Far Eastern International Bank Ltd.

Financial Statements for the
Years Ended December 31, 2020 and 2019 and
Independent Auditors' Report

Deloitte.

勤業眾信

勤業眾信聯合會計師事務所
11073 台北市信義區松仁路100號20樓

Deloitte & Touche
20F, Taipei Nan Shan Plaza
No. 100, Songren Rd.,
Xinyi Dist., Taipei 11073, Taiwan

Tel :+886 (2) 2725-9988
Fax:+886 (2) 4051-6888
www.deloitte.com.tw

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of Far Eastern International Bank Ltd. (the "Bank"), which comprise the balance sheets as of December 31, 2020 and 2019, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as of December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks.

Basis for Opinion

We conducted our audits in accordance with the Rules Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters related to the Bank's financial statements for the year ended December 31, 2020 for the Bank, which are described as follows:

Allowance for Expected Credit Losses on Loans

As of December 31, 2020, the balance of loans in the aggregate amounted to NT$383,192,769 thousand, accounted for 56% of the total assets of the financial statements; an amount that is deemed to be significant to the financial statements. To the allowance for expected credit losses on loans, the Bank has assessed according to IFRS 9 and comply with relevant regulations issued by authorities, whichever is higher. As the assessment on the impairment of loans involved the management's critical judgments in accounting estimation and the underlying assumption, related disclosures refer to Note 5 to the financial statements, we deemed to the allowance for expect credit losses on loans was a key audit matter.

Refer to Notes 4, 5, 14 and 43 to the financial statements for disclosures related to impairment on loans.

The main audit procedures we performed in response to certain aspects of the key audit matter described above are as follows:

1. Understand and perform tests on the Bank's internal controls relevant to loans impairment assessment.

2. Identity the potential risk of loans customers from public information, and confirm that whether to include in the appropriate assessment stage.

3. Verify whether the methodology, main assumptions and parameters (consider the probability of default, probability of loss given default and exposure at default on forward-looking information) adopted by the impairment model of expected credit losses adequately reflect the actual position and compliance with IFRS 9, and recalculate the amount of impairment.

4. Sample and review credit files to evaluate whether the loans are reasonably categorized per regulatory stipulation and recalculate for the correctness of the allowance.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Bank's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

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

6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Bank to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the Bank audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 26, 2021

Notice to Readers

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

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

FAR EASTERN INTERNATIONAL BANK LTD.

BALANCE SHEETS
DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars)

	2020		2019	
ASSETS	**Amount**	**%**	**Amount**	**%**
ASSETS				
Cash and cash equivalents (Note 6)	$ 6,054,773	1	$ 8,742,218	1
Due from the Central Bank and other banks (Notes 7, 37 and 38)	33,137,664	5	27,492,590	4
Financial assets at fair value through profit or loss (Notes 4, 5, 8, 37 and 42)	31,757,436	5	53,015,441	8
Financial assets at fair value through other comprehensive income (Notes 4, 5, 9, 11, 27, 38, 42 and 43)	177,659,673	26	132,309,472	20
Investment in debt instruments at amortized cost, net (Notes 4, 5, 10, 11 and 42)	1,077,764	-	2,543,880	-
Securities purchased under resale agreements, net (Notes 4, 12 and 37)	10,960,705	2	9,944,957	2
Receivables, net (Notes 4, 5, 13, 37 and 43)	19,282,241	3	20,379,813	3
Discounts and loans, net (Notes 4, 5, 14, 37 and 43)	383,192,769	56	384,624,817	59
Investment accounted for using the equity method (Notes 4, 15 and 27)	4,188,899	1	3,941,980	1
Other financial assets, net (Notes 16 and 38)	6,400,459	1	5,303,879	1
Property and equipment, net (Notes 4 and 17)	2,966,680	-	2,894,717	1
Right-of-use assets, net (Notes 4 and 18)	794,172	-	971,147	-
Intangible assets, net (Notes 4, 5 and 19)	1,648,636	-	1,674,119	-
Deferred tax assets (Notes 4, 5 and 35)	194,572	-	221,299	-
Other assets	303,887	-	217,713	-
TOTAL	$ 679,620,330	100	$ 654,278,042	100
LIABILITIES AND EQUITY				
LIABILITIES				
Due to the Central Bank and other banks (Notes 20 and 43)	$ 984,839	-	$ 11,137,130	2
Funds borrowed from the Central Bank and other banks (Notes 43 and 45)	22,340	-	-	-
Financial liabilities at fair value through profit or loss (Notes 4, 5, 8, 37 and 42)	5,196,435	1	3,909,304	1
Securities sold under repurchase agreements (Notes 4, 9, 21, 43 and 45)	3,530,487	1	9,675,529	2
Payables (Notes 22 and 43)	4,887,591	1	6,564,200	1
Current tax liabilities (Note 4)	126,886	-	357,130	-
Deposits and remittances (Notes 23, 37 and 43)	582,692,412	86	537,752,178	82
Bank debentures (Notes 24, 42, 43 and 45)	22,601,900	3	25,001,900	4
Principal received on structured products (Note 43)	8,190,621	1	9,476,623	1
Other financial liabilities (Notes 43 and 45)	172,814	-	253,896	-
Provisions (Notes 4, 25 and 37)	1,063,091	-	1,235,204	-
Lease liabilities (Notes 4, 18, 37, 43 and 45)	809,359	-	987,337	-
Other liabilities (Note 45)	597,850	-	643,198	-
Total liabilities	630,876,625	93	606,993,629	93
EQUITY (Notes 4, 9, 15 and 27)				
Share capital	34,481,044	5	33,558,193	5
Capital surplus	456,426	-	456,426	-
Retained earnings				
Legal reserve	9,547,845	1	8,458,068	1
Special reserve	23,543	-	76,215	-
Unappropriated earnings	3,259,093	1	4,299,505	1
Total retained earnings	12,830,481	2	12,833,788	2
Other equity	975,754	-	436,006	-
Total equity	48,743,705	7	47,284,413	7
TOTAL	$ 679,620,330	100	$ 654,278,042	100

