Far Eastern International Bank Ltd. and Subsidiaries

Consolidated Financial Statements for the Six Months Ended June 30, 2021 and 2020 and Independent Auditors’ Review Report

Deloitte.

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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 June 30, 2021 and 2020, the related consolidated statements of comprehensive income for the three months ended June 30, 2021 and 2020 and for the six months ended June 30, 2021 and 2020, the consolidated statements of changes in equity and cash flows for the six 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 June 30, 2021 and 2020, its consolidated financial performance for the three months ended June 30, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the six months ended June 30, 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.

Other Matter

We have also audited the parent company only financial statements of Far Eastern International Bank Ltd. as of and for the six months ended June 30, 2021 and 2020 on which we have issued an unmodified opinion.

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

July 29, 2021

<u>*Notice to Readers*</u>

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)

	June 30, 2021 (Reviewed)		December 31, 2020 (Audited)		June 30, 2020 (Reviewed)	
ASSETS	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
ASSETS						
Cash and cash equivalents (Note 6)	$ 7,007,881	1	$ 6,409,009	1	$ 5,317,805	1
Due from the Central Bank and other banks (Notes 7 and 39)	29,054,846	4	33,137,664	5	23,967,447	4
Financial assets at fair value through profit or loss (Notes 8, 38 and 43)	28,007,635	4	31,757,436	5	36,818,134	6
Financial assets at fair value through other comprehensive income (Notes 9, 11, 28, 39, 43 and 44)	175,131,389	25	177,659,673	26	151,930,029	23
Investment in debt instruments at amortized cost, net (Notes 10, 11 and 43)	497,896	-	1,077,764	-	2,213,737	-
Securities purchased under resale agreements, net (Note 12)	7,778,401	1	10,960,705	2	5,437,750	1
Receivables, net (Notes 13, 38 and 44)	20,962,581	3	21,544,213	3	20,825,421	3
Discounts and loans, net (Notes 14, 38 and 44)	415,859,730	60	383,192,769	56	393,297,001	60
Investment accounted for using equity method (Notes 15 and 28)	1,935,893	-	1,911,929	-	1,830,510	-
Other financial assets, net (Notes 16 and 39)	7,182,938	1	6,654,960	1	5,994,671	1
Property and equipment, net (Note 17)	2,978,750	1	2,984,953	1	2,985,235	1
Right-of-use assets, net (Note 18)	1,119,361	-	825,209	-	959,430	-
Intangible assets, net (Note 19)	1,635,895	-	1,648,636	-	1,661,378	-
Deferred tax assets (Notes 4 and 36)	184,801	-	212,925	-	319,096	-
Other assets	243,422	-	313,111	-	253,248	-
TOTAL	$ 699,581,419	100	$ 680,290,956	100	$ 653,810,892	100
LIABILITIES AND EQUITY						
LIABILITIES						
Due to the Central Bank and other banks (Notes 20 and 44)	$ 296,172	-	$ 984,839	-	$ 5,142,381	1
Funds borrowed from the Central Bank and other banks (Notes 44 and 46)	40,540	-	22,340	-	5,800	-
Financial liabilities at fair value through profit or loss (Notes 8, 38 and 43)	3,013,418	-	5,196,435	1	3,974,520	1
Securities sold under repurchase agreements (Notes 9, 21, 44 and 46)	5,102	-	3,530,487	1	9,621,269	2
Payables (Notes 22 and 44)	12,485,321	2	5,297,879	1	7,736,006	1
Current tax liabilities (Note 4)	111,765	-	176,737	-	197,697	-
Deposits and remittances (Notes 23, 38 and 44)	583,843,941	84	582,152,911	86	535,513,079	82
Bank debentures (Notes 24, 43, 44 and 46)	25,001,900	4	22,601,900	3	25,001,900	4
Principal received on structured products (Note 44)	22,395,321	3	8,190,621	1	14,941,060	2
Other financial liabilities (Notes 25, 44 and 46)	852,651	-	868,202	-	1,108,347	-
Provisions (Notes 26 and 38)	989,959	-	1,063,091	-	1,221,623	-
Lease liabilities (Notes 18, 38, 44 and 46)	1,125,279	-	839,255	-	969,273	-
Other liabilities (Note 46)	638,090	-	622,554	-	674,019	-
Total liabilities	650,799,459	93	631,547,251	93	606,106,974	93
EQUITY ATTRIBUTABLE TO OWNERS OF THE BANK (Notes 9, 15 and 28)						
Share capital						
Ordinary shares	34,481,044	5	34,481,044	5	33,558,193	5
Reserve for capitalization	658,588	-	-	-	922,851	-
Total share capital	35,139,632	5	34,481,044	5	34,481,044	5
Capital surplus	456,426	-	456,426	-	456,426	-
Retained earnings						
Legal reserve	10,294,866	2	9,547,845	1	9,547,845	2
Special reserve	5,922	-	23,543	-	23,543	-
Unappropriated earnings	2,418,368	-	3,259,093	1	2,271,648	-
Total retained earnings	12,719,156	2	12,830,481	2	11,843,036	2
Other equity	466,746	-	975,754	-	923,412	-
Total equity	48,781,960	7	48,743,705	7	47,703,918	7
TOTAL	$ 699,581,419	100	$ 680,290,956	100	$ 653,810,892	100

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 June 30				For the Six Months Ended June 30			
	2021		2020		2021		2020	
	Amount	%	Amount	%	Amount	%	Amount	%
INTEREST REVENUES (Notes 29 and 38)	$ 2,365,684	86	$ 2,672,044	80	$ 4,742,702	85	$ 5,565,963	99
INTEREST EXPENSES (Notes 18, 29 and 38)	731,873	27	1,182,838	35	1,514,821	27	2,603,185	46
NET INTERESTS	1,633,811	59	1,489,206	45	3,227,881	58	2,962,778	53
NET REVENUES AND GAINS OTHER THAN INTEREST								
Net service fee income (Notes 30 and 38)	721,685	26	843,182	25	1,585,433	28	1,799,744	32
Gain on financial assets and liabilities at fair value through profit or loss (Notes 31, 38 and 43)	268,417	10	915,117	27	554,282	10	634,109	11
Realized gain on financial assets at fair value through other comprehensive income (Notes 9 and 28)	18,379	1	17,865	-	247	-	20,602	-
Net foreign exchange gain (loss)	9,473	-	(13,570)	-	10,578	-	43,944	1
Shares of profit of associates for using equity method (Note 15)	51,806	2	35,218	1	90,026	2	65,893	1
Others	51,785	2	54,951	2	118,157	2	114,248	2
Total net revenues and gains other than interest	1,121,545	41	1,852,763	55	2,358,723	42	2,678,540	47
NET REVENUES	2,755,356	100	3,341,969	100	5,586,604	100	5,641,318	100
PROVISION FOR LOSS ON BAD DEBTS EXPENSE, COMMITMENT AND GUARANTEE (Notes 13, 14, 16, 26 and 38)	455,214	17	281,037	9	589,455	11	514,221	9
OPERATING EXPENSES								
Employee benefits expense (Notes 4, 27, 32, 33 and 38)	995,755	36	1,089,311	33	2,058,213	37	2,047,335	36
Depreciation and amortization (Notes 17, 18 and 34)	176,772	6	181,253	5	355,742	6	358,486	7
Other general and administrative expenses (Notes 18, 35 and 38)	407,132	15	376,956	11	941,142	17	905,617	16
Total operating expenses	1,579,659	57	1,647,520	49	3,355,097	60	3,311,438	59
INCOME BEFORE INCOME TAX	720,483	26	1,413,412	42	1,642,052	29	1,815,659	32
INCOME TAX EXPENSE (Notes 4 and 36)	70,515	2	177,726	5	193,003	3	200,540	4
NET INCOME FOR THE PERIOD	649,968	24	1,235,686	37	1,449,049	26	1,615,119	28

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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 June 30				For the Six Months Ended June 30			
	2021		2020		2021		2020	
	Amount	%	Amount	%	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 9, 11, 15, 28 and 36)								
Items that will not be reclassified subsequently to profit or loss:								
Gain (loss) on valuation of investments in equity instruments at fair value through other comprehensive income	$ (66,479)	(2)	$ 156,790	5	$ 65,534	1	$ (110,776)	(2)
Share of other comprehensive income (loss) of associates for using equity method	668	-	1,044	-	2,015	-	(406)	-
	(65,811)	(2)	157,834	5	67,549	1	(111,182)	(2)
Items that may be reclassified subsequently to profit or loss								
Exchange differences on translating foreign operations	(33,526)	(1)	(49,681)	(1)	(40,341)	(1)	(55,203)	(1)
Share of other comprehensive income (loss) of associates for using equity method	5,638	-	40,873	1	(18,373)	-	22,086	1
Gain (loss) on investments in debt instruments measured at fair value through other comprehensive income	(98,841)	(4)	435,900	13	(298,713)	(5)	513,724	9
Income tax benefit relating to items that may be reclassified subsequently	1,509	-	2,815	-	3,166	-	5,485	-
	(125,220)	(5)	429,907	13	(354,261)	(6)	486,092	9
Other comprehensive loss for the period	(191,031)	(7)	587,741	18	(286,712)	(5)	374,910	7
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	$ 458,937	17	$ 1,823,427	55	$ 1,162,337	21	$ 1,990,029	35
NET INCOME ATTRIBUTABLE TO:								
Owners of the Bank	$ 649,968	24	$ 1,235,686	37	$ 1,449,049	26	$ 1,615,119	28
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:								
Owners of the Bank	$ 458,937	17	$ 1,823,427	55	$ 1,162,337	21	$ 1,990,029	35
EARNINGS PER SHARE (Note 37)								
Basic	$ 0.19		$ 0.36		$ 0.42		$ 0.47	
Diluted	$ 0.19		$ 0.36		$ 0.42		$ 0.47	

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								
				Retained Earnings (Notes 9 and 28)			Others		
	Share Capital (Note 28)	Reserve for Raising Capital	Capital Surplus (Note 28)	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income (Notes 9 and 28)	Total Equity
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
Appropriation of the 2019 earnings									
Legal reserve	-	-	-	1,089,777	-	(1,089,777)	-	-	-
Reversal of special reserves	-	-	-	-	(52,672)	52,672	-	-	-
Cash dividends - NT$0.468 per share	-	-	-	-	-	(1,570,524)	-	-	(1,570,524)
Stock dividends - NT$0.275 per share	-	922,851	-	-	-	(922,851)	-	-	-
	-	922,851	-	1,089,777	(52,672)	(3,530,480)	-	-	(1,570,524)
Net income for the six months ended June 30, 2020	-	-	-	-	-	1,615,119	-	-	1,615,119
Other comprehensive income (loss) for the six months ended June 30, 2020	-	-	-	-	-	-	(49,718)	424,628	374,910
Total comprehensive income (loss) for the six months ended June 30, 2020	-	-	-	-	-	1,615,119	(49,718)	424,628	1,990,029
Disposal of investments in equity instruments at fair value through other comprehensive income (loss)	-	-	-	-	-	(112,496)	-	112,496	-
BALANCE AT JUNE 30, 2020	$ 33,558,193	$ 922,851	$ 456,426	$ 9,547,845	$ 23,543	$ 2,271,648	$ (121,808)	$ 1,045,220	$ 47,703,918
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
Appropriation of the 2020 earnings									
Legal reserve	-	-	-	747,021	-	(747,021)	-	-	-
Reversal of special reserves	-	-	-	-	(17,621)	17,621	-	-	-
Cash dividends - NT$0.326 per share	-	-	-	-	-	(1,124,082)	-	-	(1,124,082)
Stock dividends - NT$0.191 per share	-	658,588	-	-	-	(658,588)	-	-	-
	-	658,588	-	747,021	(17,621)	(2,512,070)	-	-	(1,124,082)
Net income for the six months ended June 30, 2021	-	-	-	-	-	1,449,049	-	-	1,449,049
Other comprehensive income (loss) for the six months ended June 30, 2021	-	-	-	-	-	-	(37,175)	(249,537)	(286,712)
Total comprehensive income (loss) for the six months ended June 30, 2021	-	-	-	-	-	1,449,049	(37,175)	(249,537)	1,162,337
Disposal of investments in equity instruments at fair value through other comprehensive income (loss)	-	-	-	-	-	222,296	-	(222,296)	-
BALANCE AT JUNE 30, 2021	$ 34,481,044	$ 658,588	$ 456,426	$ 10,294,866	$ 5,922	$ 2,418,368	$ (233,646)	$ 700,392	$ 48,781,960

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 Six Months Ended June 30	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 1,642,052	$ 1,815,659
Adjustments for:		
Depreciation	343,001	345,745
Amortization	12,741	12,741
Provision for loss on bad debts expense, commitment and guarantee	800,133	708,666
Net valuation loss (gain) on financial assets and liabilities at fair value through profit or loss	(63,427)	338,237
Interest expenses	1,514,821	2,603,185
Interest revenues	(4,742,702)	(5,565,963)
Dividends revenue	(33,841)	(28,208)
Shares of profit from associates	(90,026)	(65,893)
Unrealized net gain on foreign currency exchange	26,324	10,026
Other adjustments	(20,980)	(23,875)
Changes in operating assets and liabilities		
Increase in due from the Central Bank and other banks	(696,756)	(507,961)
Decrease in financial assets at fair value through profit or loss	3,545,688	15,629,779
Decrease (increase) in financial assets at fair value through other comprehensive income	2,116,565	(19,631,296)
Decrease in investments in debt instruments at amortized cost	564,000	300,954
Decrease (increase) in receivables	(754,247)	1,192,809
Increase in discounts and loans	(34,766,034)	(10,212,943)
Decrease in due to the Central Bank and other banks	(652,627)	(5,882,512)
Increase (decrease) in financial liabilities at fair value through profit or loss	(2,161,773)	73,763
Increase (decrease) in payables	6,616,218	(455,053)
Increase (decrease) in deposits and remittances	4,294,863	(241,779)
Increase in principal received on structured products	14,256,690	5,515,954
Cash used in operations	(8,249,317)	(14,067,965)
Interest received	4,742,751	5,692,762
Dividends received	10,777	5,559
Interest paid	(1,504,116)	(2,565,383)
Income tax paid	(187,383)	(433,696)
Net cash used in operating activities	(5,187,288)	(11,368,723)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(135,675)	(203,504)
Proceeds from disposal of property and equipment	122	38
Increase in other financial assets	(592,461)	(486,870)

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FAR EASTERN INTERNATIONAL BANK LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	For the Six Months Ended June 30 2021	2020
Decrease (increase) in other assets	$ 32,824	$ (20,422)
Dividends received from associates	49,704	69,585
Net cash used in investing activities	(645,486)	(641,173)
CASH FLOWS FROM FINANCING ACTIVITIES (Note 46)		
Increase in funds borrowed from the Central Bank and other banks	18,200	5,800
Proceeds from the issuance of bank debentures	2,400,000	-
Increase (decrease) in securities sold under repurchase agreements	(3,486,642)	90,227
Repayments of the principal portion of lease liabilities	(209,884)	(219,107)
Increase (decrease) in other financial liabilities	(15,551)	106,424
Increase in other liabilities	13,639	10,912
Net cash used in financing activities	(1,280,238)	(5,744)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(249,994)	(136,009)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(7,363,006)	(12,151,649)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD	36,990,984	34,212,120
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	$ 29,627,978	$ 22,060,471

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

	June 30, 2021	December 31, 2020	June 30, 2020
Cash and cash equivalents in consolidated balance sheets	$ 7,007,881	$ 6,409,009	$ 5,317,805
Due from the Central Bank and other banks that meet the IAS 7 definition of “cash and cash equivalents”	14,841,696	19,621,270	11,304,916
Securities purchased under resale agreements that meet the IAS 7 definition of “cash and cash equivalents”	7,778,401	10,960,705	5,437,750
Cash and cash equivalents in consolidated statements of cash flows	$ 29,627,978	$ 36,990,984	$ 22,060,471

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 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 June 30, 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 approved by the Bank's Board of Directors on July 29, 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. The IFRSs endorsed by the FSC for application starting from 2022

New IFRSs	Effective Date Announced by IASB
"Annual Improvements to IFRS Standards 2018-2020"	January 1, 2022 (Note 1)
Amendments to IFRS 3 "Reference to the Conceptual Framework"	January 1, 2022 (Note 2)
Amendments to IAS 16 "Property, Plant and Equipment - Proceeds before Intended Use"	January 1, 2022 (Note 3)
Amendments to IAS 37 "Onerous Contracts - Cost of Fulfilling a Contract"	January 1, 2022 (Note 4)

Note 1: The amendments to IFRS 9 are 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" are 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" are applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 2: 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 3: 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 4: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022

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 other 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.

