210	10,812	21.320	230,516

(Concluded)

### 43. FINANCIAL INSTRUMENTS

#### a. Information of fair value

##### 1) Overview

Fair value is defined as the price the trader collected or paid in an ordinary transaction for disposal or acquisition of assets or transfer of liabilities on the measurement date.

Financial instruments are initially recognized at fair value which is the transaction price in general terms. All financial instruments are subsequently measured at fair value except for financial instruments which are valued at amortized cost.

##### 2) Valuation techniques for fair value measurement

When the Bank determine the fair value of financial instruments, they consider the market. If the market is active, then the fair value of the instruments will be consistent with quoted market prices. If the market is not active, then the fair value will be estimated by using a valuation model that is widely adopted by market participants or by referring to counterparties' parameters or to parameters based on conditions and characteristics of financial instruments that are similar to those of the Bank' instruments.

The parameters of valuation model used to measure fair value of financial instruments are usually observable data from market, such as OTC, Reuters and Bloomberg's offering price. The valuation department determines the scope of valuation model and assesses any uncertainty and its impact. In its assessment, the valuation department ensures the following:

- a) The consistency and adequacy of the market parameters used in the valuation;
- b) The appropriateness of the valuation model in light of the assumptions to be used, the internal control and risk management framework, and the degree of mathematical expertise required for an independent unit to make the valuation;
- c) Reliability of price information and other parameters used in the valuation and any model adjustments to be made on the basis of current market conditions.

##### 3) Credit risk valuation adjustment

Credit risk valuation adjustment is for financial instrument transactions made outside the stock exchange, namely the transactions made over-the-counter, which could be mainly divided into credit value adjustment and debit value adjustment. The definition is as follows:

- a) Credit Value Adjustment (the "CVA") is the reflection of possibility that counterparty is likely to default and the possible loss that the counter party may not be able to reimburse entire market value.

- b) Debit Value Adjustment (the “DVA”) is the reflection of possibility that the Bank is likely to default and the uncertainty that the Bank may not be able to reimburse for the entire market value.

The CVA is calculated by multiplying the probability of default (the “PD”), loss given default (the “LGD”) and exposure at default (the “EAD”) of counterparty together. In contrast, DVA is calculated by multiplying PD (under zero default rate of the counterparty), LGD and EAD of the Bank together.

To take into account all risk factors involved in model-based fair value measurements, the Bank uses the disclosure guidelines issued by the TWSE on CVA and DVA, which are marked to market, using appropriate ratios such as LGD, PD, and EAD. This way, the credit risks on counterparties in OTC-derivative transactions as well as the Bank’s credit quality can be considered.

4) The definition of three levels of fair value information

a) Level 1

Level 1 inputs are observable inputs that reflect quoted prices for identical financial instruments in an active market. A market is active if it has these characteristics: Products traded in the market are homogeneous; willing buyers and sellers can be found immediately and the price information is publicly available.

b) Level 2

Level 2 inputs are observable inputs other than quoted prices for identical assets or liabilities in active markets, including direct inputs (such as market prices) or indirect inputs (such as prices derived from market prices).

c) Level 3

Level 3 inputs are unobservable items such as inputs derived through extrapolation or interpolation and thus cannot be corroborated by observable market data.

b. Fair value information - Financial instrument measured at fair value under repetitive basis

1) Information of the financial instruments measured at fair value categorized by level is as follows:

Financial Instruments	March 31, 2021			
	Total	Level 1	Level 2	Level 3
<u>Non-derivative financial assets and liabilities</u>				
Mandatorily at FVTPL				
Bonds investments	\$ 12,320,895	\$ 12,320,895	\$ -	\$ -
Equity investments	762,580	762,580	-	-
Beneficiary certificates	551,944	551,944	-	-
FVTOCI				
Equity instruments	1,808,656	1,512,498	-	296,158
Debt instruments				
Bonds investments	71,884,519	71,884,519	-	-
Bills investments	99,263,584	-	99,263,584	-
<u>Derivative financial assets and liabilities</u>				
Mandatorily at FVTPL	4,860,462	9	4,768,527	91,926
Financial liabilities at FVTPL	(4,091,990)	(3,340)	(4,087,501)	(1,149)

(Continued)

Financial Instruments	March 31, 2021			
	Total	Level 1	Level 2	Level 3
<u>Hybrid contract</u>				
Mandatorily at FVTPL	\$ 12,223,885	\$ 197,030	\$ 12,026,855	\$ -
	<u>\$ 199,584,535</u>	<u>\$ 87,226,135</u>	<u>\$ 111,971,465</u>	<u>\$ 386,935</u> (Concluded)

Financial Instruments	December 31, 2020			
	Total	Level 1	Level 2	Level 3
<u>Non-derivative financial assets and liabilities</u>				
Mandatorily at FVTPL				
Bonds investments	\$ 11,750,113	\$ 11,750,113	\$ -	\$ -
Equity investments	673,149	673,149	-	-
Beneficiary certificates	234,854	234,854	-	-
FVTOCI				
Equity instruments	1,384,272	1,088,114	-	296,158
Debt instruments				
Bonds investments	71,191,440	71,191,440	-	-
Bills investments	105,083,961	-	105,083,961	-
<u>Derivative financial assets and liabilities</u>				
Mandatorily at FVTPL	5,993,282	878	5,855,925	136,479
Financial liabilities at FVTPL	(5,196,435)	-	(5,196,196)	(239)
<u>Hybrid contract</u>				
Mandatorily at FVTPL	<u>13,106,038</u>	<u>183,304</u>	<u>12,922,734</u>	<u>-</u>
	<u>\$ 204,220,674</u>	<u>\$ 85,121,852</u>	<u>\$ 118,666,424</u>	<u>\$ 432,398</u>

Financial Instruments	March 31, 2020			
	Total	Level 1	Level 2	Level 3
<u>Non-derivative financial assets and liabilities</u>				
Mandatorily at FVTPL				
Bonds investments	\$ 14,252,099	\$ 14,252,099	\$ -	\$ -
Equity investments	594,278	594,278	-	-
Bills investments	10,817,735	-	10,817,735	-
Beneficiary certificates	181,955	181,955	-	-
FVTOCI				
Equity instruments	1,325,044	1,005,293	-	319,751
Debt instruments				
Bonds investments	73,665,095	73,665,095	-	-
Bills investments	60,364,557	-	60,364,557	-
<u>Derivative financial assets and liabilities</u>				
Mandatorily at FVTPL	4,787,198	1,404	4,740,212	45,582
Financial liabilities at FVTPL	(5,450,798)	(1,632)	(5,152,883)	(296,283)
<u>Hybrid contract</u>				
Mandatorily at FVTPL	<u>18,042,039</u>	<u>253,526</u>	<u>17,788,513</u>	<u>-</u>
	<u>\$ 178,579,202</u>	<u>\$ 89,952,018</u>	<u>\$ 88,558,134</u>	<u>\$ 69,050</u>

2) Transfers between Levels 1 and level 2

There was no transfer between Level 1 and Level 2 for the three months ended March 31, 2021 and 2020.

3) Level 3 financial instruments

a) Movement of Level 3 financial assets

For the Three Months Ended March 31, 2021

Item	Beginning Balance	Valuation		Increase in the Current Year		Decrease in the Current Year		Ending Balance
		Included in Profit or Loss	Included in Other Comprehensive Income	Purchase or Issue	Transfer-in	Sale, Disposition or Settlement	Transfer-out from Level 3	
Mandatorily at FVTPL	\$ 136,479	\$ (16,386)	\$ -	\$ 768	\$ -	\$ (28,935)	\$ -	\$ 91,926
Financial assets at FVTOCI	296,158	-	-	-	-	-	-	296,158
Total	\$ 432,637	\$ (16,386)	\$ -	\$ 768	\$ -	\$ (28,935)	\$ -	\$ 388,084

For the Three Months Ended March 31, 2020

Item	Beginning Balance	Valuation		Increase in the Current Year		Decrease in the Current Year		Ending Balance
		Included in Profit or Loss	Included in Other Comprehensive Income	Purchase or Issue	Transfer-in (Note)	Sale, Disposition or Settlement	Transfer-out from Level 3	
Mandatorily at FVTPL	\$ 121,473	\$ (75,891)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 45,582
Financial assets at FVTOCI	319,751	-	-	-	-	-	-	319,751
Total	\$ 441,224	\$ (75,891)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 365,333

b) Movements of Level 3 financial liabilities

For the Three Months Ended March 31, 2021

Item	Beginning Balance	Valuation Included in Profit or Loss	Increase in the Current Year		Decrease in the Current Year		Ending Balance
			Purchase or Issue	Transfer-in	Sale, Disposition or Settlement	Transfer-out from Level 3	
Financial liabilities at FVTPL Derivative financial liabilities	\$ 239	\$ 10	\$ 900	\$ -	\$ -	\$ -	\$ 1,149

For the Three Months Ended March 31, 2020

Item	Beginning Balance	Valuation Included in Profit or Loss	Increase in the Current Year		Decrease in the Current Year		Ending Balance
			Purchase or Issue	Transfer-in	Sale, Disposition or Settlement	Transfer-out from Level 3	
Financial liabilities at FVTPL Derivative financial liabilities	\$ 1,815	\$ 259,084	\$ 35,384	\$ -	\$ -	\$ -	\$ 296,283

c) Quantitative information of significant unobservable parameters used in fair value measurement (Level 3 financial instruments)

Level 3 financial instruments mainly consist of credit default swap and part of investment in equity instrument at FVTOCI which have single major unobservable parameters; quantitative information is as follows:

Measured at Fair Value Based on Repetition	Fair Value	Valuation Techniques	Significant Unobservable Parameters	Interval (Weighted-average)	Relationship Between Parameters and Fair Value
<u>Derivative financial assets</u>					
March 31, 2021	\$ 91,626	Default probability model	Credit separation	0.55%-2.23%	The increase of credit separation decreases its fair value.
December 31, 2020	136,479	Default probability model	Credit separation	0.40%-2.23%	The increase of credit separation decreases its fair value.
March 31, 2020	45,582	Default probability model	Credit separation	0.40%-2.50%	The increase of credit separation decreases its fair value.
<u>Investments in equity</u>					
March 31, 2021	272,483	Income approach - cash dividend discount method	Without open market marketable discount	19.78%	The increase of discount decreases its fair value
	12,287	Market approach - comparable listed or TPEX company	Without open market marketable discount	10.00%	The increase of discount decreases its fair value
	11,388	Net asset value method	N/A	N/A	N/A
December 31, 2020	272,483	Income approach - cash dividend discount method	Without open market marketable discount	19.78%	The increase of discount decreases its fair value
	12,287	Market approach - analogy company law	Without open market marketable discount	10.00%	The increase of discount decreases its fair value
	11,388	Net asset value method	N/A	N/A	N/A
March 31, 2020	291,069	Income approach - cash dividend discount method	Without open market marketable discount	20.00%	The increase of discount decreases its fair value
	17,442	Market approach - comparable listed or TPEX company	Without open market marketable discount	10.00%	The increase of discount decreases its fair value
	11,240	Net asset value method	N/A	N/A	N/A
<u>Derivative financial liabilities</u>					
March 31, 2021	1,149	Default probability model	Credit separation	0.55%-2.23%	The increase of credit separation decreases its fair value.
December 31, 2020	239	Default probability model	Credit separation	0.40%-2.23%	The increase of credit separation decreases its fair value.
March 31, 2020	296,283	Default probability model	Credit separation	0.40%-2.50%	The increase of credit separation decreases its fair value.