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

FAR EASTERN INTERNATIONAL BANK LTD.

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)

	2020		2019		Percentage Increase (Decrease)
	Amount	**%**	**Amount**	**%**	**%**
INTEREST REVENUES (Notes 4, 28 and 37)	$ 10,393,360	98	$ 11,805,327	104	(12)
INTEREST EXPENSES (Notes 4, 18, 28 and 37)	4,416,244	42	6,404,292	56	(31)
NET INTERESTS	5,977,116	56	5,401,035	48	11
NET REVENUES AND GAINS OTHER THAN INTEREST					
Net service fee income (Notes 4, 29 and 37)	2,802,173	26	3,031,687	27	(8)
Net gain on financial assets and liabilities at fair value through profit or loss (Notes 4, 5, 30, 37 and 42)	1,316,959	12	2,173,751	19	(39)
Net realized gain on financial assets at fair value through other comprehensive income (Notes 4 and 27)	52,611	1	117,454	1	(55)
Loss on disposal of credit assets measured at amortized cost (Note 14)	(116,904)	(1)	-	-	-
Net foreign exchange gain (Note 4)	42,240	-	171,489	2	(75)
Shares of profit of subsidiaries and associates for using equity method (Notes 4 and 15)	392,669	4	274,031	2	43
Others (Note 37)	183,302	2	162,095	1	13
Total net revenues and gains other than interest	4,673,050	44	5,930,507	52	(21)
NET REVENUES	10,650,166	100	11,331,542	100	(6)
PROVISION FOR LOSS ON BAD DEBTS EXPENSE, COMMITMENT AND GUARANTEE (Notes 4, 13, 14, 16, 25 and 37)	1,460,231	14	517,381	5	182

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FAR EASTERN INTERNATIONAL BANK LTD.

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)

	2020		2019		Percentage Increase (Decrease)
	Amount	**%**	**Amount**	**%**	**%**
OPERATING EXPENSES					
Employee benefits expense (Notes 4, 26, 31 and 37)	$ 3,746,625	35	$ 3,813,712	33	(2)
Depreciation and amortization (Notes 4, 17, 18 and 33)	689,077	7	656,681	6	5
Other general and administrative expenses (Notes 18, 34 and 37)	1,948,119	18	2,138,992	19	(9)
Total operating expenses	6,383,821	60	6,609,385	58	(3)
INCOME BEFORE INCOME TAX	2,806,114	26	4,204,776	37	(33)
INCOME TAX EXPENSE (Notes 4 and 35)	287,411	3	572,181	5	(50)
NET INCOME FOR THE YEAR	2,518,703	23	3,632,595	32	(31)
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4, 5, 9, 11, 15, 26, 27 and 35)					
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit plans	163,671	2	(30,495)	-	637
Gain (loss) on valuation of investments in equity instruments at fair value through other comprehensive income	152,606	1	(4,395)	-	3,572
Share of other comprehensive income of subsidiaries and associates for using equity method	652	-	2,784	-	(77)
Income tax benefit (expense) relating to items that will not be reclassified subsequently to profit or loss	(32,734)	-	6,099	-	(637)
	284,195	3	(26,007)	-	1,193

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FAR EASTERN INTERNATIONAL BANK LTD.

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)

	2020		2019		Percentage Increase (Decrease)
	Amount	**%**	**Amount**	**%**	**%**
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translating foreign operations	$ (135,451)	(1)	$ (87,457)	(1)	(55)
Share of other comprehensive income (loss) of subsidiaries and associates for using equity method	56,398	-	(36,073)	-	256
Unrealized gain on investments in debt instruments measured at fair value through other comprehensive income	305,971	3	544,887	5	(44)
	226,918	2	421,357	4	(46)
Other comprehensive income for the year	511,113	5	395,350	4	29
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 3,029,816	28	$ 4,027,945	36	(25)
EARNINGS PER SHARE (Note 36)					
Basic	$0.73		$1.05		
Diluted	$0.73		$1.05		

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

FAR EASTERN INTERNATIONAL BANK LTD.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars)