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

New IFRSs	Effective Date Announced by IASB (Note 1)
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 2)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 3)
Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2023 (Note 4)
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 will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 3: 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 4: Except for deferred taxes that will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

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.

   Account balances, income and expenses arising from intercompany transactions 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		
			June 30, 2021	December 31, 2020	June 30, 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

	June 30, 2021	December 31, 2020	June 30, 2020
Cash on hand	$ 2,713,871	$ 2,623,863	$ 3,007,875
Notes and checks for clearing	2,962,100	368,465	195,700
Deposits due from other banks	946,833	3,062,445	1,886,702
Balance with other banks	385,077	354,236	227,528
	$ 7,007,881	$ 6,409,009	$ 5,317,805

7. DUE FROM THE CENTRAL BANK AND OTHER BANKS

	June 30, 2021	December 31, 2020	June 30, 2020
Due from other banks	$ 9,735,076	$ 13,173,772	$ 3,645,300
New Taiwan dollar reserve deposits - Type A	4,978,906	6,316,477	7,538,750
New Taiwan dollar reserve deposits - Type B	14,213,150	13,516,394	12,662,531
Foreign-currency reserve deposits	127,714	131,021	120,866
	$ 29,054,846	$ 33,137,664	$ 23,967,447

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 June 30, 2021, December 31, 2020 and June 30, 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 $14,841,696 thousand, $19,621,270 thousand and $11,304,916 thousand, respectively, and were included in cash and cash equivalents in the consolidated statements of cash flows.

The part of New Taiwan dollar reserve deposits - Type B pledged as collaterals are disclosed in Note 39.

8. FINANCIAL INSTRUMENTS AT FVTPL

Financial assets mandatorily classified as at FVTPL

	June 30, 2021	December 31, 2020	June 30, 2020
Non-derivative financial assets			
Government bond	$ 10,376,147	$ 11,750,113	$ 14,781,480
Stock listed on TWSE and TPEx	755,201	673,149	488,022
Beneficiary certificates	438,004	234,854	195,497
Commercial paper	-	-	713,379
	11,569,352	12,658,116	16,178,378
Derivative financial assets			
Foreign-currency swap contracts	1,611,593	3,319,867	1,449,352
Interest rate swap contracts	1,286,796	1,413,015	1,818,303
Currency option contracts	377,378	603,815	429,864
Forward exchange contracts	141,249	404,968	114,703
Others	160,998	251,617	149,769
	3,578,014	5,993,282	3,961,991
Hybrid contract			
Asset swap fixed-income	9,608,603	8,998,110	12,177,705
Credit linked loan contracts	2,797,893	2,350,490	2,954,033
Credit linked note contracts	279,671	1,574,134	1,340,919
Convertible bonds	174,102	183,304	205,108
	12,860,269	13,106,038	16,677,765
Total financial assets mandatorily classified as at FVTPL	$ 28,007,635	$ 31,757,436	$ 36,818,134

Held-for trading financial liabilities

	June 30, 2021	December 31, 2020	June 30, 2020
Non-derivative financial liabilities			
Short-covering debentures	$ -	$ -	$ 199,109
Derivative financial liabilities			
Foreign-currency swap contracts	1,521,783	2,995,733	1,576,279
Interest rate swap contracts	862,000	1,038,249	1,515,030
Currency option contracts	378,495	604,574	430,184
Forward exchange contracts	161,181	351,565	61,508
Others	89,959	206,314	192,410
	3,013,418	5,196,435	3,775,411
Total financial liabilities at FVTPL	$ 3,013,418	$ 5,196,435	$ 3,974,520

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:

	June 30, 2021	December 31, 2020	June 30, 2020
Foreign-currency swap contracts	$ 355,916,166	$ 388,506,251	$ 336,522,841
Interest rate swap contracts	209,322,335	150,874,919	157,407,989
Currency option contracts	72,968,080	68,220,685	107,507,930
Forward exchange contracts	17,999,678	19,346,925	15,913,038
Seller of credit default swap contracts	15,034,183	19,430,192	22,968,214
Interest rate option contracts	4,000,000	4,850,800	4,966,000
Cross-currency swap contracts	2,174,466	3,374,610	5,542,950
Bond futures	744,129	417,057	575,404
Forward contracts	289,207	370,749	358,560
Non-deliverable forward contracts	39,134	40,121	237,481
Stock index options	-	160,600	-
Stock index futures	-	10,350	-

9. FINANCIAL ASSETS AT FVTOCI

	June 30, 2021	December 31, 2020	June 30, 2020
Investments in equity instruments			
Stock listed on TWSE and TPEx	$ 1,648,941	$ 1,088,114	$ 1,156,316
Stock unlisted on TWSE and TPEx	273,529	296,158	279,182
	1,922,470	1,384,272	1,435,498
Investments in debt instruments			
Negotiable certificates of deposit	74,632,537	80,153,487	67,937,714
Government bonds	38,980,657	36,594,394	36,037,852
Commercial paper	24,164,002	24,930,474	12,399,034

(Continued)

	June 30, 2021	December 31, 2020	June 30, 2020
Corporate bonds	$ 16,510,509	$ 14,819,283	$ 10,613,895
Bank debentures	15,600,653	15,489,183	16,902,757
Mortgage backed securities	3,320,561	4,288,580	6,603,279
	173,208,919	176,275,401	150,494,531
Total financial assets at FVTOCI	$ 175,131,389	$ 177,659,673	$ 151,930,029

(Concluded)

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:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Dividends revenue recognized in profit or loss				
On equity held at period end	$ 20,834	$ 23,606	$ 25,271	$ 27,532
On equity disposed of in current period	7,737	-	7,737	391
	$ 28,571	$ 23,606	$ 33,008	$ 27,923

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:

	For the Six Months Ended June 30	
	2021	2020
Fair value at the date of disposal	$ 739,759	$ 271,618
Accumulated gain (loss) transferred to retained earnings due to disposal	$ 220,517	$ (112,333)

For the above information of credit risk management and impairment assessment on investments in debt instruments at FVTOCI, refer to Note 11. The assets pledged as collaterals are disclosed in Note 39.

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

	June 30, 2021	December 31, 2020	June 30, 2020
Bank debentures	$ 5,618	$ 3,412,187	$ 9,424,027
Government bonds	$ -	$ 302,764	$ 628,352
Mortage backed securities	$ -	$ -	$ 320,911

10. DEBT INSTRUMENT INVESTMENT MEASURED AT AMORTIZED COST

	June 30, 2021	December 31, 2020	June 30, 2020
Bank debentures	$ 497,911	$ 507,721	$ 1,620,643
Corporate bonds	-	570,160	593,200
	497,911	1,077,881	2,213,843
Less: Allowance for loss	15	117	106
	$ 497,896	$ 1,077,764	$ 2,213,737

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:

	At FVTOCI	At Amortized Cost	Total
June 30, 2021			
Total carrying amount	$ 172,717,788	$ 497,911	$ 173,215,699
Less: Impairment loss	14,584	15	14,599
Amortized cost	172,703,204	$ 497,896	173,201,100
Fair value adjustment	505,715		505,715
	$ 173,208,919		$ 173,706,815
December 31, 2020			
Total carrying amount	$ 175,486,919	$ 1,077,881	$ 176,564,800
Less: Impairment loss	15,946	117	16,063
Amortized cost	175,470,973	$ 1,077,764	176,548,737
Fair value adjustment	804,428		804,428
	$ 176,275,401		$ 177,353,165

(Continued)

June 30, 2020	At FVTOCI	At Amortized Cost	Total
Total carrying amount	$ 149,493,541	$ 2,213,843	$ 151,707,384
Less: Impairment loss	11,191	106	11,297
Amortized cost	149,482,350	$ 2,213,737	151,696,087
Fair value adjustment	1,012,181		1,012,181
	$ 150,494,531		$ 152,708,268

(Concluded)

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 six months ended June 30, 2021

	At FVTOCI	At Amortized Cost	Total
Beginning on January 1, 2021	$ 15,946	$ 117	$ 16,063
Purchase of new debt instruments	8,975	-	8,975
Derecognition	(10,085)	(102)	(10,187)
Exchange rate and other changes	(252)	-	(252)
Balance on June 30, 2021	$ 14,584	$ 15	$ 14,599

For the six months ended June 30, 2020

	At FVTOCI	At Amortized Cost	Total
Beginning on January 1, 2020	$ 8,905	$ 256	$ 9,161
Purchase of new debt instruments	6,365	-	6,365
Derecognition	(1,034)	(85)	(1,119)
Exchange rate and other changes	(3,045)	(65)	(3,110)
Balance on June 30, 2020	$ 11,191	$ 106	$ 11,297

12. SECURITIES PURCHASED UNDER RESALE AGREEMENTS

	June 30, 2021	December 31, 2020	June 30, 2020
Government bonds	$ 6,241,234	$ 7,439,318	$ 2,498,233
Commercial paper	1,537,669	2,474,535	2,440,553
Negotiable certificates of deposit	-	1,048,085	500,000
	7,778,903	10,961,938	5,438,786
Less: Allowance for loss	502	1,233	1,036
	$ 7,778,401	$ 10,960,705	$ 5,437,750
Resale date	2021.07.01-2021.08.17	2021.01.04-2021.01.29	2020.07.01-2020.08.04
Resale price	$ 7,779,815	$ 10,963,209	$ 5,439,863

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

13. RECEIVABLES, NET

	June 30, 2021	December 31, 2020	June 30, 2020
Credit card	$ 11,183,918	$ 13,954,185	$ 12,293,257
Factoring	4,946,187	2,650,059	4,192,902
Buying debt receivable	1,093,557	1,120,220	1,337,397
Proceeds from disposal of securities	910,232	14,978	320,966
Interest	838,267	838,316	923,832
Lease receivables	693,980	724,018	733,422
Spot exchange transactions	471,306	623,413	661,009
Acceptances	383,853	901,886	272,541
Forfaiting	104,085	755,913	-
Others	853,957	480,277	610,298
	21,479,342	22,063,265	21,345,624
Less: Allowance for possible losses	516,761	519,052	520,203
	$ 20,962,581	$ 21,544,213	$ 20,825,421

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

For the six months ended June 30, 2021

	Stage 1 (Note 1)	Stage 2 (Note 2)	Stage 3 (Note 3)	Total Receivables and Other Financial Assets
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	(51,040)	55,357	(99)	4,218
Transfer to Stage 3	(64,391)	(19,596)	90,169	6,182
Transfer to Stage 1	7,663	(11,581)	(320)	(4,238)
Financial assets derecognized in the current period	(7,689,693)	(7,532)	(119,000)	(7,816,225)
Purchased or original financial assets	6,181,954	6,202	18,855	6,207,011
Write-offs	(19,509)	(16,275)	(31,259)	(67,043)
Exchange rate and other changes	(22,488)	(1,725)	(4,129)	(28,342)
Balance on June 30, 2021	$ 17,678,813	$ 66,284	$ 1,133,184	$ 18,878,281

For the six months ended June 30, 2020

	Stage 1 (Note 1)	Stage 2 (Note 2)	Stage 3 (Note 3)	Total Receivables and Other Financial Assets
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	(49,118)	54,437	(170)	5,149
Transfer to Stage 3	(77,543)	(21,436)	105,049	6,070
Transfer to Stage 1	17,537	(12,660)	(9,675)	(4,798)
Financial assets derecognized in the current period	(7,383,113)	(7,028)	(126,307)	(7,516,448)
Purchased or original financial assets	5,576,149	4,445	24,637	5,605,231
Write-offs	(24,045)	(21,413)	(36,269)	(81,727)
Exchange rate and other changes	(55,189)	(4,528)	(2,470)	(62,187)
Balance on June 30, 2020	$ 18,177,946	$ 61,269	$ 1,224,892	$ 19,464,107

Note 1: 12-month ECLs (evaluate the receivables and other financial assets whose credit risk has not increased significantly since initial recognition).

Note 2: Lifetime ECLs (evaluate the receivables and other financial assets whose credit risk has increased significantly since initial recognition).

Note 3: Lifetime ECLs (evaluate impaired financial assets).