d) Valuation procedures for Level 3 fair value

The evaluation of financial instruments at the level 3 is independent of the business unit from specific departments and external experts, evaluating its fair value close to the market status. To ensure the data source is independent, reliable, and consistent with other resources, the evaluation of parameters must review regularly, updating the required input values, and revising essential fair value to ensure the rationality in evaluation with its results.

e) The sensitivity analysis of reasonably possible alternative assumptions for fair value measurements categorized within Level 3

Had the valuation parameters for financial instruments categorized within Level 3 been 0.01% higher/lower, the impact of fair value on the profit or loss for the current period would have been as follows:

Item	Impact on Gain and Loss					
	March 31, 2021		December 31, 2020		March 31, 2020	
	Favorable	Unfavorable	Favorable	Unfavorable	Favorable	Unfavorable
<u>Assets</u>						
Mandatorily at FVTPL	\$ 1,289	\$ (3,340)	\$ 1,219	\$ (4,374)	\$ 965	\$ (1,415)
<u>Liabilities</u>						
Financial liabilities at FVTPL	199	(199)	41	(41)	5,359	(5,360)

Had the valuation parameters for financial instruments categorized within Level 3 been 0.01% higher/lower, the impact of fair value on other comprehensive income or loss for the current period would have been as follows:

Item	Impact on Other Comprehensive Income and Losses					
	March 31, 2021		December 31, 2020		March 31, 2020	
	Favorable	Unfavorable	Favorable	Unfavorable	Favorable	Unfavorable
<u>Assets</u>						
Financial assets at FVTOCI	\$ 59	\$ (59)	\$ 59	\$ (59)	\$ -	\$ (59)

The favorable and unfavorable movement refers to the fluctuation of fair values, which is calculated on the basis of valuation techniques involving the use of input parameters.

c. Fair Value information - Financial instruments not measured at fair value

The Bank considers that the book value of financial assets and liabilities which are not measured at fair value is close to fair value, except for the book value of those measured at cost and of the items below:

	March 31, 2021		The Fair Value Hierarchy of Financial Instruments	
	Book Value	Fair Value	Level 1	Level 2
<u>Financial asset</u>				
Investments in debt instrument at amortized cost	\$ 1,079,378	\$ 1,097,807	\$ 1,097,807	\$ -
<u>Financial liabilities</u>				
Bank debentures	22,601,900	22,709,412	-	22,709,412

	<b>December 31, 2020</b>		<b>The Fair Value Hierarchy of Financial Instruments</b>	
	<b>Book Value</b>	<b>Fair Value</b>	<b>Level 1</b>	<b>Level 2</b>
<u>Financial asset</u>				
Investments in debt instrument at amortized cost	\$ 1,077,764	\$ 1,099,779	\$ 1,099,779	\$ -
<u>Financial liabilities</u>				
Bank debentures	22,601,900	22,723,096	-	22,723,096
	<b>March 31, 2020</b>		<b>The Fair Value Hierarchy of Financial Instruments</b>	
	<b>Book Value</b>	<b>Fair Value</b>	<b>Level 1</b>	<b>Level 2</b>
<u>Financial asset</u>				
Investments in debt instrument at amortized cost	\$ 2,558,531	\$ 2,584,567	\$ 2,584,567	\$ -
<u>Financial liabilities</u>				
Bank debentures	25,001,900	25,094,140	-	25,094,140

#### 44. FINANCIAL RISK MANAGEMENT

##### a. Overview

The Bank's risk management policy is to form a risk management-oriented culture, and to use both qualitative (such as each operating procedures) and quantitative (such as asset quality ratios) indexes from internal and external risk management regulations in developing operating strategies.

The Bank has set up an independent risk control department to implement and monitor risk management policies.

The Bank's risk management policies are established to identify and measure the risks faced by the Bank, to set appropriate risk limits and controls, to monitor risks and adherence to limits, and to achieve the target profit.

Each subsidiary has its own risk management mechanism to identify, measure, monitor, and control the credit risk, liquidity risk, and market risk.

##### b. Risk management framework

The Board of Directors, the highest decision-making body of the Bank, has overall responsibility for the establishment and oversight of the Bank's risk management framework.

Assets and Liabilities Management Committee and Risk Management Committee have been formed to examine and manage the Bank's risks, to assess the execution of risk management policies and to evaluate risk tolerance. The general manager is the convener, and is responsible for appointing members of committees.

Risk Management Group comprises Corporate Banking Department and Consumer Banking Department which directly manage credit extension risks in their respective areas, and present risk management report to the Risk Management Committee and the Board of Directors, regularly. The Internal Audit Group undertakes regular reviews of risk management controls and procedures, including risk management framework, operating procedures of risk management, and provides timely suggestions for improvements.

c. Credit risk

1) Definition and scope of credit risk

Credit risk is the risk of financial loss to the Bank if a borrower, issuer or counterparty to a financial instrument fails to meet its contractual obligations due to its credit deterioration or other factors, such as a dispute between the borrower and its counterparty.

Credit risk includes all risks derived from on- and off-balance sheet business, and all credit risk related to products, businesses and positions.

2) Management policies on credit risk

The Bank shall identify risk factors and consider appropriate risk evaluation and control process prior to taking the existing or new business. For all credit risks identified on- and off-balance sheet, adequate credit limits are set based on the same borrower, counterparty, related party, group, or industry. The Bank shall establish review mechanism to track and assess changes in each borrower's or issuer's financial position; regularly assess and manage asset quality, also strengthen the management of unusual borrowers and make appropriate allowance for possible losses if applicable.

3) The credit risk management processes and valuation methods for credit extension are as follows:

a) The credit risk has increased significantly after original recognition

The Bank assesses the change in the risk of default over the expected duration of each type of credit asset on each reporting date in order to determine whether the credit risk has increased significantly since original recognition. For this assessment, the Bank's considerations show that the credit risk has increased significantly since original recognition and can be corroborated. The main considerations include the following:

Qualitative Index

The debtor's payment is overdue for 30-89 days.

Quantitative Index

- i. Unfavorable changes in current or projected operating, financial or economic conditions that are expected to result in significant changes in the ability of the debtor to perform its debt obligations.
- ii. Significant changes in actual or expected results of the debtor's operations.
- iii. The credit risk of other financial instruments of the same debtor has increased significantly.

b) The definition of default and credit impairment on financial assets

The Bank's definition of default on financial assets is the same as the judgment of credit impairment on financial assets. If one or more of the following conditions are met, the Bank determines that the financial assets have defaulted and have credit impairment:

Qualitative Index

The debtor's payment is overdue for more than 90 days.

Quantitative Index

If there is any evidence indicates that the debtor can not pay the contract, or the debtor is in a material financial difficulties as follows:

- i. The debtor has become bankrupt or may file for bankruptcy or financial restructuring.
- ii. The debtor has conformed to a non-performed loan by authorities.
- iii. The debtor has conducted a negotiation of debts or self-negotiating.
- iv. The active market of the financial assets disappeared due to financial difficulties.

The aforementioned default and credit impairment definitions apply to all financial assets held by the Bank and its subsidiaries and are consistent with the definitions used for the internal credit risk management purposes of the financial assets and are applied to the relevant impairment assessment model.

If the financial assets have not conformed to the definition of default and credit impairment on financial assets for 6 consecutive months, it would not be classified as a default and credit impairment on financial assets.

c) Write off policy

When the Bank can not reasonably expect the recoverable from the entire or partial financial assets, the entire or partial financial assets will be written off. The index of unexpected reasonably recoverable amount includes the following:

- i. The recovery of debt has stopped.
- ii. The debtor doesn't have enough assets or income resource to pay the debt after assessment.

Financial asset which has been written-off can do the recovery of debt and institute legal proceedings continuously under related policies.

d) Measurement of expected credit loss

i. Loan and receivables

The Bank considers both the 12-month and lifetime probability of default ("PD") of the borrower with the loss given default ("LGD"), multiplying, the exposure at default ("EAD"), as well as the impact of time value, to calculate the 12-month ECLs and lifetime ECLs, respectively.

The above “PD” and “LGD” are applied to the credit business according to each group’s historical information (such as credit loss experience) from internal statistical data, and adjust historical data based on current observable and forward-looking macroeconomic information (such as GDP and unemployment rate), then calculate by applying the progressive one factor model respectively.

When the Bank measured the credit loss of assets combination, the forward-looking information were taken into the PD’s consideration. Among them, the index of forward-looking adjustment in PD is predicted by the Corporate banking Sector which adopted the growth rate of real GDP in Taiwan and the Consumer banking Sector which adopted the unemployment rate in Taiwan. According to the measurement of predict loss in IFRS 9, the forward-looking adjustment in PD is requested to assess any consequences (at least 2 circumstances) and expresses with weighted-average probability. As a result, the Bank took the prediction authorities’ consensus forecasting into consideration and adopted the weighted-average prediction value by at least 2 macroeconomic prediction authorities to calculate.

ii. The investments in debt instrument at amortized cost and at FVTOCI

The measurement of expected credit loss was based on the information of PD and LGD which is announced from the external credit ratings and Moody’s to calculate. The international credit rating authority has considered the forward-looking information when it assessed the credit rating.

4) Credit risk hedging and mitigation policies

- a) When contracting, the terms of credit facilities are determined in the light of assessments of probability and amounts of default and collateral and guarantees are obtained, including bank deposit receipts, securities (such as treasury securities, government bonds, bank debentures, stocks and bonds guaranteed by financial institutions) and real estate such as land and buildings. Stocks listed on TWSE and TPEX are marked to market day to day, and changes in the value of their collaterals are monitored all the time; values of land and buildings are examined every time the contract is renewed.
- b) Through policy mechanism, such as credit limits and credit regulation prior to the credit being committed to customers, to control the quality of credit assets. Via post-loan management, concentration analysis, midway credit and review tracking to view assets quality and changes of each case. Master and monitor risk in time. Periodic reports and feedbacks to understand credit portfolios and overall credit risks, ensure risk offsets for continued effectiveness.
- c) When a risk occurs, according to the Bank’s “Principles for Acceptance and Disposal of Collaterals,” collateral of nonperforming loans secured through compulsory enforcement or participating distribution, if the minimum auction price or liquidation price of the collateral is too low and damage the Bank’s credit right, the Bank will participate in the auction or declare to undertake, for example, the minimum auction price is too low to compensate the principal and interest of loans but the collateral must not be difficult to dispose in the future. For collaterals tendered or undertaken, the Bank should actively seek buyers, and if the collateral is real estate, the Bank should dispose of it within the period prescribed under the Banking Law.
- d) Other credit enhancements

If there are guarantee, strategic alliance or collaterals provided in the terms of the loan contracts which the Bank recognized as unsecured loan, when default events occur, the Bank will demand compensation from the guarantor, strategic alliance, transfer of credits to the Bank or disposal of collaterals to decrease credit risk.

5) The maximum credit risk exposure

The carrying amount represents the Bank's maximum exposure to credit risk of the on-balance sheet assets, without taking into account the collaterals held or other credit enhancements. The amounts of the maximum credit exposure of the irrevocable off-balance commitments and guarantees, without taking into account the collaterals held or other credit enhancements, were as follows:

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
Unused portion of credit card lines	\$ 199,241,589	\$ 197,805,517	\$ 192,082,985
Guarantees and standby L/Cs	26,218,542	27,721,592	21,767,833
Irrevocable loan commitments	14,994,687	14,286,387	13,560,948

The Bank has documented procedures for the assessment and classification of nonperforming loans and for evaluating adequacy of collaterals.