			Retained Earnings (Note 27)			Other Equity		
	Share Capital (Note 27)	Capital Surplus (Note 27)	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations (Note 4)	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income (Notes 4, 9 and 27)	Total Equity
BALANCE AT JANUARY 1, 2019	$ 32,691,859	$ 456,426	$ 7,400,808	$ 36,411	$ 4,211,908	$ 53,817	$ (106,489)	$ 44,744,740
Effects of retrospective applicable IFRS	-	-	-	-	(17,138)	-	-	(17,138)
BALANCE AT JANUARY 1, 2019 AS APPLIED RETROSPECTIVELY	32,691,859	456,426	7,400,808	36,411	4,194,770	53,817	(106,489)	44,727,602
Appropriation of the 2018 earnings								
Legal reserve	-	-	1,057,260	-	(1,057,260)	-	-	-
Special reserve	-	-	-	39,804	(39,804)	-	-	-
Cash dividends - NT$0.450 per share	-	-	-	-	(1,471,134)	-	-	(1,471,134)
Stock dividends - NT$0.265 per share	866,334	-	-	-	(866,334)	-	-	-
	866,334	-	1,057,260	39,804	(3,434,532)	-	-	(1,471,134)
Net income for the year ended December 31, 2019	-	-	-	-	3,632,595	-	-	3,632,595
Other comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	(24,867)	(125,907)	546,124	395,350
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	3,607,728	(125,907)	546,124	4,027,945
Disposal of investments in equity instruments at fair value through other comprehensive income (loss)	-	-	-	-	(68,461)	-	68,461	-
BALANCE AT DECEMBER 31, 2019	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 year ended December 31, 2020	-	-	-	-	2,518,703	-	-	2,518,703
Other comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	130,488	(124,381)	505,006	511,113
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	2,649,191	(124,381)	505,006	3,029,816
Disposal of investments in equity instruments at fair value through other comprehensive income (loss)	-	-	-	-	(159,123)	-	159,123	-
BALANCE AT DECEMBER 31, 2020	$ 34,481,044	$ 456,426	$ 9,547,845	$ 23,543	$ 3,259,093	$ (196,471)	$ 1,172,225	$ 48,743,705

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

FAR EASTERN INTERNATIONAL BANK LTD.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 2,806,114	$ 4,204,776
Adjustments for:		
Depreciation	663,594	631,198
Amortization	25,483	25,483
Provision for loss on bad debts expense, commitment and guarantee	1,877,084	926,484
Net valuation loss (gain) on financial assets and liabilities at fair value through profit or loss	167,311	(593,942)
Interest expenses	4,416,244	6,404,292
Interest revenues	(10,393,360)	(11,805,327)
Dividends revenue	(106,232)	(127,529)
Shares of profit from subsidiaries and associates	(392,669)	(274,031)
Unrealized net loss (gain) on foreign currency exchange	(268,266)	31,249
Other adjustments	(35,075)	(52,788)
Changes in operating assets and liabilities		
Increase in due from the Central Bank and other banks	(988,030)	(332,619)
Decrease (increase) in financial assets at fair value through profit or loss	20,406,031	(6,304,974)
Increase in financial assets at fair value through other comprehensive income	(46,412,075)	(12,661,604)
Decrease in investments in debt instruments at amortized cost	1,386,284	-
Increase in receivables	(191,076)	(1,427,069)
Increase in discounts and loans	(3,107,839)	(6,737,180)
Decrease in due to the Central Bank and other banks	(9,942,152)	(4,355,330)
Increase in financial liabilities at fair value through profit or loss	1,287,131	1,156,825
Decrease in payables	(1,787,176)	(378,458)
Increase in deposits and remittances	50,508,953	31,137,612
Decrease in principal received on structured products	(781,445)	(2,925,839)
Cash generated from (used in) operations	9,138,834	(3,458,771)
Interest received	10,710,600	11,908,746
Dividends received	103,732	127,279
Interest paid	(4,762,539)	(6,535,404)
Income tax paid	(560,268)	(274,116)
Net cash generated from operating activities	14,630,359	1,767,734
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of investments accounted for using equity method	-	(1,000,000)
Acquisition of property and equipment	(336,852)	(401,411)
Proceeds from disposal of property and equipment	90	81
Increase in other financial assets	(1,268,777)	(922,266)
Increase in other assets	(50,032)	(59,049)
Dividends received from subsidiaries and associates	202,800	94,028
Net cash used in investing activities	(1,452,771)	(2,288,617)

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FAR EASTERN INTERNATIONAL BANK LTD.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars)

	2020	2019
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in funds borrowed from the Central Bank and other banks	$ 22,340	$ -
Proceeds from the issuance of bank debentures	1,600,000	10,000,000
Repayments of bank debentures	(4,000,000)	(3,000,000)
Decrease in securities sold under repurchase agreements	(5,701,127)	(4,836,461)
Repayments of the principal portion of lease liabilities	(400,020)	(396,792)
Increase (decrease) in other financial liabilities	(81,082)	83,116
Increase (decrease) in other liabilities	(45,348)	174,896
Cash dividends	(1,570,524)	(1,471,134)
Net cash generated from (used in) financing activities	(10,175,761)	553,625
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(390,274)	(80,491)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,611,553	(47,749)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	34,025,195	34,072,944
CASH AND CASH EQUIVALENTS, END OF THE YEAR	$ 36,636,748	$ 34,025,195

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

	December 31	
	2020	2019
Cash and cash equivalents in balance sheets	$ 6,054,773	$ 8,742,218
Due from the Central Bank and other banks that meet the IAS 7 definition of "cash and cash equivalents"	19,621,270	15,338,020
Securities purchased under resale agreements that meet the IAS 7 definition of "cash and cash equivalents"	10,960,705	9,944,957
Cash and cash equivalents in statements of cash flows	$ 36,636,748	$ 34,025,195

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

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

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 December 31, 2020, 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 financial statements were approved by the Bank's Board of Directors on March 26, 2021.