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

For the six months ended June 30, 2021

	12-month Expected Credit Loss (Stage 1)	Lifetime Expected Credit Loss (Stage 2)	Lifetime Expected Credit Loss (Credit Impairment on Financial Assets) (Stage 3)	Impairment Under the Guidelines of IFRS 9	The Difference of Impairment under the Regulations	Total Allowance for Possible Losses
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	(25)	6,305	(15)	6,265	-	6,265
Transfer to Stage 3	(32)	(1,786)	25,560	23,742	-	23,742
Transfer to Stage 1	3	(1,443)	(30)	(1,470)	-	(1,470)
Financial assets derecognized in the current period	(7,714)	(909)	(22,023)	(30,646)	-	(30,646)
Purchased or original financial assets	17,976	799	6,254	25,029	-	25,029
The difference of impairment under the Regulations	-	-	-	-	(12,940)	(12,940)
Write-offs	(19,509)	(16,275)	(31,259)	(67,043)	-	(67,043)
Exchange rate and other changes	19,236	14,626	20,741	54,603	-	54,603
Balance on June 30, 2021	$ 43,130	$ 7,704	$ 375,535	$ 426,369	$ 90,463	$ 516,832

For the six months ended June 30, 2020

	12-month Expected Credit Loss (Stage 1)	Lifetime Expected Credit Loss (Stage 2)	Lifetime Expected Credit Loss (Credit Impairment on Financial Assets) (Stage 3)	Impairment Under the Guidelines of IFRS 9	The Difference of Impairment under the Regulations	Total Allowance for Possible Losses
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)	7,111	(34)	7,056	-	7,056
Transfer to Stage 3	(33)	(2,107)	30,376	28,236	-	28,236
Transfer to Stage 1	15	(1,740)	(3,708)	(5,433)	-	(5,433)
Financial assets derecognized in the current period	(8,599)	(981)	(26,015)	(35,595)	-	(35,595)
Purchased or original financial assets	21,860	624	6,809	29,293	-	29,293
The difference of impairment under the Regulations	-	-	-	-	(8,533)	(8,533)
Write-offs	(24,045)	(21,413)	(36,269)	(81,727)	-	(81,727)
Exchange rate and other changes	23,792	19,108	24,139	67,039	-	67,039
Balance on June 30, 2020	$ 48,762	$ 7,945	$ 377,860	$ 434,567	$ 85,888	$ 520,455

14. DISCOUNTS AND LOANS, NET

	June 30, 2021	December 31, 2020	June 30, 2020
Negotiations, discounts and overdraft	$ 161,572	$ 259,841	$ 280,287
Short-term loans	87,181,408	66,840,656	74,975,556
Medium-term loans	150,866,765	144,009,562	147,745,416
Long-term loans	182,309,817	176,390,904	174,557,802
Overdue receivable	1,139,910	1,355,749	1,281,431
	421,659,472	388,856,712	398,840,492
Less: Allowance for possible losses	5,799,742	5,663,943	5,543,491
	$ 415,859,730	$ 383,192,769	$ 393,297,001

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Provision for possible losses - discounts and loans	$ 524,783	$ 283,138	$ 792,923	$ 623,623
Provision for possible losses - receivables and other financial assets	27,994	53,414	60,145	72,822
Provision for (reversal of) possible losses - reserve for commitment and guarantee obligations	(11,732)	33,833	(52,935)	12,221
Amounts recovered - discounts and loans	(45,968)	(45,219)	(132,003)	(107,391)
Amounts recovered - receivables and other financial assets	(39,863)	(44,129)	(78,675)	(87,054)
	$ 455,214	$ 281,037	$ 589,455	$ 514,221

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

For the six months ended June 30, 2021

	Stage 1 (Note 1)	Stage 2 (Note 2)	Stage 3 (Note 3)	Total Discounts and Loans
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	(375,699)	357,322	(621)	(18,998)
Transfer to Stage 3	(383,415)	(294,267)	636,811	(40,871)
Transfer to Stage 1	308,005	(338,207)	(7,570)	(37,772)
Financial assets derecognized in the current period	(52,700,113)	(111,967)	(1,168,144)	(53,980,224)
Purchased or original financial assets	87,741,792	16,835	184,229	87,942,856
Write-offs	(2,641)	(189,965)	(260,973)	(453,579)
Exchange rate and other changes	(598,261)	1,807	(12,198)	(608,652)
Balance on June 30, 2021	$ 417,418,428	$ 496,501	$ 3,744,543	$ 421,659,472

For the six months ended June 30, 2020

	Stage 1 (Note 1)	Stage 2 (Note 2)	Stage 3 (Note 3)	Total Discounts and Loans
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	(287,594)	272,591	(1,420)	(16,423)
Transfer to Stage 3	(538,448)	(102,352)	631,758	(9,042)
Transfer to Stage 1	336,655	(367,829)	(6,563)	(37,737)
Financial assets derecognized in the current period	(56,455,401)	(132,302)	(472,464)	(57,060,167)
Purchased or original financial assets	66,598,430	12,856	184,218	66,795,504
Write-offs	(80)	(313,613)	(347,338)	(661,031)
Exchange rate and other changes	(380,342)	6,255	3,047	(371,040)
Balance on June 30, 2020	$ 392,952,328	$ 438,378	$ 5,449,786	$ 398,840,492

Note 1: 12-month ECLs (evaluate the discounts and loans whose credit risk has not increased significantly since initial recognition).

Note 2: Lifetime ECLs (evaluate the discounts and loans whose credit risk has increased significantly since initial recognition).

Note 3: Lifetime ECLs (evaluate impaired financial assets).

The changes in the allowance for possible loss of discounts and loans were as follows:

For the six months ended June 30, 2021

	12-month Expected Credit Loss (Stage 1)	Lifetime Expected Credit Loss (Stage 2)	Lifetime Expected Credit Loss (Credit Impairment on Financial Assets) (Stage 3)	Impairment Under the Guidelines of IFRS 9	The Difference of Impairment Under the Regulations	Total Allowance for Possible Losses
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	(1,219)	118,198	(489)	116,490	-	116,490
Transfer to Stage 3	(1,263)	(19,464)	400,123	379,396	-	379,396
Transfer to Stage 1	501	(27,435)	(2,831)	(29,765)	-	(29,765)
Financial assets derecognized in the current period	(78,834)	(39,629)	(522,219)	(640,682)	-	(640,682)
Purchased or original financial assets	176,763	9,202	63,254	249,219	-	249,219
The difference of impairment under the Regulations.	-	-	-	-	262,503	262,503
Write-offs	(2,641)	(189,965)	(260,973)	(453,579)	-	(453,579)
Exchange rate and other changes	385	157,982	93,850	252,217	-	252,217
Balance on June 30, 2021	$ 572,375	$ 140,909	$ 1,404,143	$ 2,117,427	$ 3,682,315	$ 5,799,742

For the Six Months Ended June 30, 2020

	12-month Expected Credit Loss (Stage 1)	Lifetime Expected Credit Loss (Stage 2)	Lifetime Expected Credit Loss (Credit Impairment on Financial Assets) (Stage 3)	Impairment Under the Guidelines of IFRS 9	The Difference of Impairment Under the Regulations	Total Allowance for Possible Losses
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	(743)	73,922	(1,239)	71,940	-	71,940
Transfer to Stage 3	(2,195)	(13,411)	200,523	184,917	-	184,917
Transfer to Stage 1	968	(26,493)	(2,074)	(27,599)	-	(27,599)
Financial assets derecognized in the current period	(22,991)	(28,592)	(74,082)	(125,665)	-	(125,665)
Purchased or original financial assets	289,133	7,669	67,215	364,017	-	364,017
The difference of impairment under the Regulations.	-	-	-	-	(653,792)	(653,792)
Write-offs	(80)	(313,613)	(347,338)	(661,031)	-	(661,031)
Exchange rate and other changes	28,196	290,330	496,567	815,093	-	815,093
Balance on June 30, 2020	$ 982,874	$ 91,723	$ 1,188,639	$ 2,263,236	$ 3,280,255	$ 5,543,491

15. INVESTMENT ACCOUNTED FOR USING EQUITY METHOD

	June 30, 2021		December 31, 2020		June 30, 2020	
	Amount	% of Ownership	Amount	% of Ownership	Amount	% of Ownership
Dah Chung Bills Finance Corp.	$ 1,799,622	22.06	$ 1,782,278	22.06	$ 1,708,946	22.06
Deutsche Far Eastern Asset Management Co., Ltd.	136,271	40.00	129,651	40.00	121,564	40.00
	$ 1,935,893		$ 1,911,929		$ 1,830,510	

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 financial statements; the share of the Bank and its subsidiaries in these associates' financial performance was summarized as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Net income from continuing operation	$ 51,806	$ 35,218	$ 90,026	$ 65,893
Other comprehensive income	6,306	41,917	(16,358)	21,680
Total comprehensive income	$ 58,112	$ 77,135	$ 73,668	$ 87,573

16. OTHER FINANCIAL ASSETS, NET

	June 30, 2021	December 31, 2020	June 30, 2020
Nonaccrual loans other than discounts and loans	$ 177	$ 358	$ 379
Less: Allowance for possible losses (Note 13)	71	240	252
	106	118	127
Refundable deposits	3,232,379	3,609,140	3,122,577
Less: Allowance for loss	542	618	1,071
	3,231,837	3,608,522	3,121,506
Interbank clearing account	3,000,299	2,000,158	1,000,854
Deposits with original maturity more than 3 months	862,320	876,400	1,678,000
Restricted assets	88,376	169,762	194,184
	$ 7,182,938	$ 6,654,960	$ 5,994,671

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

For the six months ended June 30, 2021

	Land	Buildings and Improvements	Computer Equipment	Transportation Equipment	Miscellaneous Equipment	Equipment Prepayment	Total
Cost							
Beginning balance	$ 1,447,433	$ 1,148,967	$ 2,296,186	$ 1,281	$ 1,563,669	$ 24,576	$ 6,482,112
Additions	-	413	75,660	-	13,304	46,298	135,675
Disposals	-	-	(21,956)	(43)	(6,948)	-	(28,947)
Others	-	-	15,547	-	(379)	(17,414)	(2,246)
Ending balance	1,447,433	1,149,380	2,365,437	1,238	1,569,646	53,460	6,586,594
Accumulated depreciation							
Beginning balance	-	603,003	1,520,111	1,247	1,372,798	-	3,497,159
Depreciation	-	13,118	101,613	14	26,481	-	141,226
Disposals	-	-	(21,956)	(43)	(6,948)	-	(28,947)
Others	-	3	(1,312)	-	(285)	-	(1,594)
Ending balance	-	616,124	1,598,456	1,218	1,392,046	-	3,607,844
Net ending balance	$ 1,447,433	$ 533,256	$ 766,981	$ 20	$ 177,600	$ 53,460	$ 2,978,750

For the six months ended June 30, 2020

	Land	Buildings and Improvements	Computer Equipment	Transportation Equipment	Miscellaneous Equipment	Equipment Prepayment	Total
Cost							
Beginning balance	$ 1,447,433	$ 1,157,193	$ 1,967,848	$ 1,414	$ 1,577,258	$ 98,722	$ 6,249,868
Additions	-	2,361	139,137	-	12,173	49,833	203,504
Disposals	-	(330)	(26,773)	(92)	(35,646)	-	(62,841)
Others	-	103	97,046	-	410	(98,263)	(704)
Ending balance	1,447,433	1,159,327	2,177,258	1,322	1,554,195	50,292	6,389,827
Accumulated depreciation							
Beginning balance	-	591,638	1,380,608	1,344	1,362,987	-	3,336,577
Depreciation	-	13,331	88,023	18	30,145	-	131,517
Disposals	-	(330)	(26,773)	(92)	(35,620)	-	(62,815)
Others	-	-	(542)	-	(145)	-	(687)
Ending balance	-	604,639	1,441,316	1,270	1,357,367	-	3,404,592
Net ending balance	$ 1,447,433	$ 554,688	$ 735,942	$ 52	$ 196,828	$ 50,292	$ 2,985,235

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:

	June 30, 2021	December 31, 2020	June 30, 2020
Net carrying amount of right-of-use assets	$ 1,119,361	$ 825,209	$ 959,430
Carrying amount of lease liabilities	$ 1,125,279	$ 839,255	$ 969,273
The range of discount rate	0.83%-2.01%	0.70%-5.27%	0.70%-5.27%

The right-of-use assets disclosed above did not have sublease and impairment during the six months ended June 30, 2021 and 2020.

	For the Six Months Ended June 30	
	2021	2020
Additions to right-of-use assets	$ 496,891	$ 151,227
Cash outflow for leases	$ 217,705	$ 227,609

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Depreciation expense of right-of-use assets	$ 99,275	$ 106,840	$ 201,775	$ 214,228
Interest expense of lease liabilities	$ 2,451	$ 2,233	$ 4,836	$ 4,560
Other lease information				
Short-term lease expenses	$ 1,596	$ 2,030	$ 2,985	$ 3,942

19. INTANGIBLE ASSETS, NET

	June 30, 2021	December 31, 2020	June 30, 2020
Operation rights	$ 1,538,210	$ 1,538,210	$ 1,538,210
Fair value of core deposits	428,887	428,887	428,887
Less: Accumulated amortization	331,202	318,461	305,719
	97,685	110,426	123,168
	$ 1,635,895	$ 1,648,636	$ 1,661,378

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 six months ended June 30, 2021 and 2020.