The breakdown of maximum credit risk exposure of the Bank according to whether collaterals are held or other credit enhancements exist is as follows:

March 31, 2021

	<b>Maximum Credit Risk Exposure</b>			<b>Total</b>
	<b>With Collaterals</b>	<b>Other Credit Enhancements</b>	<b>Without Collaterals</b>	
<u>Balance sheet items</u>				
Discounts and loans	\$ 260,349,276	\$ 61,541,843	\$ 83,078,545	\$ 404,969,664
Receivables - credit card	-	-	12,830,697	12,830,697
Receivables - acceptances	105,567	34,385	678,404	818,356
<u>Off-balance sheet items</u>				
Unused portion of credit card lines	-	-	199,241,589	199,241,589
Guarantee	7,389,650	7,657,258	10,085,096	25,132,004
Letters of credit issued	123,960	621,948	340,630	1,086,538
Irrevocable loan commitments	<u>632,304</u>	<u>-</u>	<u>14,362,383</u>	<u>14,994,687</u>
	<u>\$ 268,600,757</u>	<u>\$ 69,855,434</u>	<u>\$ 320,617,344</u>	<u>\$ 659,073,535</u>

December 31, 2020

	Maximum Credit Risk Exposure			Total
	With Collaterals	Other Credit Enhancements	Without Collaterals	
<u>Balance sheet items</u>				
Discounts and loans	\$ 258,597,463	\$ 56,166,720	\$ 74,092,529	\$ 388,856,712
Receivables - credit card	-	-	13,875,508	13,875,508
Receivables - acceptances	205,826	35,510	660,550	901,886
<u>Off-balance sheet items</u>				
Unused portion of credit card lines	-	-	197,805,517	197,805,517
Guarantee	8,533,490	8,886,725	9,171,368	26,591,583
Letters of credit issued	26,822	731,399	371,788	1,130,009
Irrevocable loan commitments	<u>95,804</u>	<u>-</u>	<u>14,190,583</u>	<u>14,286,387</u>
	<u>\$ 267,459,405</u>	<u>\$ 65,820,354</u>	<u>\$ 310,167,843</u>	<u>\$ 643,447,602</u>

March 31, 2020

	Maximum Credit Risk Exposure			Total
	With Collaterals	Other Credit Enhancements	Without Collaterals	
<u>Balance sheet items</u>				
Discounts and loans	\$ 256,291,871	\$ 63,101,639	\$ 85,638,822	\$ 405,032,332
Receivables - credit card	-	-	12,843,631	12,843,631
Receivables - acceptances	1,320	32,212	444,574	478,106
<u>Off-balance sheet items</u>				
Unused portion of credit card lines	-	-	192,082,985	192,082,985
Guarantee	9,933,700	5,893,750	5,423,485	21,250,935
Letters of credit issued	115,344	224,369	177,185	516,898
Irrevocable loan commitments	<u>232,552</u>	<u>-</u>	<u>13,328,396</u>	<u>13,560,948</u>
	<u>\$ 266,574,787</u>	<u>\$ 69,251,970</u>	<u>\$ 309,939,078</u>	<u>\$ 645,765,835</u>

When loan contracts set the security of nonperforming loans, article of collaterals and definition of credit event occurrence, the quota and the repayment period can be reduced or regard as maturity to reduce the credit risk.

Refer to Notes 13 and 14 for the credit impairment of Stage 3 financial assets. The information of provision for allowance for possible losses amount, collateral fair value and other credit enhancements which reduce their potential loss are as below. The provision for allowance for possible losses takes into consideration the fair value of collateral, other credit enhancements amount and the recoverable amount in the future.

Stage 3 impaired financial assets

	<b>Carrying Amount</b>	<b>Allowance for Possible Losses Under IFRS 9</b>	<b>Collateral Fair Value and Other Credit Enhancements</b>
<u>March 31, 2021</u>			
Receivables			
Credit cards	\$ 1,125,882	\$ 363,896	\$ -
Others	32,059	12,323	2,163
Discounts and loans	<u>4,487,173</u>	<u>1,696,069</u>	<u>2,291,689</u>
	<u>\$ 5,645,114</u>	<u>\$ 2,072,288</u>	<u>\$ 2,293,852</u>

	<b>Carrying Amount</b>	<b>Allowance for Possible Losses Under IFRS 9</b>	<b>Collateral Fair Value and Other Credit Enhancements</b>
<u>December 31, 2020</u>			
Receivables			
Credit cards	\$ 1,148,054	\$ 363,988	\$ -
Others	30,913	12,319	2,590
Discounts and loans	<u>4,373,009</u>	<u>1,633,428</u>	<u>2,329,034</u>
	<u>\$ 5,551,976</u>	<u>\$ 2,009,735</u>	<u>\$ 2,331,624</u>

	<b>Carrying Amount</b>	<b>Allowance for Possible Losses Under IFRS 9</b>	<b>Collateral Fair Value and Other Credit Enhancements</b>
<u>March 31, 2020</u>			
Receivables			
Credit cards	\$ 1,211,110	\$ 369,786	\$ -
Others	38,343	12,343	12,541
Discounts and loans	<u>5,129,029</u>	<u>1,073,647</u>	<u>3,802,858</u>
	<u>\$ 6,378,482</u>	<u>\$ 1,455,776</u>	<u>\$ 3,815,399</u>



6) Concentrations of credit risk

The concentration of credit risk exists when counterparties to financial transactions are individuals or groups engaging in similar business activities and having similar economic features. The similarity would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. The Bank's concentrations of credit risk by industry, geography and type of collaterals were as follows:

a) By industry

Industry Sector	March 31, 2021		December 31, 2020		March 31, 2020	
	Amount	%	Amount	%	Amount	%
Finance and insurance	\$ 53,219,827	13	\$ 50,871,153	13	\$ 56,923,547	14
Manufacturing	43,774,381	11	38,496,332	10	47,283,521	12
Real estate	<u>23,196,960</u>	<u>6</u>	<u>23,020,517</u>	<u>6</u>	<u>19,876,448</u>	<u>5</u>
	<u>\$ 120,191,168</u>	<u>30</u>	<u>\$ 112,388,002</u>	<u>29</u>	<u>\$ 124,083,516</u>	<u>31</u>

b) By geography

Region	March 31, 2021		December 31, 2020		March 31, 2020	
	Amount	%	Amount	%	Amount	%
Taiwan	\$ 351,712,054	87	\$ 337,835,560	87	\$ 342,343,695	85
Asia Pacific except Taiwan	30,230,561	7	27,282,587	7	33,342,544	8
Others	<u>23,027,049</u>	<u>6</u>	<u>23,738,565</u>	<u>6</u>	<u>29,346,093</u>	<u>7</u>
	<u>\$ 404,969,664</u>	<u>100</u>	<u>\$ 388,856,712</u>	<u>100</u>	<u>\$ 405,032,332</u>	<u>100</u>

c) By type of collaterals

Type of Collaterals	March 31, 2021		December 31, 2020		March 31, 2020	
	Amount	%	Amount	%	Amount	%
Unsecured	\$ 144,620,388	36	\$ 130,259,249	34	\$ 148,740,461	37
Secured						
Real estate	222,660,517	55	221,161,171	57	216,924,256	53
Movable property	18,813,091	5	18,984,983	5	17,269,905	4
Financial collateral	17,869,130	4	16,860,409	4	19,982,672	5
Others	<u>1,006,538</u>	<u>-</u>	<u>1,590,900</u>	<u>-</u>	<u>2,115,038</u>	<u>1</u>
	<u>\$ 404,969,664</u>	<u>100</u>	<u>\$ 388,856,712</u>	<u>100</u>	<u>\$ 405,032,332</u>	<u>100</u>

7) Continuing assessment of credit quality and any impairment of financial assets

Some of the financial assets held by the Bank and its subsidiaries, such as cash and cash equivalents, due from the Central Bank and other banks, financial assets at FVTPL, securities purchased under resale agreements, refundable deposits and operating deposits, are assessed with low credit risk due to the good credit rating of the counterparties.

d. Liquidity risk

1) Sources and definition of liquidity risk

Liquidity risk is the risk that the Bank is unable to liquidate assets or obtain loans to meet its obligations when they fall due as a result of customer deposits being early withdrawn, deteriorating access to and terms of interbank facilities, deteriorating delinquency by borrowers, or financial instruments not easily liquidated. Such outflows would deplete available cash resources for client lending, trading activities and investments. In extreme circumstances, lack of liquidity could result in reductions in the balance sheet and sales of assets, or potentially an inability to fulfill lending commitments. The risk that the Bank will be unable to do so is inherent in all banking operations and can be affected by a range of institution-specific and market-wide events including, but not limited to, credit events, merger and acquisition activities, systemic shocks and natural disasters, etc.

2) Risk management policies on liquidity risk

The Bank's liquidity management processes, which are managed by an independent department, include:

- a) Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met;
- b) Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- c) Monitoring the liquidity ratios against internal and regulatory requirements; and
- d) Managing the concentration and profile of debt maturities.

Monitoring and reporting take the form of cash flow measurement and projections respectively for the next ten days, one month, two months, etc., to, one year and over one year. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

Related information is submitted regularly to the Bank's Assets and Liabilities Management Committee and the Board of Directors.

3) Financial assets held for liquidity risk management purposes

To support payment obligation and contingent funding in a stressed market environment, the Bank holds high-quality and highly-liquid interest-earning assets comprising cash and cash equivalent, due from the Central Bank and other banks and securities purchased under resale agreements for which there is an active and liquid market and maintain legal ratio related to liquidity.

As of March 31, 2021, December 31, 2020 and March 31, 2020, the Bank's liquidity reserve ratios were 35.07%, 37.53% and 30.79%, respectively.

4) Maturity analysis of non-derivative financial liabilities

The table below presents the cash flows payable by the Bank under non-derivative financial liabilities by remaining contractual maturities at the date of the balance sheet.

March 31, 2021	Due in 30 Days	Due Between 31 Days and 90 Days	Due Between 91 Days and 180 Days	Due Between 181 Days and One Year	Due After One Year	Total
Due to the Central Bank and other banks	\$ 134,138	\$ 487,815	\$ -	\$ -	\$ -	\$ 621,953
Funds borrowed from the Central Bank and other banks	-	-	7,300	16,840	-	24,140
Securities sold under repurchase agreement	3,402,881	-	-	-	-	3,402,881
Payables	2,536,141	1,514,823	557,640	466,379	1,037,272	6,112,255
Deposits and remittances	84,183,006	91,688,184	94,067,552	152,335,339	146,532,975	568,807,056
Bank debentures	1,900	-	-	1,100,000	21,500,000	22,601,900
Principal received on structured products	64,045	59,127	8,559	92,241	20,123,891	20,347,863
Other financial liabilities	240,000	710,000	-	-	631,848	1,581,848
Lease liabilities	48,907	44,161	89,427	179,683	719,272	1,081,450
Total	\$ 90,611,018	\$ 94,504,110	\$ 94,730,478	\$ 154,190,482	\$ 190,545,258	\$ 624,581,346

December 31, 2020	Due in 30 Days	Due Between 31 Days and 90 Days	Due Between 91 Days and 180 Days	Due Between 181 Days and One Year	Due After One Year	Total
Due to the Central Bank and other banks	\$ 683,042	\$ 301,797	\$ -	\$ -	\$ -	\$ 984,839
Funds borrowed from the Central Bank and other banks	-	15,040	-	7,300	-	22,340
Securities sold under repurchase agreement	3,532,088	-	-	-	-	3,532,088
Payables	1,470,628	1,262,651	920,883	440,179	960,049	5,054,390
Deposits and remittances	99,562,992	111,349,138	89,134,736	135,042,863	147,063,182	582,152,911
Bank debentures	1,900	-	-	1,100,000	21,500,000	22,601,900
Principal received on structured products	90,131	55,308	-	17,105	8,028,077	8,190,621
Other financial liabilities	150,000	310,000	-	-	408,350	868,350
Lease liabilities	39,706	46,936	65,018	123,423	579,430	854,513
Total	\$ 105,530,487	\$ 113,340,870	\$ 90,120,637	\$ 136,730,870	\$ 178,539,088	\$ 624,261,952