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

a. The Bank's 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) did not have material impact on the Bank's accounting policies.

b. The IFRSs endorsed by the FSC for application starting from 2021.

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9"	Effective immediately upon promulgation by the IASB
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform - Phase 2"	Effective for annual reporting periods beginning on or after January 1, 2021

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

The amendments primarily amend IFRS 9, IFRS 7 and IFRS 16 to provide practical relief from the impact of the interest rate benchmark reform.

Changes in the basis for determining contractual cash flows as a result of interest rate benchmark reform

The changes in the basis for determining contractual cash flows of financial assets, financial liabilities or lease liabilities are accounted for by updating the effective interest rate at the time the basis is changed, provided the changes are directly affected by the reform and the new basis is economically equivalent to the previous basis.

As of the date the financial statements were authorized for issue, the Bank is continuously assessing the possible impact that the application of above standards and interpretations will have on the Bank’s 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)
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 2)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 3)
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 4)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 5)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 6)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 7)

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

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

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

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

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

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

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

The impacts on the Bank are described as follow:

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

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

- Not all accounting policy information relating to material transactions, other events or conditions is itself material;

- Accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed; and

- The enterprise may consider the accounting policy information as material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial.

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

a) The enterprise changed its accounting policy during the reporting period and this change resulted in a material change to the information in the financial statements;

b) The enterprise chose the accounting policy from options permitted by the standards;

c) The accounting policy was developed in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” in the absence of an IFRS that specifically applies;

d) The accounting policy relates to an area for which the enterprise is required to make significant judgements or assumptions in applying an accounting policy, and the enterprise discloses those judgements or assumptions; or

e) The accounting is complex and users of the financial statements would otherwise not understand those material transactions, other events or conditions.

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The financial reports have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks.

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.

The measurement of investment in subsidiaries and investment in associates were classified at equity method when the Bank was compiling the individual financial report. The net income, other comprehensive income, equity of the financial report and the net income, other comprehensive income and equity of the consolidated financial report which were attributed to the parent company.

Current and Noncurrent Assets and Liabilities

Accounts included in the balance sheets are not classified as current or noncurrent since the operating characteristics of the Bank, 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 43 for the maturity analysis of liabilities.

Foreign Currency

Foreign-currency assets and liabilities are recorded in their original currencies. Foreign-currency items in net income of domestic operating units are translated into New Taiwan dollars at prevailing exchange rates at the dates of the transactions. For overseas branches (including the OBU), foreign-currency items in net income from transactions settled in currencies other than the entity's functional currency are translated into the entity's functional currency at prevailing exchange rates at the dates of the transactions.

At the balance sheet date, foreign-currency monetary assets and liabilities are translated at prevailing exchange rates, and the exchange differences are recognized as gain or loss.

When foreign-currency assets and liabilities are settled, exchange differences arising from the application of different exchange rates are recognized as gain or loss for the current year.

The financial statements of foreign branches (including OBU) are translated into New Taiwan dollars at the following exchange rates: Assets and liabilities - at exchange rates prevailing on the balance sheet date. The beginning balance of current year's earnings of foreign branches and the OBU not yet remitted to the head office - the same as the ending balance of the prior years' earnings; and Income and expenses - at average exchange rates for the period. Exchange differences arising from the translation of the financial statements of foreign branches and OBU are recognized as other comprehensive income-exchange differences on translating foreign operations.

Investment Accounted for Using Equity Method

Investments in subsidiaries and associates are accounted for using the equity method of accounting.

Subsidiaries are the entity which were controlled by the Bank.

An associate is an entity over which the Bank have significant influence and that is not a subsidiary. Significant influence is the power to participate in the financial and operating policy decisions of the investee without having control or joint control over those policies.

An investment in a subsidiary and associate is initially recognized at cost and adjusted thereafter to recognize the Bank's share of the profit or loss and other comprehensive income of the associate. The Bank also recognize the changes in the Bank's share of equity of associates.

Property and Equipment

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

Depreciation is recognized to allocation the cost of assets averagely less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each year, with the effect of any changes in estimate accounted for on a prospective basis.

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

Intangible Assets

Intangible assets acquired in a business combination are initially recognized at their fair value at the acquisition date. Subsequent to initial recognition, intangible assets with finite useful lives are reported at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The residual value of an intangible asset with a finite useful life shall be assumed to be zero unless the Bank expects to dispose of the intangible asset before the end of its economic life. Intangible assets with indefinite useful lives are measured at cost less accumulated impairment loss.

Impairment of Property, Equipment and Intangible Assets

At the end of each reporting period, the Bank review the carrying amounts of their property, equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Bank estimate the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the smallest group of cash-generating units under a reasonable and consistent basis.

Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount.

When the recoverable amount increases in a subsequent period, the reversal of an impairment loss is recognized immediately in profit or loss. The carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years.

Securities Purchased/Sold Under Resale/Repurchase Agreements

Securities purchased under resale agreements and securities sold under repurchase agreements are generally treated as collateralized financing transactions. Interest expenses and interest revenues are recognized on the accrual basis.