20. DUE TO THE CENTRAL BANK AND OTHER BANKS

	June 30, 2021	December 31, 2020	June 30, 2020
Call loans to banks	$ 287,136	$ 955,890	$ 5,038,635
Due to banks	8,879	20,269	3,227
Bank overdrafts	157	8,680	100,519
	$ 296,172	$ 984,839	$ 5,142,381

21. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

	June 30, 2021	December 31, 2020	June 30, 2020
Bank debentures (Note 9)	$ 5,102	$ 3,227,448	$ 8,721,763
Government bonds (Note 9)	-	303,039	616,216
Mortgage backed securities (Note 9)	-	-	283,290
	$ 5,102	$ 3,530,487	$ 9,621,269
Repurchase date	2021.07.06	2021.01.06-2021.01.19	2020.07.06-2020.07.22
Repurchase price	$ 5,103	$ 3,532,088	$ 9,626,651

22. PAYABLES

	June 30, 2021	December 31, 2020	June 30, 2020
Receipts under custody	$ 3,217,201	$ 80,310	$ 1,757,744
Notes and checks for clearing	2,962,100	368,465	195,700
Accrued expenses	1,453,718	1,604,630	1,357,173
Accrued dividends (Note 28)	1,124,082	-	1,570,524
Securities settlement payables	928,776	24,993	77,159
Accounts payable factoring	856,565	679,375	543,700
Accrued interest	673,098	662,393	1,046,805
Liabilities on bank acceptances	383,853	901,886	272,541
Spot exchange transactions	15,196	243,489	93,248
Others	870,732	732,338	821,412
	$ 12,485,321	$ 5,297,879	$ 7,736,006

23. DEPOSITS AND REMITTANCES

	June 30, 2021	December 31, 2020	June 30, 2020
Checking deposits	$ 3,864,341	$ 2,852,142	$ 2,601,596
Demand deposits	119,977,399	119,892,800	106,176,948
Demand savings	92,085,508	84,021,440	80,941,025
Time savings	73,591,823	71,626,336	73,247,199
Negotiable certificates of deposit	2,627,500	826,500	1,355,500
Time deposits	291,643,143	302,855,297	271,168,052
Remittances	54,227	78,396	22,759
	$ 583,843,941	$ 582,152,911	$ 535,513,079

24. BANK DEBENTURES

Domestic Bank Debentures

Item	Issuance Period	Note	June 30, 2021	December 31, 2020	June 30, 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
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; first issue in 2021	2021.04.27-2028.04.27	Interest payable on April 27 each year fixed interest rate at 0.83%	2,400,000	-	-
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	-	240	240	240
Total bank debentures			$ 25,001,900	$ 22,601,900	$ 25,001,900

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

	June 30, 2021	December 31, 2020	June 30, 2020
Deposit received	$ 382,721	$ 408,350	$ 418,457
Bank loan	240,000	210,000	580,000
Commercial paper	230,000	250,000	110,000
Less: Unamortized discount on commercial paper	70	148	110
	$ 852,651	$ 868,202	$ 1,108,347

Interest rates

	June 30, 2021	December 31, 2020	June 30, 2020
Bank loan	1.02%	1.04%-1.05%	1.05%-1.07%
Commercial paper	1.02%	1.02%-1.05%	1.03%-1.05%

26. PROVISIONS

	June 30, 2021	December 31, 2020	June 30, 2020
Reserve for employee benefits liability - defined benefit plans (Note 27)	$ 681,468	$ 700,977	$ 880,872
Reserve for obligations guarantee (Note 43)	258,217	286,576	261,452
Reserve for financing commitment (Note 43)	50,274	75,538	79,299
	$ 989,959	$ 1,063,091	$ 1,221,623

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

For the six months ended June 30, 2021

	12-month Expected Credit Loss (Stage 1)	Lifetime Expected Credit Loss (Stage 2)	Lifetime Expected Credit Loss (Credit Impairment on Financial Assets) (Stage 3)	Impairment Under the Guidelines of IFRS 9	The Difference of Impairment Under the Regulations	Total Provision for Losses on Financing Commitments and Obligations Guarantee
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)	8,666	-	8,657	-	8,657
Transfer to Stage 3	-	(7)	253	246	-	246
Transfer to Stage 1	7	(7,191)	(155)	(7,339)	-	(7,339)
Financial assets derecognized in the current period	(16,110)	(1,113)	(268)	(17,491)	-	(17,491)
Purchased or original financial assets	13,987	2,099	-	16,086	-	16,086
The difference of impairment under the Regulations	-	-	-	-	(48,164)	(48,164)
Exchange rate and other changes	(6,395)	827	(50)	(5,618)	-	(5,618)
Balance on June 30, 2021	$ 75,393	$ 15,698	$ 20,920	$ 112,011	$ 196,480	$ 308,491

For the six months ended June 30, 2020

	12-month Expected Credit Loss (Stage 1)	Lifetime Expected Credit Loss (Stage 2)	Lifetime Expected Credit Loss (Credit Impairment on Financial Assets) (Stage 3)	Impairment Under the Guidelines of IFRS 9	The Difference of Impairment Under the Regulations	Total Provision for Losses on Financing Commitments and Obligations Guarantee
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	(6)	7,115	(70)	7,039	-	7,039
Transfer to Stage 3	-	(50)	344	294	-	294
Transfer to Stage 1	18	(8,344)	(1,802)	(10,128)	-	(10,128)
Financial assets derecognized in the current period	(18,790)	(1,147)	(263)	(20,200)	-	(20,200)
Purchased or original financial assets	38,525	829	14	39,368	-	39,368
The difference of impairment under the Regulations	-	-	-	-	(30,335)	(30,335)
Exchange rate and other changes	22,607	1,234	2,007	25,848	-	25,848
Balance on June 30, 2020	$ 130,947	$ 11,341	$ 23,062	$ 165,350	$ 175,401	$ 340,751

27. RETIREMENT BENEFIT PLANS

Defined contribution plan

The pension plan under the Labor Pension Act (the Act) is a defined contribution plan. Based on the Act, the Bank and its subsidiaries' make monthly contributions to employees' individual pension accounts in the Bureau of Labor Insurance at 6% of monthly salaries and wages.

The Bank and its subsidiaries recognized related pension expense of $69,169 thousand and $69,006 thousand for the six months ended June 30, 2021 and 2020, respectively, in accordance with the defined contribution plan.

Defined benefit plan

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 six months ended June 30, 2021 and 2020 were $10,519 thousand and $8,858 thousand, respectively.

28. EQUITY

a. Share capital

Ordinary shares

	June 30, 2021	December 31, 2020	June 30, 2020
Authorized shares (in thousands)	5,500,000	5,500,000	4,500,000
Authorized capital	$ 55,000,000	$ 55,000,000	$ 45,000,000
Issued and paid shares (in thousands)	3,448,104	3,448,104	3,355,819
Issued capital	$ 34,481,044	$ 34,481,044	$ 33,558,193
When-issued shares	65,859	-	92,285
Reserve for capitalization	$ 658,588	$ -	$ 922,851

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.

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 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 July 20, 2021, the Bank resolved to increase its capital by using its undistributed earnings of $658,588 thousand. As a result, the Bank issued 65,859 thousand ordinary shares at a par value of NT$10. After the issuance, the share capital of the Bank amounted to $35,139,632 thousand.

Global depository receipts

As of June 30, 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

Under the dividend policy of the Bank's Articles before June 11, 2020, in case of net income for current period 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 percent (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.

After shareholders' meetings on June 11, 2020, the Articles were amended. The basis of setting aside thirty percent (30%) as a legal reserve was revised from "net income for current period" to "surplus", including net income for current period plus changes in other unappropriated earnings in the current 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 or 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 approved in the shareholders' meetings on July 20, 2021 and June 11, 2020, respectively, were as follows:

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

Considering the FSC's announcement on "Measures for Public Companies to Postpone Shareholders' Meetings for Pandemic Prevention", the Bank suspended the convening of original shareholders' meetings on June 18, 2021 and rescheduled it for July 20, 2021. Since the appropriations of earnings for 2020 has reached the legal threshold for resolution by the electronic voting, the accounts related to appropriations of earnings have been included in the current financial statements according to the "Reference Questions and Answers for Listed Companies to Note on the Postponement of the Shareholders Meeting in Response to the Impact of Covid-19 Pneumonia" announced by TWSE.

According to FSC regulations, in order to respect to development of financial technology or business, expenditure of educational training to enhance the ability of employees, employee transformation or settlement was previously appropriated as special reserve in 2016 to 2018. After the expenditure incurred in 2019 to 2020, the Bank reserved the special reserve within the range of its balance.

d. Other equity items

Unrealized gain or loss on financial assets measured at FVTOCI:

	For the Six Months Ended June 30	
	2021	**2020**
Beginning on January 1	$ 1,172,225	$ 508,096
Recognized for the current period		
Unrealized gain (loss)		
Debt instruments	(331,474)	506,403
Equity instruments	65,534	(110,776)
Share of other comprehensive income (loss) of associates for using the equity method	(16,358)	21,680
Investment in debt instruments transferred to current income due to disposal	32,761	7,321
Other comprehensive income recognized for the current period	(249,537)	424,628
Loss (gain) on equity instruments transferred to retained earnings due to disposal	(222,296)	112,496
Balance on June 30	$ 700,392	$ 1,045,220

29. NET INTERESTS

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Interest revenues				
Discounts and loans	$ 1,830,546	$ 2,082,992	$ 3,652,565	$ 4,326,111
Securities	240,702	309,556	488,950	653,149
Credit cards	233,565	218,747	470,471	435,091
Others	60,871	60,749	130,716	151,612
	2,365,684	2,672,044	4,742,702	5,565,963
Interest expenses				
Deposits and remittances	593,021	947,199	1,247,070	2,074,337
Bank debentures	89,773	104,177	174,986	208,353
Structured products	34,856	56,750	63,502	140,846
Bonds under repurchase agreements	1,737	30,775	4,419	79,502
Others	12,486	43,937	24,844	100,147
	731,873	1,182,838	1,514,821	2,603,185
	$ 1,633,811	$ 1,489,206	$ 3,227,881	$ 2,962,778

30. NET SERVICE FEE INCOME

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Service fee income				
Fees from trustee business	$ 196,106	$ 211,261	$ 496,154	$ 455,135
Fees from credit card	191,867	176,237	400,319	395,627
Fees from loan	188,810	248,011	312,579	543,367
Fees from brokering	102,111	173,403	299,357	336,570
Fees from insurance commission	143,271	131,335	295,388	308,236
Others	97,907	78,858	185,817	158,114
	920,072	1,019,105	1,989,614	2,197,049
Service fee expense				
Refund from credit card	44,029	43,758	104,485	103,585
Visa and Master	46,647	17,752	74,920	30,719
National credit card center fee	33,960	39,473	71,335	74,402
Agency service fee	20,364	20,186	40,872	40,583
Interbank service fee	13,557	11,818	26,763	23,882
Credit investigation	7,217	7,832	18,991	20,130
Promotion service fee	1,012	866	2,244	34,301
Others	31,601	34,238	64,571	69,703
	198,387	175,923	404,181	397,305
	$ 721,685	$ 843,182	$ 1,585,433	$ 1,799,744

31. NET GAIN ON FINANCIAL ASSETS AND LIABILITIES AT FVTPL

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Gain on disposal	$ 143,166	$ 320,108	$ 406,099	$ 823,013
Gain (loss) on valuation	81,658	527,750	63,427	(338,237)
Net interests	43,219	66,974	83,924	149,048
Dividends	374	285	832	285
	$ 268,417	$ 915,117	$ 554,282	$ 634,109

32. EMPLOYEE BENEFITS EXPENSE

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Salaries	$ 813,394	$ 902,112	$ 1,694,245	$ 1,698,879
Labor and health insurance	63,170	57,223	127,832	117,897
Post-employment benefits (Note 27)	40,009	39,609	79,688	77,864
Others	79,182	90,367	156,448	152,695
	$ 995,755	$ 1,089,311	$ 2,058,213	$ 2,047,335

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 six months ended June 30, 2021 and 2020, the Bank's accrued employees' compensation were $60,791 thousand and $73,550 thousand, and the remuneration of directors were $20,209 thousand and $24,450 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. On March 23, 2020 the Bank's Board of Directors resolved to pay employees' compensation of $162,611 thousand and remuneration of directors of $54,204 thousand for the year ended December 31, 2019, both in cash. 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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Depreciation				
Property and equipment (Note 17)	$ 71,127	$ 68,043	$ 141,226	$ 131,517
Leased right-of-use assets (Note 18)	99,275	106,840	201,775	214,228
	$ 170,402	$ 174,883	$ 343,001	$ 345,745
Amortization - intangible assets (Note 19)	$ 6,370	$ 6,370	$ 12,741	$ 12,741

35. OTHER GENERAL AND ADMINISTRATIVE EXPENSES

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Tax and government fees	$ 136,989	$ 142,886	$ 279,400	$ 295,739
Marketing and advertising	1,142	(24,505)	137,102	79,874
Software	57,975	57,141	111,929	111,237
Telecommunications	40,694	41,818	80,615	83,430
Others	170,332	159,616	332,096	335,337
	$ 407,132	$ 376,956	$ 941,142	$ 905,617

36. INCOME TAX EXPENSE

a. Income tax expense recognized in profit or loss

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Current tax expense	$ 68,903	$ 175,701	$ 158,823	$ 260,088
Deferred tax expense	1,612	2,025	34,180	(59,548)
Income tax expense recognized in profit or loss	$ 70,515	$ 177,726	$ 193,003	$ 200,540

b. Income tax benefit recognized in other comprehensive income

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Income tax benefit of differences on translating foreign operations	$ 1,509	$ 2,815	$ 3,166	$ 5,485

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.

Unit: NT$ Per Share

	For the Three Months Ended June 30		**For the Six Months Ended June 30**	
	2021	**2020**	**2021**	**2020**
Basic EPS				
Basic EPS	$ 0.19	$ 0.36	$ 0.42	$ 0.47
Issuance of bonus shares record date (September 27, 2021) pro forma earnings per share that adjusted retrospectively after the financial statements were approved	$ 0.19	$ 0.35	$ 0.41	$ 0.46
Diluted EPS				
Diluted EPS	$ 0.19	$ 0.36	$ 0.42	$ 0.47
Issuance of bonus shares record date (September 27, 2021) pro forma earnings per share that adjusted retrospectively after the financial statements were approved	$ 0.18	$ 0.36	$ 0.41	$ 0.46

Earnings per share included in the comprehensive income statement did not consider the effects of changes in the number of shares resulted from bonus issue because the record date of bonus shares issued was set after the financial statements were approved.

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

	For the Three Months Ended June 30		**For the Six Months Ended June 30**	
	2021	**2020**	**2021**	**2020**
Net income attributable to owners of the Bank	$ 649,968	$ 1,235,686	$ 1,449,049	$ 1,615,119

(Continued)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Number of ordinary shares (in thousand shares)				
Weighted average number of ordinary shares in the computation of basic EPS	3,448,104	3,448,104	3,448,104	3,448,104
Effect of dilutive potential ordinary shares				
Employees' compensation	2,612	5,342	10,731	14,429
Weighted average number of ordinary shares used in the computation of diluted EPS	3,450,716	3,453,446	3,458,835	3,462,533

(Concluded)

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.

The weighted average number of ordinary shares outstanding used in the calculation of the EPS for the six months ended June 30, 2020 was retrospectively adjusted for the issuance of stock dividends. The basic and diluted after-tax EPS were adjusted retrospectively as follows:

	Before Adjustment	After Adjustment
Basic EPS	$ 0.48	$ 0.47
Diluted EPS	$ 0.48	$ 0.47

38. RELATED-PARTY TRANSACTIONS

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

Related Party	Relationship with the Bank
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
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

(Continued)

Related Party	Relationship with the Bank
Der Ching Investment Corporation	Chairman is a second-degree relative of the vice chairman of the Bank
Pacific SOGO Department Stores Corp.	Substantive related party
Far Eastern International Leasing Corp.	Substantive related party
Others	The Bank's chairman, vice-chairman, managers, their second-degree relatives or substantive related party

(Concluded)

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 six months ended June 30, 2021							
Consumer loans	Six individuals	$ 3,950	$ 3,709	$ 3,709	$ -	Unsecured loan	Note 2
Loans for residential mortgage	Thirty one individuals	345,942	323,761	323,761	-	Real estate	Note 2
Others	Yuan Long Stainless Steel Co.	950,000	950,000	950,000	-	Real estate	Note 2
	Everest Textile Co., Ltd.	623,759	623,759	623,759	-	Real estate	Note 2
	Others (Note 1)	592,445	28,645	28,645	-	Real estate, certificates of deposits, stock listed on TWSE and stock unlisted on TWSE	Note 2
			$ 1,929,874	$ 1,929,874	$ -		
For the six months ended June 30, 2020							
Consumer loans	Four individuals	$ 2,452	$ 2,303	$ 2,303	$ -	Unsecured loan	Note 2
Loans for residential mortgage	Twenty eight individuals	289,763	278,367	278,367	-	Real estate	Note 2
Others	Yuan Long Stainless Steel Co.	1,750,000	1,150,000	1,150,000	-	Real estate	Note 2
	Far Eastern Department Store Corp.	500,000	500,000	500,000	-	Stock listed on TWSE	Note 2
	Others (Note 1)	3,197,498	309,292	309,292	-	Real estate, stock unlisted on TWSE, machinery, certificates of deposits and stock listed on TWSE	Note 2
			$ 2,239,962	$ 2,239,962	$ -		

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.