March 31, 2020	Due in 30 Days	Due Between 31 Days and 90 Days	Due Between 91 Days and 180 Days	Due Between 181 Days and One Year	Due After One Year	Total
Due to the Central Bank and other banks	\$ 5,000,471	\$ 4,521,763	\$ 2,420,320	\$ -	\$ -	\$ 11,942,554
Securities sold under repurchase agreement	9,003,223	1,547,220	-	-	-	10,550,443
Payables	9,828,095	2,019,998	343,024	677,014	962,417	13,830,548
Deposits and remittances	99,396,052	91,885,928	83,759,494	145,268,046	122,517,529	542,827,049
Bank debentures	1,900	-	-	4,000,000	21,000,000	25,001,900
Principal received on structured products	72,853	9,687	9,425	167,758	16,710,248	16,969,971
Other financial liabilities	30,000	390,000	-	-	460,210	880,210
Lease liabilities	27,267	74,879	99,942	175,900	619,217	997,205
Total	\$ 123,359,861	\$ 100,449,475	\$ 86,632,205	\$ 150,288,718	\$ 162,269,621	\$ 622,999,880

Note: The amounts disclosed in the tables are the contractual cash flows, some of which may not reconcile to the corresponding items in the consolidated balance sheet.

The maturity analysis of time deposits in “deposits and remittances” is allocated to each time band based on historical experience. If all the time deposits were required to be paid off in recent period, the cash outflows in less than one-month time band would have been \$259,665,311 thousand, \$275,288,896 thousand and \$234,198,373 thousand as of March 31, 2021, December 31, 2020 and March 31, 2020, respectively.

Maturity over one year analysis of lease liabilities was as follows:

	Due Between 1 Year and 2 Years	Due Between 2 Years and 3 Years	Due After 3 Years	Total
March 31, 2021	<u>\$ 292,579</u>	<u>\$ 214,415</u>	<u>\$ 212,278</u>	<u>\$ 719,272</u>
December 31, 2020	<u>\$ 196,823</u>	<u>\$ 153,548</u>	<u>\$ 229,059</u>	<u>\$ 579,430</u>
March 31, 2020	<u>\$ 212,196</u>	<u>\$ 145,398</u>	<u>\$ 261,623</u>	<u>\$ 619,217</u>

5) Maturity analysis of derivative financial liabilities

- a) Derivative instruments settled on a net basis are include foreign exchange derivatives (foreign exchange options, non-deliverable forwards) and interest rate derivatives (interest rate swap options, interest rate swaps and other interest rate contracts). Maturity analysis of derivative financial liabilities that will be settled on a net basis is as follows:

March 31, 2021	Due in 30 Days	Due Between 31 Days and 90 Days	Due Between 91 Days and 180 Days	Due Between 181 Days and One Year	Due After One Year	Total
Derivative financial liabilities at FVTPL						
Foreign exchange derivatives	\$ 941	\$ 981	\$ 1,720	\$ 2,592	\$ -	\$ 6,234
Interest rate derivatives	-	5,964	6,658	51,633	970,728	1,034,983
Total	\$ 941	\$ 6,945	\$ 8,378	\$ 54,225	\$ 970,728	\$ 1,041,217

December 31, 2020	Due in 30 Days	Due Between 31 Days and 90 Days	Due Between 91 Days and 180 Days	Due Between 181 Days and One Year	Due After One Year	Total
Derivative financial liabilities at FVTPL						
Foreign exchange derivatives	\$ 1,011	\$ 2,434	\$ 2,407	\$ 3,702	\$ -	\$ 9,554
Interest rate derivatives	4,744	-	5,277	31,878	1,069,781	1,111,680
Total	\$ 5,755	\$ 2,434	\$ 7,684	\$ 35,580	\$ 1,069,781	\$ 1,121,234

March 31, 2020	Due in 30 Days	Due Between 31 Days and 90 Days	Due Between 91 Days and 180 Days	Due Between 181 Days and One Year	Due After One Year	Total
Derivative financial liabilities at FVTPL						
Foreign exchange derivatives	\$ 509	\$ 546	\$ 128	\$ 3,209	\$ -	\$ 4,392
Interest rate derivatives	8,973	1,915	6,895	10,923	1,854,305	1,883,011
Total	\$ 9,482	\$ 2,461	\$ 7,023	\$ 14,132	\$ 1,854,305	\$ 1,887,403

Note: The amounts disclosed in the table are the contractual cash flows, some of which may not reconcile to the corresponding items in the consolidated balance sheet.

- b) Derivative instruments settled on a gross basis include foreign exchange derivatives (foreign exchange swaps, foreign exchange options), interest rate derivatives (cross currency swaps) and credit derivatives (credit default swap). Maturity analysis of derivative financial liabilities that will be settled on a gross basis is as follows:

March 31, 2021	Due in 30 Days	Due Between 31 Days and 90 Days	Due Between 91 Days and 180 Days	Due Between 181 Days and One Year	Due After One Year	Total
Derivative financial liabilities at FVTPL						
Foreign exchange derivatives						
Cash outflow	\$ 72,363,328	\$ 74,539,406	\$ 45,949,426	\$ 30,665,090	\$ 196,890	\$ 223,714,140
Cash inflow	71,497,779	73,710,410	45,524,967	30,558,739	191,493	221,483,388
Interest rate derivatives						
Cash outflow	-	-	-	305,300	-	305,300
Cash inflow	-	-	-	285,080	-	285,080
Credit derivatives						
Cash outflow	-	-	-	-	-	-
Cash inflow	-	3,118	3,031	6,063	5,351	17,563
Subtotal of cash outflow	72,363,328	74,539,406	45,949,426	30,970,390	196,890	224,019,440
Subtotal of cash inflow	71,497,779	73,713,528	45,527,998	30,849,882	196,844	221,786,031
Net cash flow	\$ (865,549)	\$ (825,878)	\$ (421,428)	\$ (120,508)	\$ (46)	\$ (2,233,409)

December 31, 2020	Due in 30 Days	Due Between 31 Days and 90 Days	Due Between 91 Days and 180 Days	Due Between 181 Days and One Year	Due After One Year	Total
Derivative financial liabilities at FVTPL						
Foreign exchange derivatives						
Cash outflow	\$ 52,914,347	\$ 93,879,213	\$ 41,960,565	\$ 24,974,432	\$ 357,085	\$ 214,085,642
Cash inflow	52,007,208	92,342,257	41,506,788	24,600,624	348,582	210,805,459
Interest rate derivatives						
Cash outflow	1,798,900	-	-	305,300	-	2,104,200
Cash inflow	1,710,480	-	-	285,080	-	1,995,560
Credit derivatives						
Cash outflow	-	-	-	-	-	-
Cash inflow	-	748	748	1,497	1,351	4,344
Subtotal of cash outflow	54,713,247	93,879,213	41,960,565	25,279,732	357,085	216,189,842
Subtotal of cash inflow	53,717,688	92,343,005	41,507,536	24,887,201	349,933	212,805,363
Net cash flow	\$ (995,559)	\$ (1,536,208)	\$ (453,029)	\$ (392,531)	\$ (7,152)	\$ (3,384,479)

March 31, 2020	Due in 30 Days	Due Between 31 Days and 90 Days	Due Between 91 Days and 180 Days	Due Between 181 Days and One Year	Due After One Year	Total
Derivative financial liabilities at FVTPL						
Foreign exchange derivatives						
Cash outflow	\$ 91,657,901	\$ 82,980,534	\$ 56,034,710	\$ 29,765,711	\$ 6,084,065	\$ 266,522,921
Cash inflow	90,516,013	82,285,254	55,983,998	29,556,299	5,973,729	264,315,293
Interest rate derivatives						
Cash outflow	-	-	615,800	912,000	1,061,650	2,589,450
Cash inflow	-	-	605,080	907,620	1,064,690	2,577,390
Credit derivatives						
Cash outflow	-	-	-	-	-	-
Cash inflow	1,815	33,351	33,708	67,415	300,253	436,542
Subtotal of cash outflow	91,657,901	82,980,534	56,650,510	30,677,711	7,145,715	269,112,371
Subtotal of cash inflow	90,517,828	82,318,605	56,622,786	30,531,334	7,338,672	267,329,225
Net cash flow	\$ (1,140,073)	\$ (661,929)	\$ (27,724)	\$ (146,377)	\$ 192,957	\$ (1,783,146)

Note: The amounts disclosed in the table are the contractual cash flows, some of which may not reconcile to the corresponding items in the consolidated balance sheet.

6) Maturity analysis of off-balance sheet items

Maturity analysis of the off-balance sheet items that can be withdrawn or required to realize on the basis of their earliest possible contractual maturity is as follows:

March 31, 2021	Due in 30 Days	Due Between 31 Days and 90 Days	Due Between 91 Days and 180 Days	Due Between 181 Days and One Year	Due After One Year	Total
Developed and irrevocable loan commitments	\$ 14,994,687	\$ -	\$ -	\$ -	\$ -	\$ 14,994,687
Irrevocable credit card commitments	199,241,589	-	-	-	-	199,241,589
Issued but unused letters of credit	1,086,538	-	-	-	-	1,086,538
Other guarantees	18,435,904	4,964,100	1,032,000	-	700,000	25,132,004
Total	\$ 233,758,718	\$ 4,964,100	\$ 1,032,000	\$ -	\$ 700,000	\$ 240,454,818

December 31, 2020	Due in 30 Days	Due Between 31 Days and 90 Days	Due Between 91 Days and 180 Days	Due Between 181 Days and One Year	Due After One Year	Total
Developed and irrevocable loan commitments	\$ 14,286,387	\$ -	\$ -	\$ -	\$ -	\$ 14,286,387
Irrevocable credit card commitments	197,805,517	-	-	-	-	197,805,517
Issued but unused letters of credit	1,130,009	-	-	-	-	1,130,009
Other guarantees	19,779,883	6,111,700	-	-	700,000	26,591,583
Total	\$ 233,001,796	\$ 6,111,700	\$ -	\$ -	\$ 700,000	\$ 239,813,496

March 31, 2020	Due in 30 Days	Due Between 31 Days and 90 Days	Due Between 91 Days and 180 Days	Due Between 181 Days and One Year	Due After One Year	Total
Developed and irrevocable loan commitments	\$ 13,560,948	\$ -	\$ -	\$ -	\$ -	\$ 13,560,948
Irrevocable credit card commitments	192,082,985	-	-	-	-	192,082,985
Issued but unused letters of credit	516,898	-	-	-	-	516,898
Other guarantees	11,031,775	9,584,200	102,000	-	532,960	21,250,935
Total	\$ 217,192,606	\$ 9,584,200	\$ 102,000	\$ -	\$ 532,960	\$ 227,411,766

e. Market risk

1) Definition and scope of market risk

Market risk is the risk that unfavorable changes in market prices, such as interest rates, foreign exchange rates, equity prices and commodity prices will affect the Bank's income or its holdings of on- and off-balance sheet positions. The Bank's market risk mainly comes from equity investment securities, interest rates and foreign exchange rates.