Financial Instruments

Financial assets and financial liabilities are recognized in the balance sheets when the Bank becomes a party to the contractual provisions of the instruments.

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately as expense.

Financial assets

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

a. The Bank owns financial assets which are classified into the following specified categories:

1) Financial assets at FVTPL

Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, with any gain or loss arising on dividends, interest and re-measurement recognized in profit or loss. Fair value is determined in the manner described in Note 42.

2) Financial assets at amortized cost

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

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

b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets are measured at amortized cost, which equals to gross carrying amount determined using the effective interest method less any impairment loss. Any exchange difference is recognized in profit or loss.

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

a) Purchased or originated credit-impaired financial assets, for which interest revenue is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such a financial asset; and

b) Financial assets that have subsequently become credit-impaired, for which interest revenue is calculated by applying the effective interest rate to the amortized cost of such a financial asset.

A financial asset is credit impaired when significant financial difficulty of the issuer or the borrower; breach of contract; default; it is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or the disappearance of an active market for that financial asset because of financial difficulties.

3) Investments in debt instruments at FVTOCI

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

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

b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Investments in debt instruments at FVTOCI are subsequently measured at fair value. Changes in the carrying amounts of these debt instruments relating to changes in foreign currency exchange rates, interest revenue calculated using the effective interest method and impairment losses or reversals are recognized in profit or loss. Other changes in the carrying amount of these debt instruments are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of.

4) Investments in equity instruments at FVTOCI

On initial recognition, the Bank may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gain and loss arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, they will be transferred to retained earnings.

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

b. Impairment of financial assets

The Bank recognizes an allowance for loss for expected credit losses on financial assets at amortized cost, investments in debt instruments that are measured at FVTOCI. For such financial assets, the Bank recognizes lifetime expected credit losses (ECLs) when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Bank measures the allowance for loss for that financial instrument at an amount equal to 12-month ECLs.

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

The Bank recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through an allowance for loss account, except for investments in debt instruments that are measured at FVTOCI, for which the allowance for loss is recognized in other comprehensive income and does not reduce the carrying amount of such a financial asset.

The Bank evaluates possible losses on specific loans on the basis of the borrowers' financial situation, their ability to repay principals and interests, and the values of collaterals in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/Nonaccrual Loans" (the "Regulations"). The Regulations require that loans should be categorized by collectability and specify the minimum allowance for possible losses and reserve for guarantee obligations using prescribed percentages.

When a loan or receivable is considered uncollectable, it may be written off on the approval of the Bank's Board of Directors or Managing Directors. The subsequent collections of written-off loans are credited against provision for possible losses.

c. Derecognition of financial assets

The Bank derecognize a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers substantially all the risks and rewards of ownership of the financial asset to another party

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

<u>Equity instruments</u>

Debt and equity instruments issued by the Bank are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Instruments issued by the Bank are recognized at the proceeds received, net of direct issue costs.

Financial liabilities

a. Subsequent measurement

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

   1) Financial liabilities at FVTPL

      Financial liabilities are classified as at FVTPL when the financial liability is held for trading. Any gain or loss arising on remeasurement, including interest paid on the financial liability, are recognized in profit or loss.

   2) Financial guarantee contracts

      The financial guarantee contracts issued by the Bank which are not measured at FVTPL are measured at the higher of the allowance for the expected credit losses or the amortized amount after original recognition. Also, they are according to the "Regulations" issued by the FSC.

b. Derecognition of financial liabilities

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

Derivative financial instruments

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss. Derivative financial instruments do not apply hedge accounting are recognized as financial assets or liabilities held for trading. When the fair value of derivative financial instruments is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instruments is negative, the derivative is recognized as a financial liability.

Derivatives embedded in hybrid contracts

Derivatives embedded in hybrid contracts that contain financial asset hosts that is within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract.

Levies

A levy imposed by a government is accrued as payables when the transaction or activity that triggers the payment of the levy occurs. If the obligating event occurs over a period of time, the liability is recognized progressively.

Provisions

Provisions are recognized when the Bank have a present obligation as a result of a past event, it is probable that the Bank will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Revenue Recognition

Interest revenues from discounts and loans is recorded on the accrual basis. For nonaccrual loans, interest revenues are recognized only when collections on these obligations are made. Under the regulations of the Banking Bureau under the Financial Supervisory Commission, the interest revenues on credits covered by agreements that extend their maturity is recorded as deferred income and recognized upon collection.

Service fee income is recognized as loans are provided or services have been completed.

When the Bank acquires non-performing loans from other financial institutions, revenue related to recovery of non-performing loans is recognized using the cost-recovery method.

Leases

The Bank assesses whether or not an agreement is a lease or contains a lease on the date of the agreement.

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

Right-of-use assets are initially measured at cost. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities.

Right-of-use assets are depreciated using the straight-line method over the lease terms.

The lease payable is discounted at the lessee’s incremental borrowing rate of interest. Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, should remeasure the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss.