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Interest revenues	$ 4,267	$ 8,507	$ 7,865	$ 16,463
Provision for (reversal of) possible losses	$ 3,619	$ (9,053)	$ 5,522	$ (14,159)
Interest Rate	0.50%-1.87%	1.00%-3.22%	0.50%-1.87%	1.00%-3.22%

Balances of related allowance for possible losses were $20,918 thousand and $23,791 thousand as of June 30, 2021 and 2020, respectively.

b. Guarantees

Related Party	Highest Balance in Current Period	Ending Balance	Reserve for Guarantee Obligations	Interest Rate	Collateral
For the six months ended June 30, 2021					
Far Eastern International Leasing Corp.	$ 700,000	$ 501,000	$ 5,010	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)	367,200	354,000	3,540	0.50%-0.80%	Real estate, stock listed on TWSE and stock unlisted on TWSE
		$ 1,585,000	$ 15,850		
For the six months ended June 30, 2020					
Far Eastern International Leasing Corp.	700,000	$ 700,000	$ 7,000	0.30%	Real estate
U-Ming Marine Transport Corp.	350,000	350,000	3,500	0.40%-0.45%	Ship and certificates of deposits
Der Ching Investment Corporation	180,000	180,000	1,800	0.50%	Stock listed on TWSE
Others (Note)	231,200	201,200	2,012	0.50%-0.80%	Real estate, machinery, and stock unlisted on TWSE
		$ 1,431,200	$ 14,312		

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

c. Letters of credit issued

	June 30, 2021	December 31, 2020	June 30, 2020
Far Eastern Department Store Corp.	$ 5,295	$ -	$ -
Yuan Long Stainless Steel Co.	4,283	2,155	-
Everest Textile Co., Ltd.	493	-	37
	$ 10,071	$ 2,155	$ 37

d. Derivative instruments (Note 8)

Related Party	Derivative Instrument	Contract Period	Nominal Amount	Valuation Gain (Loss) For the Three Months Ended June 30	Valuation Gain (Loss) For the Six Months Ended June 30	Balance Sheet Account	Balance Sheet Balance
For the six months ended June 30, 2021							
U-Ming Marine Transport (Singapore) Private, Ltd.	Interest rate swap contracts	2012.09.27-2028.01.10	$ 2,838,664	$ 204,619	$ (65,909)	Financial assets at FVTPL	$ 192,566
Asia Cement Corp.	Cross-currency swap contracts	2018.12.25-2021.09.15	418,050	32,755	5,445	Financial assets at FVTPL	41,869
Far Eastern New Century Corp.	Forward exchange contracts	2021.05.03-2021.10.01	622,756	23,775	(1,481)	Financial assets at FVTPL	837
						Financial liabilities at FVTPL	2,318
For the six months ended June 30, 2020							
U-Ming Marine Transport (Singapore) Private, Ltd.	Interest rate swap contracts	2012.09.27-2027.09.30	3,223,560	208,646	299,905	Financial assets at FVTPL	284,338
Asia Cement Corp.	Cross-currency swap contracts	2018.12.25-2021.09.15	444,900	(7,476)	(3,500)	Financial assets at FVTPL	4,587
Far Eastern New Century Corp.	Forward exchange contracts	2020.04.24-2020.09.09	1,485,713	1,296	4,651	Financial assets at FVTPL	6,819
						Financial liabilities at FVTPL	2,168

e. Deposits

	June 30, 2021	December 31, 2020	June 30, 2020
Deposits of related parties (each account balance did not exceed 5% of total deposits)	$ 50,132,883	$ 55,280,436	$ 50,085,110
Interest rate	0%-5.84%	0%-5.84%	0%-5.84%

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Interest expenses	$ 46,304	$ 94,307	$ 94,946	$ 206,566

f. Lessee agreements

	June 30, 2021	December 31, 2020	June 30, 2020
Lease liabilities - Yuan Ding Co., Ltd.	$ 205,127	$ -	$ 49,550
Lease liabilities - Pacific SOGO Department Stores Corp.	18,260	20,826	23,381
Lease liabilities - Far Eastern Department Store Corp.	15,170	17,242	19,262
	$ 238,557	$ 38,068	$ 92,193

The Bank and its subsidiaries rented part of its office premises from Yuan Ding Co., Ltd., Pacific SOGO Department Stores Corp. and Far Eastern Department Store Corp. The terms of lease were determined by agreements between each other. The lease expenses were payable monthly.

g. Service fee expense

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Refund from credit card				
Ding Ding Integrated Marketing Service Co.	$ 27,017	$ 27,009	$ 65,131	$ 63,074
Far Eastern Department Store Corp.	5,274	3,929	10,894	9,602
Promotion Service fee - Far EasTone Telecommunications Corporation	-	-	-	32,473
	$ 32,291	$ 30,938	$ 76,025	$ 105,149

h. Operating expenses

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Marketing and advertising				
Far Eastern Department Store Corp.	$ 30,383	$ 36,985	$ 42,896	$ 61,552
Pacific SOGO Department Stores Corp.	28,238	1,448	50,344	28,951
	$ 58,621	$ 38,433	$ 93,240	$ 90,503

i. Compensation of key management personnel

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Short-term employee benefits	$ 40,176	$ 57,573	$ 87,758	$ 100,397
Post-employment benefits	1,008	608	2,016	1,216
	$ 41,184	$ 58,181	$ 89,774	$ 101,613

39. PLEDGED ASSETS

	June 30, 2021	December 31, 2020	June 30, 2020
Financial assets at FVTOCI -			
Government bonds	$ 3,602,387	$ 3,651,851	$ 3,667,084
Negotiable certificates of deposits	3,385,311	2,901,317	2,904,224
Other financial assets - deposits with original maturity more than 3 months	862,320	876,400	839,000
Due from the Central Bank and other banks - New Taiwan dollar reserve deposits - Type B	500,000	500,000	500,000
	$ 8,350,018	$ 7,929,568	$ 7,910,308

The government bonds had been provided as the reserve for compensation of trust department as well as security deposits 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 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 June 30, 2021, December 31, 2020 and June 30, 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

	June 30, 2021	December 31, 2020	June 30, 2020
Assets			
Deposits in banks	$ 8,241,219	$ 6,412,823	$ 5,973,461
Accounts receivable	1,390	1,948	8,892
Funds	46,249,784	43,573,775	42,574,845
Equity stocks	5,081,152	4,754,620	4,556,421
Bond investments	-	-	5,794
Real estate, net			
Land	4,707,905	4,516,109	4,145,300
Building	14,646	8,155	49,891
Construction in progress	2,683,016	1,781,096	1,089,770
Intangible assets			
Superficies	13,471	-	-
Marketable securities in custody	14,826,156	15,496,986	12,716,920
Others	2,393,177	2,310,558	2,261,550
	$ 84,211,916	$ 78,856,070	$ 73,382,844
Liabilities			
Accounts payable	$ 1,550	$ 1,716	$ 3,874
Income tax payable	59	108	215
Marketable securities in custody payable	14,826,156	15,496,986	12,716,920
Trust capital	67,893,544	62,020,666	59,628,760
Reserve and earnings			
Net income or loss for current period	1,493,896	1,603,731	(13,204)
Accumulated profit or loss	(3,320)	(267,169)	1,047,027
Exchange	31	32	(748)
	$ 84,211,916	$ 78,856,070	$ 73,382,844

Income Statements of Trust Accounts

	For the Six Months Ended June 30	
	2021	2020
Trust revenue		
Interest	$ 12,015	$ 17,946
Cash dividends	849,702	898,878
Realized capital gain - Funds	933,972	609,962
Unrealized capital gain - Common stock	321,129	-
Unrealized capital gain - Funds	18,354	1,382
Unrealized capital gain - Bond	-	210
	2,135,172	1,528,378
Trust expenses		
Management	21,814	25,060
Supervision	84	96
Service charges	168,784	121,396
Taxes	8,435	3,741
Realized capital loss - Funds	424,347	969,804
Unrealized capital loss - Funds	17,649	4,581
Unrealized capital loss - Common stock	-	416,686
	641,113	1,541,364
Net income (loss) before tax	1,494,059	(12,986)
Income tax	163	218
Net income (loss)	$ 1,493,896	$ (13,204)

Trust Asset Lists

	June 30, 2021	December 31, 2020	June 30, 2020
Deposits in banks	$ 8,241,219	$ 6,412,823	$ 5,973,461
Bonds investments	-	-	5,794
Funds	46,249,784	43,573,775	42,574,845
Equity stocks	5,081,152	4,754,620	4,556,421
Accounts receivable	1,390	1,948	8,892
Real estate, net			
Land	4,707,905	4,516,109	4,145,300
Building	14,646	8,155	49,891
Construction in progress	2,683,016	1,781,096	1,089,770
Intangible assets			
Superficies	13,471	-	-
Marketable securities in custody	14,826,156	15,496,986	12,716,920
Others	2,393,177	2,310,558	2,261,550
	$ 84,211,916	$ 78,856,070	$ 73,382,844

As of June 30, 2021, December 31, 2020 and June 30, 2020, funds amounting to $1,126,779 thousand, $1,048,795 thousand and $1,145,124 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. After appealing, 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:

	June 30, 2021			December 31, 2020			June 30, 2020		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets									
Monetary items									
USD	$ 3,713,560	27.870	$ 103,496,917	$ 3,669,358	28.508	$ 104,606,058	$ 3,916,513	29.660	$ 116,163,776
HKD	2,658,164	3.589	9,540,682	2,312,741	3.678	8,506,261	3,447,477	3.827	13,193,494
CNY	1,313,214	4.312	5,662,055	2,191,586	4.382	9,603,530	981,588	4.195	4,117,762
EUR	108,946	33.158	3,612,464	105,427	35.050	3,695,216	84,590	33.280	2,815,155
JPY	10,549,703	0.252	2,659,580	6,913,596	0.276	1,910,918	7,271,638	0.275	2,001,882
AUD	120,749	20.947	2,529,341	103,490	21.990	2,275,745	109,567	20.340	2,228,593
ZAR	868,795	1.950	1,694,237	1,025,301	1.948	1,997,286	1,377,911	1.709	2,354,850
SGD	18,488	20.734	383,346	59,017	21.580	1,273,597	40,074	21.240	851,181
NZD	8,337	19.490	162,493	7,079	20.600	145,826	7,205	19.020	137,034
GBP	4,179	38.536	161,059	5,043	38.920	196,259	6,018	36.440	219,291
CAD	5,726	22.476	128,700	8,865	22.360	198,221	10,153	21.690	220,219
Financial liabilities									
Monetary items									
USD	3,602,733	27.870	100,408,169	3,548,539	28.508	101,161,750	3,767,838	29.660	111,754,079
HKD	2,705,943	3.589	9,712,170	2,422,617	3.678	8,910,385	3,443,089	3.827	13,176,703
CNY	1,236,029	4.312	5,329,263	2,175,429	4.382	9,532,730	977,830	4.195	4,101,995
EUR	114,020	33.158	3,780,708	104,058	35.050	3,647,223	84,574	33.280	2,814,612
JPY	10,888,483	0.252	2,744,986	7,041,930	0.276	1,946,390	7,219,505	0.275	1,987,530
AUD	124,662	20.947	2,611,307	104,009	21.990	2,287,158	110,013	20.340	2,237,660
ZAR	900,976	1.950	1,756,993	1,055,622	1.948	2,056,352	1,433,671	1.709	2,450,143
SGD	18,380	20.734	381,096	58,970	21.580	1,272,572	40,103	21.240	851,779
GBP	4,247	38.536	163,678	5,027	38.920	195,633	6,188	36.440	225,507
NZD	7,891	19.490	153,789	7,789	20.600	160,459	7,309	19.020	139,009
CAD	5,772	22.476	129,725	7,881	22.360	176,210	10,248	21.690	222,283

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 (Generally, the transaction price will equal the fair value). 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 a specialized department which independent of business 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 uncertainly 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") (under zero default rate of the Bank), loss given default (the "LGD") and the exposure at default (the "EAD") of the 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 reflect the credit risk of the counterparty and the credit quality of the Bank respectively and incorporate credit risk adjustments into measuring the fair value of financial instruments, the Bank use the appropriate ratio of LGD and PD that follows the advice of "The disclosure guidelines of CVA and DVA under IFRS 13" issued by the TWSE, and calculate the counterparty's EAD based on the fair value of over-the-counter derivatives transaction.

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	June 30, 2021 Total	Level 1	Level 2	Level 3
Non-derivative financial assets and liabilities				
Financial assets mandatorily at FVTPL				
Bonds investments	$ 10,376,147	$ 10,376,147	$ -	$ -
Equity investments	755,201	755,201	-	-
Beneficiary certificates	438,004	438,004	-	-
Financial assets at FVTOCI				
Equity instruments	1,922,470	1,648,941	-	273,529
Debt instruments				
Bonds investments	74,412,380	74,412,380	-	-
Bills investments	98,796,539	-	98,796,539	-
Derivative financial assets and liabilities				
Financial assets mandatorily at FVTPL	3,578,014	218	3,503,831	73,965
Financial liabilities at FVTPL	(3,013,418)	(105)	(3,008,200)	(5,113)
Hybrid contract				
Financial assets mandatorily at FVTPL	12,860,269	174,102	12,686,167	-
	$ 200,125,606	$ 87,804,888	$ 111,978,337	$ 342,381

Financial Instruments	December 31, 2020 Total	Level 1	Level 2	Level 3
Non-derivative financial assets and liabilities				
Financial assets mandatorily at FVTPL				
Bonds investments	$ 11,750,113	$ 11,750,113	$ -	$ -
Equity investments	673,149	673,149	-	-
Beneficiary certificates	234,854	234,854	-	-
Financial assets at 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	-
Derivative financial assets and liabilities				
Financial assets mandatorily at FVTPL	5,993,282	878	5,855,925	136,479
Financial liabilities at FVTPL	(5,196,435)	-	(5,196,196)	(239)
Hybrid contract				
Financial assets mandatorily at FVTPL	13,106,038	183,304	12,922,734	-
	$ 204,220,674	$ 85,121,852	$ 118,666,424	$ 432,398

Financial Instruments	June 30, 2020 Total	Level 1	Level 2	Level 3
Non-derivative financial assets and liabilities				
Financial assets mandatorily at FVTPL				
Bonds investments	$ 14,781,480	$ 14,781,480	$ -	$ -
Equity investments	488,022	488,022	-	-
Bills investments	713,379	-	713,379	-
Beneficiary certificates	195,497	195,497	-	-
Financial assets at FVTOCI				
Equity instruments	1,435,498	1,156,316	-	279,182
Debt instruments				
Bonds investments	70,157,783	70,157,783	-	-
Bills investments	80,336,748	-	80,336,748	-
Financial liabilities at FVTPL				
Short-covering debentures	(199,109)	(199,109)	-	-
Derivative financial assets and liabilities				
Financial assets mandatorily at FVTPL	3,961,991	1,413	3,866,216	94,362
Financial liabilities at FVTPL	(3,775,411)	(46)	(3,732,542)	(42,823)
Hybrid contract				
Financial assets mandatorily at FVTPL	16,677,765	205,108	16,472,657	-
	$ 184,773,643	$ 86,786,464	$ 97,656,458	$ 330,721

2) Transfers between Levels 1 and level 2

There was no transfer between Level 1 and Level 2 for the six months ended June 30, 2021 and 2020.