2) Management policies of market risk

The Bank develops appropriate management process to identify and measure market risk, and to effectively manage and control credit limits, valuation of profits and losses, sensitivity analysis and stress tests of each financial instrument position. Besides, the Bank takes appropriate management strategy while facing market risk in its daily operating activities and management processes.

The Bank separates its exposure to market risk in banking book and trading book, which are managed, monitored and disclosed by the Risk Management Group. A summary report, including suggestion, is submitted regularly to the Risk Management Committee and the Board of Directors.

### 3) Market risk management process

#### a) Recognition and measurement

The risk measurement system is identify the market risk factors of the exposure positions first, then measuring the risks assumed in on- and off-balance sheet trading positions by change in market risk factors (interest rates, stock price, foreign exchange rates and commodity price) etc. Risk measurement adds sensitivity analysis (DV01, Delta, Vega) etc. or situational analysis, to assess the changes in the value of the asset portfolio. And perform stress testing in accordance with the regulations of the administration, to measure abnormal losses under extreme conditions.

#### b) Monitoring and reporting

The Bank's Risk Management Group regularly reviews market risk management objective, positions and control of gain and loss, sensitivity analysis and pressure test and reports to the Risk Management Committee and the Board of Directors to well understand the situation of market risk control. The Bank has established explicit notification process, the limit and stop-loss regulation for various transactions. Stop-loss order must be taken when the limit is reached, otherwise the trading department's reasons and plans must be approved by the management.

### 4) Management process of interest risk

Interest rate risk is the risk of loss or changes in the fair value resulting from interest rate or credit spread fluctuations. It includes interest rates or credit spread related to securities and derivative instruments.

The Bank separates the interest rate risk positions between trading book and banking book. Financial instruments and commodity positions held for trading purpose or to hedge against trading book positions are carried in trading book. Positions held for trading purpose are those held with the intention of profiting from actual or forecast spread. Positions not belonging to trading book are carried in banking book.

#### a) Management process and valuation methods of interest rate risk in trading book

To limit the loss within acceptable range, the Bank imposes trading limits and stop loss limits on trading room, traders and commodity; it also imposes monthly maximum loss limit on trading positions.

The operation limit of securities and interest rate related derivative instruments are controlled by the notional amount/DV01. The risk of bonds and interest rate related options are additionally measured using Vega. The stop loss limits are controlled on a daily basis.

#### b) Management process and valuation methods of interest rate risk in banking book

Interest rate risk management of banking book is to improve interest risk management, capital efficiency and business operations.

To improve its capacity to adapt to changes, the Bank measures, manages and hedges changes in its profits and losses and economic values of balance sheet items arising from interest rate fluctuations.

Prior to undertaking interest rates related business, the Bank identifies re-pricing and yield curve risks, and measures the possible impact of changes in interest rate on profits and losses. The Bank analyzes and monitors position limits and various risk management objectives in respect of interest rates on a quarterly basis, and the results are submitted regularly to the Assets and Liabilities Management Committee and the Board of Directors.

If the risk management objectives are found to be in excess of designated limits during the monitoring process, the Bank will report to the Assets and Liabilities Management Committee and propose remedial action to be taken.

Interest rate risk measures the re-pricing risk arising from different maturity or re-pricing dates of assets and liabilities carried in the banking book. To stabilize long-term profitability taking into account business growth, the Bank sets up various monitoring indexes of interest rate sensitivity for key holding periods, such as the ratio of interest rate sensitivity gap over total assets, which are reported to Assets and Liabilities Management Committee.

#### 5) Management of foreign exchange risk

##### a) Definition of foreign exchange risk

Foreign exchange risk is the risk of loss or changes in fair value arising from open positions in currency due to exchange rate fluctuations. Foreign exchange transactions include spot exchange, forward exchange, non-deliverable forward and foreign currency option between New Taiwan dollars and a foreign currency or between two foreign currencies.

##### b) Foreign exchange risk management policies, process and valuation methods

To manage foreign exchange risk and limit the loss within acceptable range, the Bank imposes trading limits and stop loss limits on trading room, traders and commodity; it also imposes monthly maximum loss limit on trading positions. Spot exchange, forward exchange, non-deliverable forward and foreign currency option are controlled collectively using Delta; foreign currency option is additionally controlled using Vega. The stop loss limits are controlled on a daily basis.

##### c) Concentration of foreign exchange risk

Information on concentration of foreign currency exposures at the balance sheet date is shown in Note 42.

#### 6) Management of equity securities market risk

##### a) Definition of equity market risk

Equity market risk is the risk arising from open positions in equity securities as a result of fluctuations in the market prices of individual securities.

##### b) Management processes of equity market risk

The Bank sets gross limits on overall positions, by industries, and by groups. For stock listed on TWSE and TPEX and beneficiary certificates, the Bank sets the limit of investment in each stock and stop loss/gain limits on overall and particular positions, which are monitored daily.

A stop loss/gain order would be executed once a given stop price has been reached; otherwise, traders should report to the manager of its department, including reasons for not executing stop loss/gain order.

c) Measurement

The Bank manages market risk on the basis of closing prices of equity securities.

7) Valuation techniques of market risk

a) Stress tests

Stress tests are performed by the Risk Management Group at least once a year to assess the impact of risk factors that have become extremely volatile on asset portfolios and risk tolerance, and to ensure that the Bank will be able to handle potential losses incurred during extreme, but plausible, events.

The Bank applies market risk factors sensitivity analysis to analyze the impact on asset that could arise under extreme scenarios:

- i. Interest rate: Evaluate impacts on the values of interest-rate-based securities if yield curves move in parallel manner.
- ii. Foreign exchange: Evaluate impacts on changes in foreign exchange rates.
- iii. Equity securities: Evaluate impacts on volatility of changes in stock prices and its related derivatives.
- iv. Commodity: Evaluate impacts on volatility of changes in commodity prices and its related derivatives.

The Bank will submit the results of stress tests to the Risk Management Committee and the Board of Directors as a reference of the Bank's ability to counter adverse economic conditions.

b) Sensitivity analysis

i. Interest rate sensitivity

Interest rate factor sensitivity ("DV01" or "PVBP") measured at the balance sheet date is the impact on the discounted future cash flows of bonds and interest-rate-based derivative instruments for 1 basis points ("bps") parallel shift in all yield curves.

Assuming all other variables remain constant, where the interest rate increases/decreases by 1 bps, there would be a decrease of \$3,607 thousand and an increase of \$1,541 thousand in income before income tax for the three months ended March 31, 2021. There would be a decrease of \$9,169 thousand and \$8,641 thousand in income before income tax for the three months ended March 31, 2020. There would be a decrease/increase of \$14,306 thousand and \$16,230 thousand in other comprehensive income for the three months ended March 31, 2021 and 2020, respectively.

ii. Foreign exchange sensitivity

Foreign exchange rate factor sensitivity ("FX Delta") measured at the balance sheet date is the impact on the values of foreign exchange positions for a 1% change in foreign exchange rates.

Where the foreign exchange increases/decreases by 1%, assuming all other variables remain constant, there would be an increase/decrease of \$337,353 thousand and \$187,190 thousand in income before income tax for the three months ended March 31, 2021 and 2020, respectively.



### iii. Equity securities market risk

Equity securities market factor sensitivity measured at the balance sheet date is the impact on the values of open positions in equity securities for a 1% change in stock market prices.

Where the securities prices increases/decreases by 1%, assuming all other variables remain constant, there would be an increase/decrease of \$15,247 thousand and \$32,414 thousand in income before income tax for the three months ended March 31, 2021 and 2020 respectively. There would be an increase/decrease of \$18,087 thousand and \$13,251 thousand in other comprehensive income for the three months ended March 31, 2021 and 2020, respectively.

### f. Interest rate benchmark reform

The financial instruments of the Bank affected by the interest rate benchmarks reform include derivatives and non-derivatives financial assets and liabilities. The linked indicator interest rate types are USD LIBOR, EUR LIBOR, JPY LIBOR, etc.

The Bank gives close attention to the market and the output from the various country working groups managing the transition to new benchmark interest rates. This includes announcements made by LIBOR regulators (including the UK Financial Conduct Authority (FCA) and Intercontinental Exchange Benchmark Administration (IBA)) regarding the transition from LIBOR to the Secured Overnight Financing Rate (SOFR), the Sterling Overnight Index Average Rate (SONIA), the Euro Short-Term Rate (€STR), the Swiss Average Rate Overnight Rate (SARON) and the Tokyo Overnight Average rate (TONA) respectively.

According to IBA's tentative plan, one-week and two-month USD LIBOR, GBP LIBOR, EUR LIBOR, CHF LIBOR and JPY LIBOR are expected to be available until the end of 2021, and the remaining USD LIBOR is expected to be available until the end of June 2023.

In response to the reform, the Bank prepared interest rate benchmark transition plan which comprises the following work streams: Risk management, contract management, product management, taxation and accounting, and customer communication. The plan is decided and supervised by the select committee.

#### Risk exposure caused by the effect of interest rate benchmark reform

- 1) Pricing risk: Changes in interest rate benchmark reform may also affect the existing financial instrument evaluation mechanism of the Bank, and it may even be necessary to establish a new valuation model for certain financial instruments.
- 2) Interest rate base risk: If the Bank fails to complete the contract modification negotiation with the counterparty of the financial instrument before the exit of the current interest rate benchmark, there will be significant uncertainty about the interest rate base applicable to the financial instrument in the future. This situation will result in interest rate risk that was not anticipated when the Bank originally signed the contract. The Bank is working to communicate with counterparties to avoid such a situation.
- 3) Liquidity risk: The alternative interest rate benchmark adopted by the Bank is substantially different from the current interest rate benchmark. For example, LIBOR is a forward-looking interest rate benchmark that implies the market's expectation to the future interest rate movement and includes interbank credit discounts. The alternative interest rate benchmark is a backdated interest rate benchmark calculated using actual transaction data and contains no credit discount. The discrepancy will increase the uncertainty of floating interest rate payments and require additional liquidity control. It will be managed in accordance with current risk management policies of liquidity risk by the Bank.

- 4) Accounting: If the amendments caused by changes in interest rate benchmark reform fail to meet the applicable conditions of IFRS 9's practical expedients, it may result in financial assets or financial liabilities amendment gains and losses. The Bank will deal with the amendment gains and losses of financial instruments under IFRS 9.
- 5) Regulation risk: The Bank will revise its operating procedures and management benchmarks to timely comply with the regulations.
- 6) Operational risk: The Bank is updating its information system to handle transactions of alternative interest rate benchmark and ensure the system's ability to process both the old and the new interest rates simultaneously.

The Bank reviews its existing non-derivative financial instruments that are linked to current interest rate benchmark. Most of the contracts do not have contingency clause for the withdrawal of interest rate benchmark. The Bank is giving close attention to the implementation of contingency provisions by the working groups on interest rate benchmark reform. For contracts that are expected to expire after the withdrawal of LIBOR, the Bank expects to introduce a contingency clause into the financial instrument contracts to enable the contract-linked interest rate to be converted from the current interest rate to another risk-free interest rate at the agreed time beginning in 2021.