Retirement Benefit

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

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement plans are determined using the projected unit credit method. Service cost (including current service cost and net interest) are recognized as employee benefits expense in the period they occur. Remeasurement, comprising actuarial gain and loss, and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

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

Income Tax

Income tax expense represents the sum of current tax expense and deferred tax expense.

a. Current tax expense

   Income tax payable is based on taxable profit for the year and determined according to the applicable tax laws of each tax jurisdiction.

   According to the Income Tax Law in the ROC, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

   Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

b. Deferred tax expense

   Deferred tax expense represents adjustments to deferred tax assets and liabilities.

   Deferred tax assets or liabilities are recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Bank expect, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and unused loss carryforwards that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

   Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

   The carrying amount of deferred tax assets is reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

c. Current and deferred tax for the period

   Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The Bank has considered the economic implications of the COVID-19 into critical accounting estimates. The management will review estimates and basic assumptions continuously. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

a. Estimating impairment of financial assets

The estimate of impairment for receivables, discount and loans and investments in debt instruments is based on the assumptions about the probability of default and loss given default. The Bank uses judgement in making these assumptions and in selecting the inputs to the impairment calculation, based on the Bank's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, see Note 42 where the actual future cash inflows are less than expect, a material impairment loss may arise.

b. Estimating impairment of operation rights

Determining whether operation rights are impaired requires an estimation of the value in use of the cash-generating units to which operation rights have been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, an impairment loss may arise.

c. Fair value of financial instruments

The Bank's management uses its judgment in selecting an appropriate valuation technique for financial instruments that do not have quoted market price in an active market. Valuation techniques commonly used by market practitioners are applied. For derivative financial instruments, models are based on quoted market rates adjusted for specific features of the instruments. Other financial instruments are valued using a discounted cash flow analysis based on observable market prices or rates. Note 42 provides detailed information about the key methods used in the determination of the fair value of financial instruments.

d. Income tax

The use of deferred income tax assets mainly depends on future taxable income and the possible timing and level of taxable temporary differences, along with future income tax strategies.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2020	**2019**
Cash on hand	$ 2,623,863	$ 3,045,288
Notes and checks for clearing	368,465	1,560,292
Deposits due from other banks	3,062,445	4,136,638
	$ 6,054,773	$ 8,742,218

7. DUE FROM THE CENTRAL BANK AND OTHER BANKS

	December 31	
	2020	2019
Due from other banks	$ 13,173,772	$ 1,910,024
New Taiwan dollar reserve deposits - Type A	6,316,477	13,305,346
New Taiwan dollar reserve deposits - Type B	13,516,394	12,154,570
Foreign-currency reserve deposits	131,021	122,650
	$ 33,137,664	$ 27,492,590

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 December 31, 2020 and 2019, 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 $19,621,270 thousand and $15,338,020 thousand, respectively, and were included in cash and cash equivalents in the statements of cash flows.

The assets pledged as collaterals are disclosed in Note 38.

8. FINANCIAL ASSETS AND LIABILITIES AT FVTPL

Financial assets mandatorily classified as at FVTPL

	December 31	
	2020	2019
Non-derivative financial assets		
Government bond	$ 11,750,113	$ 12,105,443
Stock listed on TWSE and TPEx	673,149	713,681
Beneficiary certificates	234,854	426,828
Commercial paper	-	16,843,121
Negotiable certificates of deposit	-	1,000,729
	12,658,116	31,089,802
Derivative financial assets		
Foreign-currency swap contracts	3,319,867	1,531,416
Interest rate swap contracts	1,413,015	965,175
Currency option contracts	603,815	404,460
Forward exchange contracts	404,968	156,733
Others	251,617	183,578
	5,993,282	3,241,362
Hybrid contract		
Asset swap fixed-income	8,998,110	13,308,489
Credit linked loan contracts	2,350,490	3,775,289
Credit linked note contracts	1,574,134	1,360,655
Convertible bonds	183,304	239,844
	13,106,038	18,684,277
Total financial assets mandatorily classified as at FVTPL	$ 31,757,436	$ 53,015,441

Financial liabilities at FVTPL

	December 31	
	2020	2019
Derivative financial liabilities		
Foreign-currency swap contracts	$ 2,995,733	$ 2,321,003
Interest rate swap contracts	1,038,249	924,133
Currency option contracts	604,574	386,711
Forward exchange contracts	351,565	143,000
Others	206,314	134,457
Total financial liabilities at FVTPL	$ 5,196,435	$ 3,909,304

Outstanding derivative contract (notional) amounts were as follows:

	December 31	
	2020	2019
Foreign-currency swap contracts	$ 388,506,251	$ 307,534,874
Interest rate swap contracts	150,874,919	142,257,621
Currency option contracts	68,220,685	129,514,425
Seller of credit default swap contracts	19,430,192	22,717,991
Forward exchange contracts	19,346,925	20,815,787
Interest rate option contracts	4,850,800	3,010,600
Cross-currency swap contracts	3,374,610	11,970,370
Bond futures	417,057	632,226
Forward contracts	370,749	-
Stock index options	160,600	-
Non-deliverable forward contracts	40,121	362,728
Stock index futures	10,350	-
Convertible bond option contracts	-	1,700