3) Level 3 financial instruments

a) Movement of Level 3 financial assets

For the Six Months Ended June 30, 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 Compre-hensive Income	Purchase or Issue	Transfer-in	Sale, Disposition or Settlement	Transfer-out from Level 3	
Mandatorily at FVTPL	$ 136,479	$ (20,564)	$ -	$ 8,370	$ -	$ (50,320)	$ -	$ 73,965
Financial assets at FVTOCI	296,158	-	(22,629)	-	-	-	-	273,529
Total	$ 432,637	$ (20,564)	$ (22,629)	$ 8,370	$ -	$ (50,320)	$ -	$ 347,494

For the Six Months Ended June 30, 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 Compre-hensive Income	Purchase or Issue	Transfer-in	Sale, Disposition or Settlement	Transfer-out from Level 3	
Mandatorily at FVTPL	$ 121,473	$ (28,272)	$ -	$ 3,513	$ -	$ (2,352)	$ -	$ 94,362
Financial assets at FVTOCI	319,751	-	(40,569)	-	-	-	-	279,182
Total	$ 441,224	$ (28,272)	$ (40,569)	$ 3,513	$ -	$ (2,352)	$ -	$ 373,544

b) Movements of Level 3 financial liabilities

For the Six Months Ended June 30, 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	$ (239)	$ 5,113	$ -	$ -	$ -	$ 5,113

For the Six Months Ended June 30, 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	$ 31,167	$ 9,841	$ -	$ -	$ -	$ 42,823

c) Related information of significant unobservable parameters used in fair value measurement

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
Derivative financial assets					
June 30, 2021	$ 73,965	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.
June 30, 2020	94,362	Default probability model	Credit separation	0.40%-2.30%	The increase of credit separation decreases its fair value.
Investments in equity					
June 30, 2021	249,089	Income approach - cash dividend discount method	Without open market marketable discount	19.63%	The increase of discount decreases its fair value
	13,326	Market approach - comparable listed or TPEx company	Without open market marketable discount	10.00%	The increase of discount decreases its fair value
	11,114	Net asset value method	Net asset value	N/A	The increase of net asset value increases its fair value
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	Net asset value	N/A	The increase of net asset value increases its fair value
June 30, 2020	254,314	Income approach - cash dividend discount method	Without open market marketable discount	19.85%	The increase of discount decreases its fair value
	14,225	Market approach - comparable listed or TPEx company	Without open market marketable discount	10.00%	The increase of discount decreases its fair value
	10,643	Net asset value method	Net asset value	N/A	The increase of net asset value increases its fair value
Derivative financial liabilities					
June 30, 2021	5,113	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.
June 30, 2020	42,823	Default probability model	Credit separation	0.40%-2.30%	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					
	June 30, 2021		December 31, 2020		June 30, 2020	
	Favorable	Unfavorable	Favorable	Unfavorable	Favorable	Unfavorable
Assets						
Mandatorily at FVTPL	$ 1,111	$ (2,545)	$ 1,219	$ (4,374)	$ 2,329	$ (3,502)
Liabilities						
Financial liabilities at FVTPL	494	(494)	41	(41)	2,664	(2,665)

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					
	June 30, 2021		December 31, 2020		June 30, 2020	
	Favorable	Unfavorable	Favorable	Unfavorable	Favorable	Unfavorable
Assets						
Financial assets at FVTOCI	$ -	$ (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:

June 30, 2021

	Book Value	Fair Value	The Fair Value Hierarchy of Financial Instruments	
			Level 1	Level 2
Financial asset				
Investments in debt instrument at amortized cost	$ 497,896	$ 513,527	$ 513,527	$ -
Financial liabilities				
Bank debentures	25,001,900	25,140,909	-	25,140,909

December 31, 2020

	Book Value	Fair Value	The Fair Value Hierarchy of Financial Instruments Level 1	Level 2
Financial asset				
Investments in debt instrument at amortized cost	$ 1,077,764	$ 1,099,779	$ 1,099,779	$ -
Financial liabilities				
Bank debentures	22,601,900	22,723,096	-	22,723,096

June 30, 2020

	Book Value	Fair Value	The Fair Value Hierarchy of Financial Instruments Level 1	Level 2
Financial asset				
Investments in debt instrument at amortized cost	$ 2,213,737	$ 2,247,728	$ 2,247,728	$ -
Financial liabilities				
Bank debentures	25,001,900	25,084,571	-	25,084,571

The evaluation methods and assumptions for Level 2 financial instruments above are quoted from the offering price of OTC.

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 Aggregate Risk Department, 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:

<u>Qualitative Index</u>

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

<u>Quantitative Index</u>

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:

<u>Qualitative Index</u>

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

<u>Quantitative Index</u>

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:

	June 30, 2021	**December 31, 2020**	**June 30, 2020**
Unused portion of credit card lines	$ 201,159,131	$ 197,805,517	$ 195,021,521
Guarantees and standby L/Cs	25,122,424	27,721,592	22,612,009
Irrevocable loan commitments	13,274,915	14,286,387	15,537,461

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:

June 30, 2021

	Maximum Credit Risk Exposure			
	With Collaterals	**Other Credit Enhancements**	**Without Collaterals**	**Total**
Balance sheet items				
Discounts and loans	$ 266,943,069	$ 66,323,583	$ 88,392,820	$ 421,659,472
Receivables - credit card	-	-	11,025,408	11,025,408
Receivables - acceptances	-	21,012	362,841	383,853
Off-balance sheet items				
Unused portion of credit card lines	-	-	201,159,131	201,159,131
Guarantee	7,772,956	6,941,605	9,041,177	23,755,738
Letters of credit issued	256,381	748,987	361,318	1,366,686
Irrevocable loan commitments	636,173	-	12,638,742	13,274,915
	$ 275,608,579	$ 74,035,187	$ 322,981,437	$ 672,625,203

December 31, 2020

	Maximum Credit Risk Exposure			
	With Collaterals	Other Credit Enhancements	Without Collaterals	Total
Balance sheet items				
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
Off-balance sheet items				
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	95,804	-	14,190,583	14,286,387
	$ 267,459,405	$ 65,820,354	$ 310,167,843	$ 643,447,602

June 30, 2020

	Maximum Credit Risk Exposure			
	With Collaterals	Other Credit Enhancements	Without Collaterals	Total
Balance sheet items				
Discounts and loans	$ 258,081,890	$ 62,683,077	$ 78,075,525	$ 398,840,492
Receivables - credit card	-	-	12,355,011	12,355,011
Receivables - acceptances	1,948	60,921	209,672	272,541
Off-balance sheet items				
Unused portion of credit card lines	-	-	195,021,521	195,021,521
Guarantee	9,362,416	6,359,152	5,768,629	21,490,197
Letters of credit issued	136,797	567,701	417,314	1,121,812
Irrevocable loan commitments	260,967	-	15,276,494	15,537,461
	$ 267,844,018	$ 69,670,851	$ 307,124,166	$ 644,639,035

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

	Carrying Amount	Allowance for Possible Losses Under IFRS 9	Collateral Fair Value and Other Credit Enhancements
June 30, 2021			
Receivables			
Credit cards	$ 1,102,039	$ 363,178	$ -
Others	31,145	12,357	2,307
Discounts and loans	3,744,543	1,404,143	1,577,917
	$ 4,877,727	$ 1,779,678	$ 1,580,224

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

	Carrying Amount	Allowance for Possible Losses Under IFRS 9	Collateral Fair Value and Other Credit Enhancements
June 30, 2020			
Receivables			
Credit cards	$ 1,186,494	$ 365,533	$ -
Others	38,398	12,327	12,117
Discounts and loans	5,449,786	1,188,639	4,032,097
	$ 6,674,678	$ 1,566,499	$ 4,044,214

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	June 30, 2021 Amount	%	December 31, 2020 Amount	%	June 30, 2020 Amount	%
Finance and insurance	$ 56,554,438	13	$ 50,871,153	13	$ 55,377,034	14
Manufacturing	47,171,409	11	38,496,332	10	41,522,714	10
Real estate	27,733,237	7	23,020,517	6	22,607,203	6
	$ 131,459,084	31	$ 112,388,002	29	$ 119,506,951	30

b) By geography

Region	June 30, 2021 Amount	%	December 31, 2020 Amount	%	June 30, 2020 Amount	%
Taiwan	$ 366,316,646	87	$ 337,835,560	87	$ 338,370,424	85
Asia Pacific except Taiwan	32,891,055	8	27,282,587	7	30,695,192	8
Others	22,451,771	5	23,738,565	6	29,774,876	7
	$ 421,659,472	100	$ 388,856,712	100	$ 398,840,492	100

c) By type of collaterals

Type of Collaterals	June 30, 2021 Amount	%	December 31, 2020 Amount	%	June 30, 2020 Amount	%
Unsecured	$ 154,716,403	37	$ 130,259,249	34	$ 140,758,602	35
Secured						
Real estate	229,951,677	55	221,161,171	57	219,310,351	55
Financial collateral	18,403,375	4	16,860,409	4	19,060,339	5
Movable property	17,545,374	4	18,984,983	5	17,493,029	4
Others	1,042,643	-	1,590,900	-	2,218,171	1
	$ 421,659,472	100	$ 388,856,712	100	$ 398,840,492	100

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 June 30, 2021, December 31, 2020 and June 30, 2020, the Bank's liquidity reserve ratios were 36.38%, 37.53% and 32.68%, 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.

June 30, 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	$ 292,753	$ 3,419	$ -	$ -	$ -	$ 296,172
Funds borrowed from the Central Bank and other banks	-	-	-	40,540	-	40,540
Securities sold under repurchase agreement	5,103	-	-	-	-	5,103
Payables	8,438,738	2,220,302	293,467	636,792	896,022	12,485,321
Deposits and remittances	76,304,335	96,568,057	105,824,409	148,846,413	156,300,727	583,843,941
Bank debentures	1,900	-	1,100,000	-	23,900,000	25,001,900
Principal received on structured products	1,127,663	57,994	12,402	86,035	21,111,227	22,395,321
Other financial liabilities	300,000	170,000	-	-	382,721	852,721
Lease liabilities	28,403	72,861	98,065	184,813	759,563	1,143,705
Total	$ 86,498,895	$ 99,092,633	$ 107,328,343	$ 149,794,593	$ 203,350,260	$ 646,064,724

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	1,714,117	1,262,651	920,883	440,179	960,049	5,297,879
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	$ 105,773,976	$ 113,340,870	$ 90,120,637	$ 136,730,870	$ 178,539,088	$ 624,505,441

June 30, 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	$ 1,687,203	$ 3,455,178	$ -	$ -	$ -	$ 5,142,381
Funds borrowed from the Central Bank and other banks	-	-	-	5,800	-	5,800
Securities sold under repurchase agreement	9,626,651	-	-	-	-	9,626,651
Short-covering debentures	199,109	-	-	-	-	199,109
Payables	3,154,066	2,573,272	435,329	751,220	822,119	7,736,006
Deposits and remittances	75,664,889	88,799,669	93,909,202	144,289,741	132,849,578	535,513,079
Bank debentures	1,900	-	4,000,000	-	21,000,000	25,001,900
Principal received on structured products	51,867	7,682	8,898	182,260	14,690,353	14,941,060
Other financial liabilities	50,000	640,000	-	-	418,457	1,108,457
Lease liabilities	28,900	75,935	103,098	142,863	636,215	987,011
Total	$ 90,464,585	$ 95,551,736	$ 98,456,527	$ 145,371,884	$ 170,416,722	$ 600,261,454

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.

Maturity analysis of demand deposits in “deposits and remittances” are allocated to each period based on historical experience. If all demand deposits were required to be paid off in recent period, the cash outflows on period of due in 30 days would have been $260,694,230 thousand, $275,288,896 thousand and $237,835,598 thousand as of June 30, 2021, December 31, 2020 and June 30, 2020, respectively.