On March 31, 2021, the non-derivative financial instruments held by the Bank that have been affected by the interest rate benchmark reform are summarized as follows:

Items	Carrying Amount		
	Linked to USD LIBOR	Linked to JPY LIBOR	Linked to EUR LIBOR
<b>Assets</b>			
Financial assets at FVTPL	\$ 8,294,908	\$ -	\$ -
Financial assets at FVTOCL	7,525,175	-	-
Debt instrument investment measured at amortized cost	657,446	-	-
Receivables	3,127,816	-	-
Discounts and loans	<u>39,387,067</u>	<u>493,171</u>	<u>1,089,322</u>
	<u>\$ 58,992,412</u>	<u>\$ 493,171</u>	<u>\$ 1,089,322</u>
<b>Liabilities</b>			
Principal received on structured products	<u>\$ 218,861</u>	<u>\$ -</u>	<u>\$ -</u>

In the aspect of derivative financial instruments, the Bank intends to sign contingency clause with its counterparties in accordance with the planned schedule to ensure that the derivatives will be adjusted in accordance with the contingency clause when the current interest rate benchmark exits.

On March 31, 2021, the derivative financial instruments held by the Bank that have been affected by the interest rate benchmark reform are summarized as follows:

Items	Nominal Amount	Carrying Amount	
		Financial Assets	Financial Liabilities
Derivative financial instruments linked to USD LIBOR			
Interest rate swap contracts	\$ 17,000,496	\$ 535,629	\$ 444,222
Cross-currency swap contracts	1,711,860	26,740	19,463
Interest rate option contracts	<u>2,853,100</u>	<u>-</u>	<u>50,820</u>
	<u>\$ 21,565,456</u>	<u>\$ 562,369</u>	<u>\$ 514,505</u>

g. Transfer of financial assets

In the daily operations of the Bank, the transactions of the transferred financial assets not eligible for derecognition in full are mainly bonds under repurchase agreement. The cash flows of those financial assets have been transferred to outsiders. The Bank is not eligible to conduct, sell, or pledge the transferred financial assets during the effective period. However, the Bank is still exposed to interest rate risks and credit risks. As a result, the transferred financial assets are not derecognized. The liabilities of repurchasing the transferred financial assets in an agreed amount have been recognized. The following tables show the transferred financial assets not eligible for derecognition in full and related amounts.

Types of Financial Assets	Book Value of Transferred Financial Assets	Book Value of Related Financial Liabilities	Fair Value of Transferred Financial Assets	Fair Value of Related Financial Liabilities	Net Position of Fair Value
FVTOCI - transactions under repurchase agreements					
March 31, 2021	\$ 3,559,683	\$ 3,402,084	\$ 3,559,683	\$ 3,402,084	\$ 157,599
December 31, 2020	3,714,951	3,530,487	3,714,951	3,530,487	184,464
March 31, 2020	10,972,552	10,533,837	10,972,552	10,533,837	438,715

h. Disclosures required by the Regulations Governing the Preparation of Financial Reports by Public Banks

1) Asset quality of loans

Nonperforming loans and nonperforming receivables of the Bank

Item		March 31, 2021					
		Nonperforming Loans (Note a)	Loans	Ratio of Nonperforming Loans (Note b)	Allowance for Possible Losses	Coverage Ratio (Note c)	
Business	Corporate Banking						
	Secured	930,799	59,004,807	1.58%	776,096	83.38%	
	Unsecured	636,713	113,217,569	0.56%	1,500,986	235.74%	
	Residential mortgage (Note d)	106,170	129,993,168	0.08%	2,015,554	1,898.42%	
	Cash card	-	-	-	-	-	
	Small-scale credit loan (Note e)	314,207	25,288,242	1.24%	459,291	146.17%	
	Others (Note f)	Secured	123,475	71,351,301	0.17%	768,506	622.40%
		Unsecured	35	6,114,577	-	70,539	201,540.00%
	Total	2,111,399	404,969,664	0.52%	5,590,972	264.80%	
Item		Nonperforming Receivables	Accounts Receivable	Ratio of Nonperforming Receivables	Allowance for Possible Losses	Coverage Ratio	
	Credit card	35,377	12,830,697	0.28%	380,374	1,075.20%	
	Accounts receivable factored without recourse (Note g)	-	3,049,088	-	33,849	-	

Business \ Item		December 31, 2020				
		Nonperforming Loans (Note a)	Loans	Ratio of Nonperforming Loans (Note b)	Allowance for Possible Losses	Coverage Ratio (Note c)
Corporate Banking	Secured	\$ 988,046	\$ 58,752,471	1.68%	\$ 809,325	81.91%
	Unsecured	433,773	98,963,450	0.44%	1,396,604	321.97%
Consumer Banking	Residential mortgage (Note d)	106,746	128,879,002	0.08%	2,152,061	2,016.06%
	Cash card	-	-	-	-	-
	Small-scale credit loan (Note e)	312,785	25,246,962	1.24%	460,062	147.09%
	Others (Note f)	Secured	135,449	70,965,990	0.19%	774,847
Unsecured		899	6,048,837	0.01%	71,044	7,902.56%
Total		1,977,698	388,856,712	0.51%	5,663,943	286.39%
Business \ Item		Nonperforming Receivables	Accounts Receivable	Ratio of Nonperforming Receivables	Allowance for Possible Losses	Coverage Ratio
Credit card		38,672	13,875,508	0.28%	387,161	1,001.14%
Accounts receivable factored without recourse (Note g)		-	2,634,064	-	29,002	-

Business \ Item		March 31, 2020				
		Nonperforming Loans (Note a)	Loans	Ratio of Nonperforming Loans (Note b)	Allowance for Possible Losses	Coverage Ratio (Note c)
Corporate Banking	Secured	\$ 365,671	\$ 59,232,440	0.62%	\$ 759,725	207.76%
	Unsecured	362,331	118,261,228	0.31%	1,368,936	377.81%
Consumer Banking	Residential mortgage (Note d)	167,515	127,381,903	0.13%	1,955,162	1,167.16%
	Cash card	-	-	-	-	-
	Small-scale credit loan (Note e)	278,200	24,707,263	1.13%	439,175	157.86%
	Others (Note f)	Secured	84,935	69,677,528	0.12%	747,445
Unsecured		587	5,771,970	0.01%	68,833	11,726.24%
Total		1,259,239	405,032,332	0.31%	5,339,276	424.01%
Business \ Item		Nonperforming Receivables	Accounts Receivable	Ratio of Nonperforming Receivables	Allowance for Possible Losses	Coverage Ratio
Credit card		39,145	12,843,631	0.30%	401,530	1,025.75%
Accounts receivable factored without recourse (Note g)		-	2,898,769	-	27,053	-

Note a: Nonperforming credit cards receivables represent the amounts of nonperforming receivables reported to the authorities and disclosed to the public, as required by the Banking Bureau's letter dated July 6, 2005 (Ref. No. 0944000378).

Note b: Ratio of nonperforming loans:  $\text{Nonperforming loans} \div \text{Outstanding loan balance}$ .

Ratio of nonperforming credit cards receivables:  $\text{Nonperforming credit cards receivables} \div \text{Outstanding credit cards receivables balance}$ .

Note c: Coverage ratio of allowance for possible losses for loans:  $\text{Allowance for possible losses for loans} \div \text{Nonperforming loans}$ .

Coverage ratio of allowance for possible losses for credit cards receivables:  $\text{Allowance for possible losses for credit cards receivables} \div \text{Nonperforming credit cards receivables}$ .

Note d: Residential mortgage is a loan given to the borrower who provides a house, to be purchased (or already owned) by the borrower or the spouse or the minor children of the borrower, as a mortgage to the Bank and will use the loan for house purchase or refurbishment.

Note e: Small-scale credit loans refer to the loans under the Banking Bureau's regulation, dated December 19, 2005 (Ref. No. 09440010950), but excluding small-scale unsecured loans obtained through credit cards and cash cards.

Note f: Other loans of consumer banking refer to secured or unsecured loans, excluding residential mortgage, cash card, small-scale credit loans and credit card.

Note g: As required by the Banking Bureau's letter dated July 19, 2005 (Ref. No. 0945000494), factoring without recourse is disclosed as nonperforming receivables in three months upon the factors' or insurance companies' rejection of claims.

Nonperforming loans and nonperforming receivables excluded from the information stated above

Item	March 31, 2021		December 31, 2020		March 31, 2020	
	Nonperforming Loans Excluded	Nonperforming Receivables Excluded	Nonperforming Loans Excluded	Nonperforming Receivables Excluded	Nonperforming Loans Excluded	Nonperforming Receivables Excluded
<b>Business</b>						
Loans not classified as NPL upon debt restructuring and performed as agreed (Note a)	\$ 27,692	\$ 85,101	\$ 30,513	\$ 93,417	\$ 40,551	\$ 122,325
Loans upon performance of a debt discharge program and rehabilitation program (Note b)	1,056,158	912,944	1,032,270	926,253	932,805	956,174
<b>Total</b>	<b>1,083,850</b>	<b>998,045</b>	<b>1,062,783</b>	<b>1,019,670</b>	<b>973,356</b>	<b>1,078,499</b>

Note a: Supplementary disclosure related to the loans which need not be classified as NPL upon debt restructuring and performed as agreed, as stipulated in the Banking Bureau's letter dated April 25, 2006 (Ref. No. 09510001270).

Note b: About the Bank disclosures information and enumerates credit for case of pre-negotiation, pre-mediation, debt settlement proceedings and liquidation under Statute for Consumer Debt Clearance, as stipulated in the Banking Bureau's letter dated September 15, 2008 (Ref. No. 09700318940) and dates September 20, 2016 (Ref. No. 10500134790).

2) Concentration of credit extensions

Ranking (Note a)	March 31, 2021		
	Group Entity (Note b) Industry and Code (Note a)	Total Balances of Credit Extensions (Note c)	Ratio of Credit Extensions to Net Worth (%)
1	A Group - 6700 - real estate development	\$ 11,250,630	23
2	B Group - 6499 - non-categorized and other financial services	5,162,842	10
3	C Group - 6496 - private financing industry	4,375,643	9
4	D Group - 1159 - manufacture of other textile products	4,298,268	9
5	E Group - 4841 - retail of motor vehicles	4,170,046	8
6	F Group - 6499 - non-categorized and other financial services	3,000,000	6
7	G Group - 3010 - manufacture of motor vehicles	2,964,810	6
8	H Group - 6491 - financial leasing industry	2,880,127	6
9	I Group - 3510 - electricity transmission and distribution enterprise	2,872,250	6
10	J Group - 4641 - wholesale of computers, computer peripheral equipment and software	2,741,763	6

Ranking (Note a)	December 31, 2020		
	Group Entity (Note b) Industry and Code (Note a)	Total Balances of Credit Extensions (Note c)	Ratio of Credit Extensions to Net Worth (%)
1	A Group - 6700 - real estate development	\$ 14,909,000	31
2	D Group - 6499 - non-categorized and other financial services	4,945,348	10
3	B Group - 6491 - financial leasing industry	4,573,403	9
4	C Group - 6496 - private financing industry	4,370,634	9
5	K Group - 6499 - non-categorized and other financial services	3,101,073	6
6	F Group - 6499 - non-categorized and other financial services	3,000,000	6
7	I Group - 3510 - electricity transmission and distribution enterprise	2,877,573	6
8	H Group - 2411 - smelting and refining of iron and steel	2,648,034	5
9	L Group - 2611 - manufacture of integrated circuits	2,615,678	5
10	M Group - 4210 - road engineering	2,570,369	5

Ranking (Note a)	March 31, 2020		
	Group Entity (Note b) Industry and Code (Note a)	Total Balances of Credit Extensions (Note c)	Ratio of Credit Extensions to Net Worth (%)
1	A Group - 6700 - real estate development	\$ 12,733,000	27
2	D Group - 6499 - non-categorized and other financial services	4,718,100	10
3	E Group - 4841 - retail of motor vehicles	4,072,859	9
4	H Group - 1111 - spinning of yarn, cotton and wool	3,927,035	8
5	C Group - 6496 - private financing industry	3,854,390	8
6	L Group - 2611 - manufacture of integrated circuits	3,683,760	8
7	N Group - 2630 - bare printed circuit boards manufacturing	3,336,864	7
8	B Group - 6491 - financial leasing industry	3,314,848	7
9	I Group - 3510 - electricity transmission and distribution enterprise	2,887,514	6
10	M Group - 4210 - road engineering	2,771,769	6

Note a: The rankings above represent the top 10 corporate entities except for government or state-owned enterprises, based on the total balance of credit extension granted by the Bank. The amount of credit extensions should be disclosed in aggregate for each group entity, the code and industry of which are also required. The industry of the group entities is designated as the industry of the individual group entity with the greatest risk exposure. The lines of industry should conform to the industry sub-categorization of the Standard Industrial Classification System of the Republic of China published by the Directorate-General of Budget, Accounting and Statistics under the Executive Yuan.