9. FINANCIAL ASSETS AT FVTOCI

	December 31	
	2020	2019
Investments in equity instruments		
Stock listed on TWSE and TPEx	$ 1,088,114	$ 888,270
Stock unlisted on TWSE and TPEx	296,158	319,751
	1,384,272	1,208,021
Investments in debt instruments		
Negotiable certificates of deposit	80,153,487	63,068,472
Government bonds	36,594,394	36,314,939
Commercial paper	24,930,474	-
Bank debentures	15,489,183	19,892,738
Corporate bonds	14,819,283	7,470,380
Mortgage backed securities	4,288,580	4,354,922
	176,275,401	131,101,451
Total financial assets at FVTOCI	$ 177,659,673	$ 132,309,472

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 Year Ended December 31	
	2020	2019
Dividends revenue recognized in profit or loss		
On equity held at year end	$ 52,408	$ 68,859
On equity disposed of in current year	38,590	42,236
	$ 90,998	$ 111,095

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

	For the Year Ended December 31	
	2020	2019
Fair value at the date of disposal	$ 966,307	$ 1,002,775
Accumulated loss transferred to retained earnings due to disposal	$ (160,081)	$ (70,104)

For the above information of credit risk management and impairment assessment on investments in debt instruments at FVTOCI, refer to Note 11. For the information of mortgage backed securities, refer to Note 38.

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

	December 31	
	2020	2019
Bank debentures	$ 3,412,187	$ 10,281,012
Government bonds	$ 302,764	$ -

10. DEBT INSTRUMENT INVESTMENT MEASURED AT AMORTIZED COST

	December 31	
	2020	2019
Bank debentures	$ 507,721	$ 1,942,016
Corporate bonds	570,160	602,120
	1,077,881	2,544,136
Less: Allowance for loss	117	256
	$ 1,077,764	$ 2,543,880

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:

December 31, 2020

	At FVTOCI	At Amortized Cost	Total
Total carrying amount	$ 175,486,919	$ 1,077,881	$ 176,564,800
Less: Allowance for 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

December 31, 2019

	At FVTOCI	At Amortized Cost	Total
Total carrying amount	$ 130,611,899	$ 2,544,136	$ 133,156,035
Less: Allowance for loss	8,905	256	9,161
Amortized cost	130,602,994	$ 2,543,880	133,146,874
Fair value adjustment	498,457		498,457
	$ 131,101,451		$ 133,645,331

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 year ended December 31, 2020

	At FVTOCI	At Amortized Cost	Total
Beginning on January 1, 2020	$ 8,905	$ 256	$ 9,161
Purchase of new debt instruments	11,285	15	11,300
Derecognition	(1,360)	(85)	(1,445)
Exchange rate and other changes	(2,884)	(69)	(2,953)
Balance on December 31, 2020	$ 15,946	$ 117	$ 16,063

For the year ended December 31, 2019

	At FVTOCI	At Amortized Cost	Total
Beginning on January 1, 2019	$ 4,318	$ 159	$ 4,477
Purchase of new debt instruments	4,304	-	4,304
Derecognition	(1,087)	-	(1,087)
Exchange rate and other changes	1,370	97	1,467
Balance on December 31, 2019	$ 8,905	$ 256	$ 9,161

12. SECURITIES PURCHASED UNDER RESALE AGREEMENTS

	December 31	
	2020	2019
Government bonds	$ 7,439,318	$ 6,663,533
Commercial paper	2,474,535	1,982,081
Negotiable certificates of deposit	1,048,085	1,300,028
	10,961,938	9,945,642
Less: Allowance for loss	1,233	685
	$ 10,960,705	$ 9,944,957
Resale date	2021.01.04-2021.01.29	2020.01.02-2020.02.13
Resale price	$ 10,963,209	$ 9,949,206

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

13. RECEIVABLES, NET

	December 31	
	2020	2019
Credit card	$ 13,954,185	$ 14,711,082
Factoring	2,634,064	3,579,407
Acceptances	901,886	374,546
Interest	838,055	1,048,981
Forfaiting	755,913	-
Spot exchange transactions	379,924	580,138
Proceeds from disposal of securities	14,978	209,929
Others	303,298	381,181
	19,782,303	20,885,264
Less: Allowance for possible losses	500,062	505,451
	$ 19,282,241	$ 20,379,813

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

	For the Year Ended December 31, 2020			
	Stage 1 (Note 1)	**Stage 2 (Note 2)**	**Stage 3 (Note 3)**	**Total**
Beginning on January 1, 2020	$ 18,055,773	$ 69,452	$ 1,265,215	$ 19,390,440
Changes in financial assets recognized at the beginning of the year:				
Transfer to Stage 2	(46,131)	48,061	(60)	1,870
Transfer to Stage 3	(130,521)	(18,599)	159,904	10,784
Transfer to Stage 1	17,972	(8,807)	(9,399)	(234)
Financial assets derecognized in the current period	(8,069,575)	(9,553)	(251,437)	(8,330,565)
Purchased or original financial assets	7,649,148	10,864	60,311	7,720,323
Write-offs	(66,191)	(25,182)	(47,497)	(138,870)
Exchange rate and other changes	(20,845)	(4,802)	(2,906)	(28,553)
Balance on December 31, 2020	$ 17,389,630	$ 61,434	$ 1,174,131	$ 18,625,195