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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
June 30, 2021	$ 324,873	$ 190,671	$ 244,019	$ 759,563
December 31, 2020	$ 196,823	$ 153,548	$ 229,059	$ 579,430
June 30, 2020	$ 212,567	$ 158,962	$ 264,686	$ 636,215

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:

June 30, 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	$ 2,400	$ 1,446	$ 1,713	$ 2,491	$ -	$ 8,050
Interest rate derivatives	1,756	3,036	11,056	46,917	821,720	884,485
Total	$ 4,156	$ 4,482	$ 12,769	$ 49,408	$ 821,720	$ 892,535

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

June 30, 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	$ 57	$ 2,769	$ 6,191	$ 1,145	$ -	$ 10,162
Interest rate derivatives	8,948	597	3,850	16,758	1,560,056	1,590,209
Total	$ 9,005	$ 3,366	$ 10,041	$ 17,903	$ 1,560,056	$ 1,600,371

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:

June 30, 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	$ 62,219,187	$ 73,271,002	$ 53,730,301	$ 31,457,758	$ 2,989,283	$ 223,667,531
Cash inflow	61,910,781	72,632,682	53,231,308	31,356,212	2,982,090	222,113,073
Interest rate derivatives						
Cash outflow	-	-	305,300	-	1,129,300	1,434,600
Cash inflow	-	-	278,700	-	1,114,800	1,393,500
Credit derivatives						
Cash outflow	-	-	-	-	-	-
Cash inflow	-	3,456	3,344	6,689	30,576	44,065
Subtotal of cash outflow	62,219,187	73,271,002	54,035,601	31,457,758	4,118,583	225,102,131
Subtotal of cash inflow	61,910,781	72,636,138	53,513,352	31,362,901	4,127,466	223,550,638
Net cash flow	$ (308,406)	$ (634,864)	$ (522,249)	$ (94,857)	$ 8,883	$ (1,551,493)

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)

June 30, 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	$ 70,743,488	$ 96,596,495	$ 35,588,921	$ 23,553,630	$ 1,512,512	$ 227,995,046
Cash inflow	70,317,255	96,177,751	35,332,792	23,436,129	1,507,729	226,771,656
Interest rate derivatives						
Cash outflow	-	615,800	1,213,500	1,798,900	305,300	3,933,500
Cash inflow	-	593,200	1,186,400	1,779,600	296,600	3,855,800
Credit derivatives						
Cash outflow	-	-	-	-	-	-
Cash inflow	1,978	14,444	16,731	33,463	156,838	223,454
Subtotal of cash outflow	70,743,488	97,212,295	36,802,421	25,352,530	1,817,812	231,928,546
Subtotal of cash inflow	70,319,233	96,785,395	36,535,923	25,249,192	1,961,167	230,850,910
Net cash flow	$ (424,255)	$ (426,900)	$ (266,498)	$ (103,338)	$ 143,355	$ (1,077,636)

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:

June 30, 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	$ 13,274,915	$ -	$ -	$ -	$ -	$ 13,274,915
Irrevocable credit card commitments	201,159,131	-	-	-	-	201,159,131
Issued but unused letters of credit	1,366,686	-	-	-	-	1,366,686
Other guarantees	16,872,938	5,832,800	350,000	-	700,000	23,755,738
Total	$ 232,673,670	$ 5,832,800	$ 350,000	$ -	$ 700,000	$ 239,556,470

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

June 30, 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	$ 15,537,461	$ -	$ -	$ -	$ -	$ 15,537,461
Irrevocable credit card commitments	195,021,521	-	-	-	-	195,021,521
Issued but unused letters of credit	1,121,812	-	-	-	-	1,121,812
Other guarantees	13,242,437	7,703,500	20,000	-	524,260	21,490,197
Total	$ 224,923,231	$ 7,703,500	$ 20,000	$ -	$ 524,260	$ 233,170,991

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 information of market risk and implementation 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 and measurement bases 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. The Bank manages market risk on the basis of closing prices of equity 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.

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 $3,116 thousand and an increase of $1,683 thousand in income before income tax for the six months ended June 30, 2021. There would be a decrease of $7,472 thousand and an increase of $6,220 thousand in income before income tax for the six months ended June 30, 2020. There would be a decrease/increase of $15,829 thousand and $11,566 thousand in other comprehensive income for the six months ended June 30, 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 $289,107 thousand and $265,933 thousand in income before income tax for the six months ended June 30, 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 $13,673 thousand and $8,886 thousand in income before income tax for the six months ended June 30, 2021 and 2020 respectively. There would be an increase/decrease of $19,224 thousand and $14,355 thousand in other comprehensive income for the six months ended June 30, 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 incorporated in the risk management policies of liquidity risk and managed by the Bank.

4) Accounting risk: 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 will 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 alternative reference rate at the agreed time beginning in 2021.

On June 30, 2021, the non-derivative financial instruments held by the Bank that have been affected by the interest rate benchmark reform are summarized as follows:

	Carrying Amount		
Items	**Linked to USD LIBOR**	**Linked to JPY LIBOR**	**Linked to EUR LIBOR**
Assets			
Financial assets at FVTPL	$ 8,521,302	$ -	$ -
Financial assets at FVTOCL	7,552,466	-	-
Debt instrument investment measured at amortized cost	84,712	-	-
Receivables	3,373,487	-	-
Discounts and loans	44,134,271	665,770	1,082,616
	$ 63,666,238	$ 665,770	$ 1,082,616
Liabilities			
Principal received on structured products	$ 193,112	$ -	$ -

In the aspect of existing derivative financial instruments linked to current interest rate benchmark, the Bank will 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 June 30, 2021, the derivative financial instruments held by the Bank that have been affected by the interest rate benchmark reform are summarized as follows:

		Carrying Amount	
Items	**Nominal Amount**	**Financial Assets**	**Financial Liabilities**
Derivative financial instruments linked to USD LIBOR			
Interest rate swap contracts	$ 18,672,259	$ 439,492	$ 372,922
Cross-currency swap contracts	1,672,200	21,086	38,497
	$ 20,344,459	$ 460,578	$ 411,419

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					
June 30, 2021	$ 5,618	$ 5,102	$ 5,618	$ 5,102	$ 516
December 31, 2020	3,714,951	3,530,487	3,714,951	3,530,487	184,464
June 30, 2020	10,373,290	9,621,269	10,373,290	9,621,269	752,021

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

Business \ Item			June 30, 2021				
			Nonperforming Loans (Note a)	Loans	Ratio of Nonperforming Loans (Note b)	Allowance for Possible Losses	Coverage Ratio (Note c)
Corporate Banking	Secured		$ 382,087	$ 61,587,101	0.62%	$ 873,310	228.56%
	Unsecured		601,295	123,396,244	0.49%	1,599,509	266.01%
Consumer Banking	Residential mortgage (Note d)		148,783	133,766,241	0.11%	2,030,259	1,364.58%
	Cash card		-	-	-	-	-
	Small-scale credit loan (Note e)		328,817	25,309,980	1.30%	458,551	139.45%
	Others (Note f)	Secured	121,867	71,589,727	0.17%	768,771	630.83%
		Unsecured	11	6,010,179	-	69,342	630,381.82%
Total			1,582,860	421,659,472	0.38%	5,799,742	366.41%
Business \ Item			Nonperforming Receivables	Accounts Receivable	Ratio of Nonperforming Receivables	Allowance for Possible Losses	Coverage Ratio
Credit card			32,401	11,025,408	0.29%	370,389	1,143.14%
Accounts receivable factored without recourse (Note g)			-	4,945,493	-	53,425	-

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	572.06%
		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			June 30, 2020				
			Nonperforming Loans (Note a)	**Loans**	**Ratio of Nonperforming Loans (Note b)**	**Allowance for Possible Losses**	**Coverage Ratio (Note c)**
Corporate Banking	Secured		$ 770,034	$ 60,624,307	1.27%	$ 944,877	122.71%
	Unsecured		343,902	110,335,983	0.31%	1,384,237	402.51%
Consumer Banking	Residential mortgage (Note d)		122,821	127,026,858	0.10%	1,945,785	1,584.24%
	Cash card		-	-	-	-	-
	Small-scale credit loan (Note e)		294,179	24,975,091	1.18%	447,079	151.98%
	Others (Note f)	Secured	90,954	70,430,725	0.13%	755,678	830.84%
		Unsecured	1,843	5,447,528	0.03%	65,835	3,572.16%
Total			1,623,733	398,840,492	0.41%	5,543,491	341.40%
Business \ Item			**Nonperforming Receivables**	**Accounts Receivable**	**Ratio of Nonperforming Receivables**	**Allowance for Possible Losses**	**Coverage Ratio**
Credit card			42,462	12,355,011	0.34%	397,556	936.26%
Accounts receivable factored without recourse (Note g)			-	4,150,342	-	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: Nonperforming loans ÷ Outstanding loan balance.

Ratio of nonperforming credit cards receivables: Nonperforming credit cards receivables ÷ Outstanding credit cards receivables balance.

Note c: Coverage ratio of allowance for possible losses for loans: Allowance for possible losses for loans ÷ Nonperforming loans.

Coverage ratio of allowance for possible losses for credit cards receivables: Allowance for possible losses for credit cards receivables ÷ 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

Business \ Item	June 30, 2021		December 31, 2020		June 30, 2020	
	Nonperforming Loans Excluded	Nonperforming Receivables Excluded	Nonperforming Loans Excluded	Nonperforming Receivables Excluded	Nonperforming Loans Excluded	Nonperforming Receivables Excluded
Loans not classified as NPL upon debt restructuring and performed as agreed (Note a)	$ 25,162	$ 77,532	$ 30,513	$ 93,417	$ 36,739	$ 112,001
Loans upon performance of a debt discharge program and rehabilitation program (Note b)	1,070,765	897,927	1,032,270	926,253	952,120	942,349
Total	1,095,927	975,459	1,062,783	1,019,670	988,859	1,054,350

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)	June 30, 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 activities	$ 12,226,200	25
2	B Group - 6499 - other financial service activities not elsewhere classified	5,149,222	11
3	C Group - 1159 - manufacture of other textile products	4,808,768	10
4	D Group - 6496 - non-depository financing	4,354,177	9
5	E Group - 3510 - electricity supply	4,076,223	8
6	F Group - 4841 - retail sale of motor vehicles in specialized stores	4,059,319	8
7	G Group - 4642 - wholesale of electronic and communication equipment and parts	3,991,475	8
8	H Group - 4641 - wholesale of computers, computer peripheral equipment and software	3,565,594	7
9	I Group - 3010 - manufacture of motor vehicles	3,426,270	7
10	J Group - 2630 - manufacture of bare printed circuit boards	3,411,706	7

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 activities	$ 14,909,000	31
2	C Group - 6499 - other financial service activities not elsewhere classified	4,945,348	10
3	B Group - 6491 - financial leasing	4,573,403	9
4	D Group - 6496 - non-depository financing	4,370,634	9
5	K Group - 6499 - other financial service activities not elsewhere classified	3,101,073	6
6	L Group - 6499 - other financial service activities not elsewhere classified	3,000,000	6
7	E Group - 3510 - electricity supply	2,877,573	6
8	M Group - 2411 - smelting and refining of iron and steel	2,648,034	5
9	N Group - 2611 - manufacture of integrated circuits	2,615,678	5
10	O Group - 4210 - construction of roads and railways	2,570,369	5

Ranking (Note a)	June 30, 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 activities	$ 13,471,000	28
2	C Group - 1159 - manufacture of other textile products	5,142,160	11
3	B Group - 6499 - other financial service activities not elsewhere classified	4,121,256	9
4	F Group - 4841 - retail sale of motor vehicles in specialized stores	3,999,966	8
5	D Group - 6496 - non-depository financing	3,895,694	8
6	M Group - 2411 - smelting and refining of iron and steel	3,343,795	7
7	L Group - 6499 - other financial service activities not elsewhere classified	3,000,000	6
8	E Group - 3510 - electricity supply	2,925,162	6
9	O Group - 4210 - construction of roads and railways	2,573,335	5
10	P Group - 6700 - real estate development activities	2,467,900	5

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
June 30, 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	$ 339,327,922	$ 163,652,819	$ 20,934,762	$ 36,713,792	$ 560,629,295
Interest rate-sensitive liabilities	175,648,809	204,473,698	103,521,173	28,206,143	511,849,823
Interest rate sensitivity gap	163,679,113	(40,820,879)	(82,586,411)	8,507,649	48,779,472
Net worth					48,781,960
Ratio of interest rate-sensitive assets to liabilities					109.53%
Ratio of interest rate-sensitivity gap to net worth					99.99%

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
June 30, 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	$ 302,793,335	$ 146,614,194	$ 11,688,150	$ 44,742,780	$ 505,838,459
Interest rate-sensitive liabilities	152,222,521	185,194,545	95,564,272	25,784,330	458,765,668
Interest rate sensitivity gap	150,570,814	(38,580,351)	(83,876,122)	18,958,450	47,072,791
Net worth					47,703,918
Ratio of interest rate-sensitive assets to liabilities					110.26%
Ratio of interest rate-sensitivity gap to net worth					98.68%

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
June 30, 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	$ 2,357,996	$ 201,227	$ 76,030	$ 407,141	$ 3,042,394
Interest rate-sensitive liabilities	1,011,108	2,251,062	238,521	-	3,500,691
Interest rate sensitivity gap	1,346,888	(2,049,835)	(162,491)	407,141	(458,297)
Net worth					1,750,339
Ratio of interest rate-sensitive assets to liabilities					86.91%
Ratio of interest rate-sensitivity gap to net worth					(26.18%)

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
June 30, 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	$ 2,453,427	$ 153,933	$ 25,025	$ 481,247	$ 3,113,632
Interest rate-sensitive liabilities	1,437,020	2,046,580	234,338	-	3,717,938
Interest rate sensitivity gap	1,016,407	(1,892,647)	(209,313)	481,247	(604,306)
Net worth					1,608,359
Ratio of interest rate-sensitive assets to liabilities					83.75%
Ratio of interest rate-sensitivity gap to net worth					(37.57%)

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 Six Months Ended June 30, 2021	For the Six Months Ended June 30, 2020
Return on total assets	Before tax	0.24%	0.28%
	After tax	0.21%	0.25%
Return on equity	Before tax	3.37%	3.82%
	After tax	2.97%	3.40%
Net income ratio		25.94%	28.63%

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

June 30, 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	$ 746,919,686	$ 121,258,079	$ 77,437,890	$ 105,210,302	$ 93,769,018	$ 81,958,697	$ 267,285,700
Main capital outflow on maturity	894,034,393	54,652,873	81,296,079	162,953,624	166,357,613	194,460,227	234,313,977
Gap	(147,114,707)	66,605,206	(3,858,189)	(57,743,322)	(72,588,595)	(112,501,530)	32,971,723

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

June 30, 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	$ 694,378,936	$ 110,796,970	$ 85,675,394	$ 101,928,838	$ 58,095,441	$ 70,095,480	$ 267,786,813
Main capital outflow on maturity	844,256,149	57,080,821	77,199,610	160,869,885	157,803,923	193,669,660	197,632,250
Gap	(149,877,213)	53,716,149	8,475,784	(58,941,047)	(99,708,482)	(123,574,180)	70,154,563

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

b) For U.S. dollar items

June 30, 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	$ 10,905,476	$ 4,113,976	$ 2,420,918	$ 1,183,822	$ 1,154,411	$ 2,032,349
Main capital outflow on maturity	10,912,435	3,728,805	2,109,448	2,495,579	1,462,471	1,116,132
Gap	(6,959)	385,171	311,470	(1,311,757)	(308,060)	916,217

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

June 30, 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	$ 10,038,843	$ 3,291,734	$ 2,541,163	$ 1,169,319	$ 1,065,556	$ 1,971,071
Main capital outflow on maturity	10,813,791	3,839,797	2,789,420	1,572,376	1,384,534	1,227,664
Gap	(774,948)	(548,063)	(248,257)	(403,057)	(318,978)	743,407

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

45. CAPITAL MANAGEMENT

a. Objective of capital management

1) The basic goal of the Bank’s capital management is that unconsolidated regulatory capital and the consolidated regulatory capital should meet the requirements of the related regulations. The ratio of regulatory capital and risk assets (the “capital adequacy ratio”) should meet the statutory threshold according to the “Regulations Governing the Capital Adequacy and Capital Category of Banks”.