Note b: “Group Entity” is defined in Article 6 of “Supplementary Provisions to the Taiwan Stock Exchange Corporation Rules for Review of Securities Listings.”

Note c: Credit extension balance includes various loans (import and export negotiations, discounts, overdrafts, unsecured and secured short-term loans, margin loans receivable, unsecured and secured medium-term loans, unsecured and secured long-term loans; and nonaccrual loans), bills purchased, factored accounts receivable without recourse, acceptances and guarantees.

3) Interest rate sensitivity

Table 1: For New Taiwan dollar items

**Interest Rate Sensitivity Analysis  
March 31, 2021**

Items	1 Day to 90 Days	91 Days to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 337,372,462	\$ 145,605,655	\$ 19,086,963	\$ 36,192,064	\$ 538,257,144
Interest rate-sensitive liabilities	161,745,219	189,583,892	110,564,488	26,203,669	488,097,268
Interest rate sensitivity gap	175,627,243	(43,978,237)	(91,477,525)	9,988,395	50,159,876
Net worth					49,447,105
Ratio of interest rate-sensitive assets to liabilities					110.28%
Ratio of interest rate-sensitivity gap to net worth					101.44%

**Interest Rate Sensitivity Analysis  
December 31, 2020**

Items	1 Day to 90 Days	91 Days to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 334,676,463	\$ 151,537,559	\$ 10,733,663	\$ 41,212,539	\$ 538,160,224
Interest rate-sensitive liabilities	181,639,737	185,966,866	94,814,832	29,585,026	492,006,461
Interest rate sensitivity gap	153,036,726	(34,429,307)	(84,081,169)	11,627,513	46,153,763
Net worth					48,743,705
Ratio of interest rate-sensitive assets to liabilities					109.38%
Ratio of interest rate-sensitivity gap to net worth					94.69%

**Interest Rate Sensitivity Analysis  
March 31, 2020**

Items	1 Day to 90 Days	91 Days to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 309,714,013	\$ 142,931,447	\$ 9,064,381	\$ 45,636,107	\$ 507,345,948
Interest rate-sensitive liabilities	170,612,225	171,156,183	105,248,358	25,096,373	472,113,139
Interest rate sensitivity gap	139,101,788	(28,224,736)	(96,183,977)	20,539,734	35,232,809
Net worth					47,451,015
Ratio of interest rate-sensitive assets to liabilities					107.46%
Ratio of interest rate-sensitivity gap to net worth					74.25%

Note a: The New Taiwan dollar amounts held by the Bank.

Note b: Interest rate-sensitive assets and liabilities refer to interest-earning assets and interest-bearing liabilities that were affected by interest rate changes.

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

Note d: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets ÷ Interest rate-sensitive liabilities.

Table 2: For U.S. dollar items

**Interest Rate Sensitivity Analysis**  
**March 31, 2021**

(In Thousands of U.S. Dollars)

Items	1 Day to 90 Days	91 Days to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 2,307,126	\$ 77,775	\$ 57,864	\$ 413,286	\$ 2,856,051
Interest rate-sensitive liabilities	1,092,789	2,325,802	223,310	-	3,641,901
Interest rate sensitivity gap	1,214,337	(2,248,027)	(165,446)	413,286	(785,850)
Net worth					1,733,101
Ratio of interest rate-sensitive assets to liabilities					78.42%
Ratio of interest rate-sensitivity gap to net worth					(45.34%)

**Interest Rate Sensitivity Analysis**  
**December 31, 2020**

(In Thousands of U.S. Dollars)

Items	1 Day to 90 Days	91 Days to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 2,542,262	\$ 80,388	\$ 28,954	\$ 392,863	\$ 3,044,467
Interest rate-sensitive liabilities	1,007,606	2,314,331	201,202	-	3,523,139
Interest rate sensitivity gap	1,534,656	(2,233,943)	(172,248)	392,863	(478,672)
Net worth					1,709,825
Ratio of interest rate-sensitive assets to liabilities					86.41%
Ratio of interest rate-sensitivity gap to net worth					(28.00%)

**Interest Rate Sensitivity Analysis**  
**March 31, 2020**

(In Thousands of U.S. Dollars)

Items	1 Day to 90 Days	91 Days to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 2,463,127	\$ 92,616	\$ 53,173	\$ 512,045	\$ 3,120,961
Interest rate-sensitive liabilities	2,137,093	1,267,246	257,550	-	3,661,889
Interest rate sensitivity gap	326,034	(1,174,630)	(204,377)	512,045	(540,928)
Net worth					1,568,421
Ratio of interest rate-sensitive assets to liabilities					85.23%
Ratio of interest rate-sensitivity gap to net worth					(34.49%)

Note a: The total U.S. dollar amounts held by the Bank, excluding contingent assets and liabilities.

Note b: Interest rate-sensitive assets and liabilities refer to interest-earning assets and interest-bearing liabilities that were affected by interest rate changes.

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

Note d: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets ÷ Interest rate-sensitive liabilities.



4) Profitability

Items		For the Three Months Ended March 31, 2021	For the Three Months Ended March 31, 2020
		Return on total assets	Before tax
	After tax	0.12%	0.06%
Return on equity	Before tax	1.88%	0.85%
	After tax	1.63%	0.80%
Net income ratio		28.22%	16.50%

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

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

Note c: Net income ratio = Income after income tax ÷ Total net profit.

5) Maturity analysis of assets and liabilities

a) For New Taiwan dollar items

March 31, 2021

	Total	Amount for Remaining Period to Maturity					
		0 Day to 10 Days	11 Days to 30 Days	31 Days to 90 Days	91 Days to 180 Days	181 Days to One Year	Over One Year
Main capital inflow on maturity	\$ 737,314,579	\$ 132,209,173	\$ 97,145,109	\$ 105,657,449	\$ 61,287,694	\$ 81,143,516	\$ 259,871,638
Main capital outflow on maturity	889,887,133	63,423,500	101,669,896	153,601,760	154,321,417	197,726,373	219,144,187
Gap	(152,572,554)	68,785,673	(4,524,787)	(47,944,311)	(93,033,723)	(116,582,857)	40,727,451

December 31, 2020

	Total	Amount for Remaining Period to Maturity					
		0 Day to 10 Days	11 Days to 30 Days	31 Days to 90 Days	91 Days to 180 Days	181 Days to One Year	Over One Year
Main capital inflow on maturity	\$ 747,400,584	\$ 134,639,680	\$ 92,815,204	\$ 109,715,563	\$ 74,331,728	\$ 72,371,286	\$ 263,527,123
Main capital outflow on maturity	909,637,257	51,315,025	122,073,415	187,920,745	163,352,699	182,031,018	202,944,355
Gap	(162,236,673)	83,324,655	(29,258,211)	(78,205,182)	(89,020,971)	(109,659,732)	60,582,768

March 31, 2020

	Total	Amount for Remaining Period to Maturity					
		0 Day to 10 Days	11 Days to 30 Days	31 Days to 90 Days	91 Days to 180 Days	181 Days to One Year	Over One Year
Main capital inflow on maturity	\$ 724,873,277	\$ 129,637,257	\$ 104,928,083	\$ 94,969,497	\$ 52,339,169	\$ 70,401,313	\$ 272,597,958
Main capital outflow on maturity	873,035,448	54,324,883	100,564,448	146,241,216	162,436,484	207,628,933	201,839,484
Gap	(148,162,171)	75,312,374	4,363,635	(51,271,719)	(110,097,315)	(137,227,620)	70,758,474

Note: This table refers to the New Taiwan dollar amounts held by the Bank.

b) For U.S. dollar items

March 31, 2021

(In Thousands of U.S. Dollars)

	Total	Amount for Remaining Period to Maturity				
		0 Day to 30 Days	31 Days to 90 Days	91 Days to 180 Days	181 Days to One Year	Over One Year
Main capital inflow on maturity	\$ 11,090,778	\$ 4,501,397	\$ 2,551,892	\$ 1,179,310	\$ 986,788	\$ 1,871,391
Main capital outflow on maturity	11,761,909	4,192,394	3,216,192	1,734,937	1,491,326	1,127,060
Gap	(671,131)	309,003	(664,300)	(555,627)	(504,538)	744,331

December 31, 2020

(In Thousands of U.S. Dollars)

	Total	Amount for Remaining Period to Maturity				
		0 Day to 30 Days	31 Days to 90 Days	91 Days to 180 Days	181 Days to One Year	Over One Year
Main capital inflow on maturity	\$ 11,107,116	\$ 4,424,143	\$ 2,834,779	\$ 1,248,219	\$ 744,884	\$ 1,855,091
Main capital outflow on maturity	11,993,961	4,088,179	3,233,382	1,939,585	1,442,808	1,290,007
Gap	(886,845)	335,964	(398,603)	(691,366)	(697,924)	565,084

March 31, 2020

(In Thousands of U.S. Dollars)

	Total	Amount for Remaining Period to Maturity				
		0 Day to 30 Days	31 Days to 90 Days	91 Days to 180 Days	181 Days to One Year	Over One Year
Main capital inflow on maturity	\$ 10,699,072	\$ 3,385,527	\$ 2,095,103	\$ 1,672,253	\$ 1,473,186	\$ 2,073,003
Main capital outflow on maturity	11,395,989	5,487,332	2,947,306	904,171	1,228,471	828,709
Gap	(696,917)	(2,101,805)	(852,203)	768,082	244,715	1,244,294

Note: This table refers to the U.S. dollar amounts held by the Bank.

#### 45. CAPITAL MANAGEMENT

##### a. Objective of capital management

- 1) Unconsolidated regulatory capital and the consolidated regulatory capital should meet the requirements of the related regulations. The basic goal of the Bank's capital management is to meet the minimum ratio of regulatory capital and risk assets (the "capital adequacy ratio") according to the "Regulations Governing the Capital Adequacy and Capital Category of Banks" enacted based on the "Banking law."
- 2) In order to maintain an adequate level of capital to bear various risks, the Bank makes capital planning based on the operating plans and budget, the development strategies, dividend policy and stress tests and forecasts of capital adequacy which are approved by the Board of Directors. The objective is to optimize assets allocation and strengthen capital structure.

##### b. Procedure of capital management

- 1) The calculation of the Bank's capital adequacy ratio is based on the "Regulations Governing the Capital Adequacy and Capital Category of Banks" enacted by the Financial Supervisory Commission and the related information is reported to the competent authority on a regular basis.
- 2) In order to monitor capital adequacy ratio, the execution and changes in the parameters of the capital planning are reviewed quarterly by the Bank's Assets and Liabilities Management Committee. The committee assesses whether the Bank's capital is able to respond to various risks and whether the objective of capital management is met.

## 46. CASH FLOW INFORMATION

### Changes in Liabilities Arising from Financing Activities

For the three months ended March 31, 2021

	Beginning Balance	Cash Flows	Non-cash Changes		Ending Balance
			Exchange Rate	Others	
Funds borrowed from the Central Bank and other banks	\$ 22,340	\$ 1,800	\$ -	\$ -	\$ 24,140
Securities sold under repurchase agreement	3,530,487	(131,461)	3,058	-	3,402,084
Bank debentures	22,601,900	-	-	-	22,601,900
Other financial liabilities	868,202	713,371	-	-	1,581,573
Lease liabilities	839,255	(111,237)	1,105	336,289	1,065,412
Other liabilities	622,554	(1,077)	-	1,017	622,494
	<u>\$ 28,484,738</u>	<u>\$ 471,396</u>	<u>\$ 4,163</u>	<u>\$ 337,306</u>	<u>\$ 29,297,603</u>

For the three months ended March 31, 2020

	Beginning Balance	Cash Flows	Non-cash Changes		Ending Balance
			Exchange Rate	Others	
Securities sold under repurchase agreement	\$ 9,675,529	\$ 869,340	\$ (11,032)	\$ -	\$ 10,533,837
Bank debentures	25,001,900	-	-	-	25,001,900
Other financial liabilities	1,001,923	(121,753)	-	-	880,170
Lease liabilities	1,040,827	(115,793)	615	53,837	979,486
Other liabilities	659,123	(8,109)	-	2,201	653,215
	<u>\$ 37,379,302</u>	<u>\$ 623,685</u>	<u>\$ (10,417)</u>	<u>\$ 56,038</u>	<u>\$ 38,048,608</u>

## 47. SEGMENT INFORMATION

Information provided to the Bank's and its subsidiaries' chief operating decision makers for resource allocation and segment performance assessment focuses on nature of operation and profits. Based on IFRS 8 - "Operating Segments," the reportable segments were as follows:

- Individual banking: Mainly includes consumer banking loans such as mortgages, credit loans, car loans, installment, etc.; credit cards; individual deposits; and wealth management;
- Corporate banking: Mainly includes corporate-related business, foreign-currency business and financial market business;
- Others: Any business not included in individual and corporate banking.

The accounting policies of the reportable segments are the same as those stated in Note 4 to the consolidated financial reports.

## Segment Income and Operating Results

The income and operating results of the reportable segments of the Bank and its subsidiaries were as follows:

	Individual Banking	Corporate Banking (Including Overseas Branches)	Others	Total
<u>For the three months ended March 31, 2021</u>				
Net interests	\$ 1,036,836	\$ 863,525	\$ (306,291)	\$ 1,594,070
Net revenues and gains other than interest				
Net service fee income	553,445	122,135	188,168	863,748
Other net income	<u>59,046</u>	<u>239,484</u>	<u>74,900</u>	<u>373,430</u>
Net revenues	1,649,327	1,225,144	(43,223)	2,831,248
Reversal of (provision for) bad debt expenses	(53,747)	(270,512)	190,018	(134,241)
Operating expenses	<u>(1,238,124)</u>	<u>(376,345)</u>	<u>(160,969)</u>	<u>(1,775,438)</u>
Segment income before income tax	<u>\$ 357,456</u>	<u>\$ 578,287</u>	<u>\$ (14,174)</u>	<u>\$ 921,569</u>
<u>For the three months ended March 31, 2020</u>				
Net interests	\$ 1,018,935	\$ 758,755	\$ (304,118)	\$ 1,473,572
Net revenues and gains other than interest				
Net service fee income	541,050	261,028	154,484	956,562
Other net income	<u>93,201</u>	<u>(299,504)</u>	<u>75,518</u>	<u>(130,785)</u>
Net revenues	1,653,186	720,279	(74,116)	2,299,349
Reversal of (provision for) bad debt expenses	(5,576)	(277,608)	50,000	(233,184)
Operating expenses	<u>(1,195,613)</u>	<u>(406,976)</u>	<u>(61,329)</u>	<u>(1,663,918)</u>
Segment income before income tax	<u>\$ 451,997</u>	<u>\$ 35,695</u>	<u>\$ (85,445)</u>	<u>\$ 402,247</u>

## 48. ADDITIONAL DISCLOSURES

### a. Information about significant transactions:

- 1) Marketable securities acquired and disposed of at cost or prices at least NT\$300 million or 10% of the paid-in capital: Nil
- 2) Acquisition of individual real estate at cost of at least NT\$300 million or 10% of the paid-in capital: Nil
- 3) Disposal of individual real estate at prices of at least NT\$300 million or 10% of the paid-in capital: Nil
- 4) Service charge discounts on transactions with related parties in aggregated amount of at least NT\$5 million: Nil
- 5) Receivables from related parties amounting to at least NT\$300 million or 10% of the paid-in capital: Nil
- 6) Sale of nonperforming loans: Nil

- 7) The type and related information of any securitization product that has been approved in accordance with the Financial Asset Securitization Act or the Real Estate Securitization Act: Nil
  - 8) Intercompany relationships and significant intercompany transactions: Table 1 (attached)
  - 9) Other significant transactions which may have effects on decision making of financial statement users: Nil
- b. Information of subsidiaries' financing provided, endorsement/guarantee provided, marketable securities held, marketable securities acquired and disposed of at cost or prices at least NT\$300 million or 10% of the paid-in capital and derivative transactions: Table 2 (attached)
  - c. Related information of investees on which the Bank exercises significant influence: Exempt from disclosure
  - d. Information about branches and investments in mainland China: Table 3 (attached)
  - e. Information about major shareholders: Name, number of shares, and percentage of ownership of shareholders holding more than 5% of the shares: Nil

**FAR EASTERN INTERNATIONAL BANK LTD. AND SUBSIDIARIES**

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS  
FOR THE THREE MONTHS ENDED MARCH 31, 2021**

(In Thousands of New Taiwan Dollars)

No.	Company Name	Counterparty	Flow of Transaction	Transaction Details			
				Financial Statement Account	Amount	Terms	Percentage of Consolidated Net Profit or Consolidated Total Assets (% , Note 2)
0	Far Eastern International Bank Ltd.	Far Eastern International Securities Co., Ltd. Far Eastern International Securities Co., Ltd. Far Eastern International Securities Co., Ltd. Far Eastern International Securities Co., Ltd.	From parent company to subsidiary	Deposits and remittances	\$ 482,894	Note 3	0.07
			From parent company to subsidiary	Interest expense	399	Note 3	0.01
			From parent company to subsidiary	Service charge	645	Note 3	0.02
			From parent company to subsidiary	Loss on disposal of financial assets at FVTPL	32	Note 3	-
1	Far Eastern International Securities Co., Ltd.	Far Eastern International Bank Ltd. Far Eastern International Bank Ltd. Far Eastern International Bank Ltd.	From subsidiary to parent company	Cash and cash equivalents	482,894	Note 3	0.07
			From subsidiary to parent company	Interest revenue	399	Note 3	0.01
			From subsidiary to parent company	Service fee	677	Note 3	0.02

Note 1: Transacting parties are identified as follows: Number 0 - parent company; and number 1 and the following numbers - subsidiaries.

Note 2: The ratio is calculated as follows: For asset and liability accounts = Transaction amount/Consolidated total assets; and for income and expenses = Transaction amount/Consolidated net profit.

Note 3: The terms of intercompany transactions are not significantly different from those to third parties.

**FAR EASTERN INTERNATIONAL BANK LTD. AND SUBSIDIARIES**

**SUBSIDIARIES' FINANCING PROVIDED TO OTHERS  
FOR THE THREE MONTHS ENDED MARCH 31, 2021  
(In Thousands of New Taiwan Dollars, In Thousand Shares)**

No. (Note 1)	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate	Nature of Financing (Note 2)	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 3)	Aggregate Financing Limit (Note 3)
													Item	Value		
1	FEIB Financial Leasing Co., Ltd.	A company	Other receivables - entrusted loan receivable	No	\$ 15,797	\$ 15,642	\$ 15,642	6%-10%	a	\$ 16,236	-	\$ 156	Real estate	\$ 32,782	\$ 969,859	\$ 969,859

Note 1: No. column is coded as follows:

- a. The Issuer is coded "0".
- b. The investees are coded consecutively beginning from "1" in the order presented in the table above.

Note 2: The nature of financing is described as follows:

- a. Business transaction is coded "1".
- b. Short-term financing is coded "2".

Note 3: The limits on financing are as follows:

- a. Financing limit for each borrower
  - 1) In the case of lending funds to companies or firms who have a business relationship with the lender, the total lending amount to an individual borrower shall not exceed two times of the net value of the lender as shown in the latest financial report audited or reviewed by a CPA.
  - 2) In the case of lending funds to the companies or firms in need of short-term financing, the total lending amount to an individual borrower shall not exceed 40% of the net value of the lender as shown in the latest financial report audited or reviewed by a CPA.
- b. Aggregate financing limit
  - 1) In the case of lending funds to companies or firms who have a business relationship with the lender, the total accumulation lending amount to an individual borrower shall not exceed two times of the net value of the lender as shown in the latest financial report audited or reviewed by a CPA.
  - 2) In the case of lending funds to the companies or firms in need of short-term financing, the total accumulation lending amount to an individual borrower shall not exceed 40% of the net value of the lender as shown in the latest financial report audited or reviewed by a CPA.

**FAR EASTERN INTERNATIONAL BANK LTD. AND SUBSIDIARIES**

**INVESTMENT IN MAINLAND CHINA**

**FOR THE THREE MONTHS ENDED MARCH 31, 2021**

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

Investee Company Name	Main Business and Product	Total Paid-in Capital (Note 4)	Investment Type (Note 1)	Accumulated Outflow of Investment as of January 1, 2021	Investment Flow (Note 4)		Accumulated Outflow of Investment as of March 31, 2021 (Note 4)	Net Income (Loss) of Investee (Note 2 and 5)	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Notes 2 and 5)	Carrying Value as of March 31, 2021 (Note 2)	Accumulated Inward Remittance of Earnings as of March 31, 2021	Note
					Outflow	Inflow							
FEIB Financial Leasing Co., Ltd.	Leasing operation	\$ 920,470 (US\$ 30,000 thousand)	a	\$ 920,470 (US\$ 30,000 thousand)	\$ -	\$ -	\$ 920,470 (US\$ 30,000 thousand)	\$ 5,089 (CNY 1,165 thousand)	100.00	\$ 5,089 (CNY 1,165 thousand)	\$ 974,922	\$ -	

Accumulated Investment in Mainland China as of March 31, 2021 (Note 4)	Investment Amount Authorized by Investment Commission, MOEA (Note 4)	Limit on Investment Authorized by Investment Commission MOEA (Note 3)
\$920,470 (US\$30,000 thousand)	\$920,470 (US\$30,000 thousand)	\$993,229

Note 1: Routes of investment in Mainland China are listed below:

- a. Direct investment.
- b. Investment via third place company (state third place investment company).
- c. Others.

Note 2: Calculation based on investee company's financial statements audited by a local CPA and covering the same reporting period as that of Far Eastern International Bank.

Note 3: Under the "Regulations Governing the Approval of Investment or Technical Cooperation in Mainland China" announced by Investment Commission, MOEA, upper limit is calculated by applicant company - Far Eastern Asset Management Co., Ltd.

Note 4: Calculated using the exchange rate at remittance date.

Note 5: Calculated using the average exchange rate for the three months ended March 31, 2021.