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.

The calculations of regulatory capital, risk-weighted assets and capital adequacy ratio were as follows:

			June 30, 2021	
			Unconsolidated	**Consolidated**
Regulatory capital	Common equity		$ 45,479,734	$ 46,024,620
	Additional Tier I capital		1,871,141	2,416,027
	Tier II capital		13,235,166	14,348,222
	Total common capital		60,586,041	62,788,869
Risk-weighted assets	Credit risk	Standardized approach	396,894,568	399,144,835
		Internal rating-based approach	-	-
		Asset securitization	665,400	665,400
	Operational risk	Basic indicator approach	20,229,725	20,884,000
		Standardized approach/alternative standardized approach	-	-
		Advanced measurement approach	-	-
	Market risk	Standardized approach	15,110,800	15,110,800
		Internal models approach	-	-
	Total risk-weighted assets		432,900,493	435,805,035
Capital adequacy ratio			14.00%	14.41%
Ratio of common equity to risk-weighted assets			10.51%	10.56%
Ratio of Tier I capital to risk-weighted assets			10.94%	11.12%
Leverage ratio			5.98%	6.10%

			December 31, 2020	
			Unconsolidated	**Consolidated**
Regulatory capital	Common equity		$ 45,007,659	$ 45,576,902
	Additional Tier I capital		1,852,775	2,422,018
	Tier II capital		10,674,012	11,831,485
	Total common capital		57,534,446	59,830,405
Risk-weighted assets	Credit risk	Standardized approach	378,101,729	380,483,851
		Internal rating-based approach	-	-
		Asset securitization	859,791	859,791
	Operational risk	Basic indicator approach	20,229,725	20,884,000
		Standardized approach/alternative standardized approach	-	-
		Advanced measurement approach	-	-
	Market risk	Standardized approach	8,822,288	8,822,288
		Internal models approach	-	-
	Total risk-weighted assets		408,013,533	411,049,930
Capital adequacy ratio			14.10%	14.56%
Ratio of common equity to risk-weighted assets			11.03%	11.09%
Ratio of Tier I capital to risk-weighted assets			11.49%	11.68%
Leverage ratio			6.09%	6.23%

			June 30, 2020	
			Unconsolidated	Consolidated
Regulatory capital	Common equity		$ 43,983,245	$ 44,510,233
	Additional Tier I capital		1,915,383	2,442,373
	Tier II capital		11,143,540	12,210,737
	Total common capital		57,042,168	59,163,343
Risk-weighted assets	Credit risk	Standardized approach	385,131,004	387,773,668
		Internal rating-based approach	-	-
		Asset securitization	1,259,622	1,259,622
	Operational risk	Basic indicator approach	19,809,625	20,256,763
		Standardized approach/alternative standardized approach	-	-
		Advanced measurement approach	-	-
	Market risk	Standardized approach	11,834,963	11,834,963
		Internal models approach	-	-
	Total risk-weighted assets		418,035,214	421,125,016
Capital adequacy ratio			13.65%	14.05%
Ratio of common equity to risk-weighted assets			10.52%	10.57%
Ratio of Tier I capital to risk-weighted assets			10.98%	11.15%
Leverage ratio			6.18%	6.31%

Note a: Regulatory capital, risk-weighted assets and exposure measurement are calculated under the "Regulations Governing the Capital Adequacy and capital category of Banks" and the "The Methods for Calculating the Bank's regulatory Capital and Risk-weighted Assets".

Note b: An annual report should include both the current year's and prior year's capital adequacy ratio, but a semiannual report should include the capital adequacy ratio of the most recent year.

Note c: Formulas used were as follows:

1) Regulatory capital = Common equity + Additional Tier I capital + Tier II capital.

2) Total risk-weighted assets = Risk-weighted assets for credit risk + (Capital requirements for operational risk and market risk) × 12.5.

3) Capital adequacy ratio = Regulatory capital/Total risk-weighted assets.

4) Ratio of Common equity to risk-weighted assets = Common equity/Total risk-weighted assets.

5) Ratio of Tier I capital to risk-weighted assets = (Common equity + Additional Tier I capital)/Total risk-weighted assets.

6) Leverage ratio = Net Tier I capital/Exposure measurement.

46. CASH FLOW INFORMATION

a. Non-cash transactions

Cash dividends which were approved by the shareholders' meeting recognized as accrued dividends were $1,124,082 thousand and $1,570,524 thousand as of June 30, 2021 and 2020, respectively.

b. Changes in Liabilities Arising from Financing Activities

For the six months ended June 30, 2021

	Beginning Balance	Cash Inflow (Outflow)	Non-cash Changes		Ending Balance
			Exchange Rate	Others	
Funds borrowed from the Central Bank and other banks	$ 22,340	$ 18,200	$ -	$ -	$ 40,540
Securities sold under repurchase agreement	3,530,487	(3,486,642)	(38,743)	-	5,102
Bank debentures	22,601,900	2,400,000	-	-	25,001,900
Other financial liabilities	868,202	(15,551)	-	-	852,651
Lease liabilities	839,255	(209,884)	(805)	496,713	1,125,279
Other liabilities	622,554	13,639	(1,176)	3,073	638,090
	$ 28,484,738	$ (1,280,238)	$ (40,724)	$ 499,786	$ 27,663,562

For the six months ended June 30, 2020

	Beginning Balance	Cash Inflow (Outflow)	Non-cash Changes		Ending Balance
			Exchange Rate	Others	
Funds borrowed from the Central Bank and other banks	$ -	$ 5,800	$ -	$ -	$ 5,800
Securities sold under repurchase agreement	9,675,529	90,227	(144,487)	-	9,621,269
Bank debentures	25,001,900	-	-	-	25,001,900
Other financial liabilities	1,001,923	106,424	-	-	1,108,347
Lease liabilities	1,040,827	(219,107)	(833)	148,386	969,273
Other liabilities	659,123	10,912	(668)	4,652	674,019
	$ 37,379,302	$ (5,744)	$ (145,988)	$ 153,038	$ 37,380,608

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:

a. Individual banking: Mainly includes consumer banking loans such as mortgages, credit loans, car loans, installment, etc.; credit cards; individual deposits; and wealth management;

b. Corporate banking: Mainly includes corporate-related business, foreign-currency business and financial market business;

c. Others: Any business not included in individual and corporate banking.

Segment Income and Operating Results

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

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

	Individual Banking	Corporate Banking	Others	Total
For the six months ended June 30, 2021				
Net interests	$ 2,080,260	$ 1,745,296	$ (597,675)	$ 3,227,881
Net revenues and gains other than interest				
Net service fee income	971,422	330,102	283,909	1,585,433
Other net income	106,946	507,059	159,285	773,290
Net revenues	3,158,628	2,582,457	(154,481)	5,586,604
Reversal of (provision for) bad debt expenses	(159,488)	(669,959)	239,992	(589,455)
Operating expenses	(2,283,671)	(767,628)	(303,798)	(3,355,097)
Segment income before income tax	$ 715,469	$ 1,144,870	$ (218,287)	$ 1,642,052
For the six months ended June 30, 2020				
Net interests	$ 2,035,720	$ 1,504,013	$ (576,955)	$ 2,962,778
Net revenues and gains other than interest				
Net service fee income	997,455	482,305	319,984	1,799,744
Other net income	144,424	826,794	(92,422)	878,796
Net revenues	3,177,599	2,813,112	(349,393)	5,641,318
Reversal of (provision for) bad debt expenses	(48,171)	(516,061)	50,011	(514,221)
Operating expenses	(2,252,516)	(810,190)	(248,732)	(3,311,438)
Segment income before income tax	$ 876,912	$ 1,486,861	$ (548,114)	$ 1,815,659

48. OTHER ITEMS

In the face of the significant uncertainty caused by the COVID-19 to the international economic and financial situation, the Bank and its subsidiaries adhere to the consistent and prudent business policy, strengthen risk management and lay out long-term sound growth momentum. The impact of the COVID-19 on the Bank's and its subsidiaries' ability to continue as a going concern, impairment of assets and financing risk has been properly reflected and disclosed in the current financial statements.

49. 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: Table 1 (attached)

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 2 (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 3 (attached)

c. Related information of investees on which the Bank exercises significant influence: Table 4 (attached)

d. Information about branches and investments in mainland China: Table 5 (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

SALE OF NONPERFORMING LOANS
FOR THE SIX MONTHS ENDED JUNE 30, 2021
(In Thousands of New Taiwan Dollars)

1. Sale of nonperforming loans

Trade Date	Counterparty	Form of Nonperforming Loan	Book Value (Note)	Selling Price	Gain (Loss)	Incidentally Conditions	Relationship Between the Counterparty and the Bank
2021.06.25	The Hongkong and Shanghai Banking Corporation Limited	Long-term secured loan for enterprise (international syndicated loans)	$ 337,064	$ 331,284	$ (5,780)	None	Unrelated parties

Note: Book value equals the amount of the original loan less the allowance for loss.

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

FAR EASTERN INTERNATIONAL BANK LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE SIX MONTHS ENDED JUNE 30, 2021
(In Thousands of New Taiwan Dollars)

No. (Note 1)	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.	From parent company to subsidiary	Deposits and remittances	$ 418,097	Note 3	0.06
		Far Eastern International Securities Co., Ltd.	From parent company to subsidiary	Interest expense	666	Note 3	0.01
		Far Eastern International Securities Co., Ltd.	From parent company to subsidiary	Service charge	1,021	Note 3	0.02
		Far Eastern International Securities Co., Ltd.	From parent company to subsidiary	Loss on disposal of financial assets at FVTPL	161	Note 3	-
1	Far Eastern International Securities Co., Ltd.	Far Eastern International Bank Ltd.	From subsidiary to parent company	Cash and cash equivalents	418,097	Note 3	0.06
		Far Eastern International Bank Ltd.	From subsidiary to parent company	Interest revenue	666	Note 3	0.01
		Far Eastern International Bank Ltd.	From subsidiary to parent company	Service fee	1,182	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 SIX MONTHS ENDED JUNE 30, 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	$ 15,522	$ 15,522	6%-10%	a	$ 16,516	-	$ 155	Real estate	$ 32,530	$ 288,721	$ 962,403

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 30% 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 30% 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

RELATED INFORMATION OF INVESTEES
FOR THE SIX MONTHS ENDED JUNE 30, 2021
(In Thousands of New Taiwan Dollars)

Investee Company	Location	Main Business and Product	Percentage of Ownership (%)	Carrying Amount	Investment Income (Loss) Recognized	The Proportionate Share of the Bank, Its Subsidiaries and Their Affiliates in Investees (Note 1)				Note
						Present Shares (In Thousands)	Pro Forma Shares (Note 2)	Total		
								Shares (In Thousands)	Percentage of Ownership (%)	
Held by the Bank										
Financial business										
Deutsche Far Eastern Asset Management Co., Ltd.	7F, No. 207 Dun Hwa South Road, Sec. 2, Taipei, Taiwan	Securities investment trust funds	40.00	$ 136,271	$ 6,620	12,000	-	12,000	40.00	
Dah Chung Bills Finance Corp.	4F, 4F-1, 4F-2, 4F-3, Np. 88 Dun Hwa North Road, Taipei, Taiwan	Underwriting, dealing and brokering of short-term bills	22.06	1,799,622	83,406	99,440	-	99,440	22.07	
Far Eastern Asset Management Co., Ltd.	Room B, 17F, No. 207, Dun Hwa South Road, Sec. 2, Taipei, Taiwan	Purchase, evaluation, auction and management of creditor's rights to financial institutions	100.00	1,670,022	35,584	168,400	-	168,400	100.00	
Far Eastern International Securities Co., Ltd.	51F, No. 7, Xinyi Road, Sec. 5, Taipei, Taiwan	Foreign securities broker, wealth management and offshore fund consulting	100.00	509,521	74,492	26,000	-	26,000	100.00	
Taipei Foreign Exchange Agency Co., Ltd.	8F., No. 400, Bade Road, Sec. 2, Taipei, Taiwan	Foreign exchange, cross-currency swaps, etc.	0.40	3,813	-	80	-	80	0.40	
Sunshine Asset Management Co., Ltd.	15F., No. 218, Dun Hwa South Road, Sec. 2, Taipei, Taiwan	Management of creditor's rights and rendering of commercial detective services	3.46	2,594	-	207	-	207	3.46	
Financial Information Service Co., Ltd.	No. 81, Kangning Road, Sec. 3, Taipei, Taiwan	Data processing service and electronic information supply	1.14	249,089	-	5,938	-	5,938	1.14	
Yuan Hsin Digital Payment Co., Ltd.	Room A, 5F., No. 1, Yuandong Road, Banqiao Dist., New Taipei City, Taiwan	Issuing electronic tickets and signing contracted institutions	3.66	13,326	-	2,736	-	2,736	3.66	
Nonfinancial business										
An Feng Enterprise Co., Ltd.	3F., No. 139, Jhengjhou Road, Taipei, Taiwan	ATM maintenance, replacement and repair	10.00	4,707	-	300	-	300	10.00	
Held by Far Eastern Asset Management Co., Ltd.										
Financial business										
FEIB Financial Leasing Co., Ltd.	Room 1504-1505, No. 719 West Yan'an Road, Changning District, Shanghai, China	Leasing operation	100.00	977,655	15,370	N/A	-	N/A	100.00	

Note 1: The Bank, board chairman, supervisors, managing directors, and the shares of investee companies invested in by related parties which comply with corporation law are considered.

Note 2: Routes of investment are listed below:

a. Pro forma shares are shares that are assumed to be obtained through buying equity-based securities or entering into equity-linked derivative contracts for purposes defined in Article 74 of the Banking Law.
b. Equity-based securities, such as convertible bonds and warrants, are covered by Article 11 of "Securities and Exchange Law Enforcement Rules".
c. Derivative contracts, such as stock options, are those conforming to the definition of derivatives in International Financial Reporting Standard 9.

FAR EASTERN INTERNATIONAL BANK LTD. AND SUBSIDIARIES

INVESTMENT IN MAINLAND CHINA
FOR THE SIX MONTHS ENDED JUNE 30, 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 June 30, 2021 (Note 4)	Net Income (Loss) of Investee (Notes 2 and 5)	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Notes 2 and 5)	Carrying Value as of June 30, 2021 (Note 2)	Accumulated Inward Remittance of Earnings as of June 30, 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)	$ 15,370 (CNY 3,537 thousand)	100.00	$ 15,370 (CNY 3,537 thousand)	$ 977,655	$ -	

Accumulated Investment in Mainland China as of June 30, 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)	$1,002,014

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 six months ended June 30, 2021.