	For the Year Ended December 31, 2019			
	Stage 1 (Note 1)	**Stage 2 (Note 2)**	**Stage 3 (Note 3)**	**Total**
Beginning on January 1, 2019	$ 16,860,296	$ 71,942	$ 1,337,997	$ 18,270,235
Changes in financial assets recognized at the beginning of the year:				
Transfer to Stage 2	(48,869)	56,184	(154)	7,161
Transfer to Stage 3	(139,202)	(22,192)	173,616	12,222
Transfer to Stage 1	8,928	(10,795)	(454)	(2,321)
Financial assets derecognized in the current period	(6,134,907)	(11,626)	(252,429)	(6,398,962)
Purchased or original financial assets	7,587,666	12,202	61,208	7,661,076
Write-offs	(74,726)	(25,531)	(52,116)	(152,373)
Exchange rate and other changes	(3,413)	(732)	(2,453)	(6,598)
Balance on December 31, 2019	$ 18,055,773	$ 69,452	$ 1,265,215	$ 19,390,440

Note 1: 12-Month ECLs.

Note 2: Lifetime ECLs.

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

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

	For the Year Ended December 31, 2020					
	12-Month Expected Credit Loss (Stage 1)	Lifetime ECLs (Stage 2)	Lifetime ECLs (Credit Impairment on Financial Assets) (Stage 3)	Impairment Under the Guidelines of IFRS 9	The Difference of Impairment Under the Regulations	Total
January 1, 2020	$ 26,413	$ 7,343	$ 377,681	$ 411,437	$ 94,421	$ 505,858
Changes in financial assets recognized at the beginning of the year:						
Transfer to Stage 2	(19)	5,148	(10)	5,119	-	5,119
Transfer to Stage 3	(55)	(1,791)	48,238	46,392	-	46,392
Transfer to Stage 1	8	(1,319)	(3,612)	(4,923)	-	(4,923)
Financial assets derecognized in the current period	(13,567)	(1,333)	(52,562)	(67,462)	-	(67,462)
Purchased or original financial assets	6,281	1,157	17,175	24,613	-	24,613
The difference of impairment under the Regulations	-	-	-	-	8,982	8,982
Write-offs	(66,191)	(25,182)	(47,497)	(138,870)	-	(138,870)
Exchange rate and other changes	66,171	22,364	32,058	120,593	-	120,593
December 31, 2020	$ 19,041	$ 6,387	$ 371,471	$ 396,899	$ 103,403	$ 500,302

	For the Year Ended December 31, 2019					
	12-Month Expected Credit Loss (Stage 1)	Lifetime ECLs (Stage 2)	Lifetime ECLs (Credit Impairment on Financial Assets) (Stage 3)	Impairment Under the Guidelines of IFRS 9	The Difference of Impairment Under the Regulations	Total
January 1, 2019	$ 18,544	$ 6,148	$ 362,351	$ 387,043	$ 122,803	$ 509,846
Changes in financial assets recognized at the beginning of the year:						
Transfer to Stage 2	(15)	5,727	(21)	5,691	-	5,691
Transfer to Stage 3	(44)	(1,414)	50,183	48,725	-	48,725
Transfer to Stage 1	4	(1,261)	(53)	(1,310)	-	(1,310)
Financial assets derecognized in the current period	(3,080)	(1,115)	(38,458)	(42,653)	-	(42,653)
Purchased or original financial assets	11,012	1,535	17,948	30,495	-	30,495
The difference of impairment under the Regulations	-	-	-	-	(28,382)	(28,382)
Write-offs	(74,726)	(25,531)	(52,116)	(152,373)	-	(152,373)
Exchange rate and other changes	74,718	23,254	37,847	135,819	-	135,819
December 31, 2019	$ 26,413	$ 7,343	$ 377,681	$ 411,437	$ 94,421	$ 505,858

14. DISCOUNTS AND LOANS, NET

	December 31	
	2020	2019
Negotiations, discounts and overdraft	$ 259,841	$ 229,205
Short-term loans	66,840,656	73,298,008
Medium-term loans	144,009,562	140,194,318
Long-term loans	176,390,904	175,722,490
Overdue receivable	1,355,749	756,407
	388,856,712	390,200,428
Less: Allowance for possible losses	5,663,943	5,575,611
	$ 383,192,769	$ 384,624,817

Due to the anticipated increase in the credit risk of the credit assets, the Bank sold part of the credit assets and recognized a loss of $116,904 thousand on disposal of credit assets measured at amortized cost in 2020.

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

	For the Year Ended December 31	
	2020	2019
Provision for possible losses - discounts and loans	$ 1,713,156	$ 706,395
Provision for possible losses - receivables and other financial assets	129,314	151,602
Provision for possible losses - reserve for commitment and guarantee obligations	34,614	68,487
Amounts recovered - discounts and loans	(234,219)	(224,862)
Amounts recovered - receivables and other financial assets	(182,634)	(184,241)
	$ 1,460,231	$ 517,381

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

	For the Year Ended December 31, 2020			
	Stage 1 (Note 1)	Stage 2 (Note 2)	Stage 3 (Note 3)	Total
Beginning on January 1, 2020	$ 383,679,108	$ 1,062,772	$ 5,458,548	$ 390,200,428
Changes in financial assets recognized at the beginning of the year:				
Transfer to Stage 2	(1,022,647)	728,092	(1,052)	(295,607)
Transfer to Stage 3	(1,994,710)	(95,597)	1,883,684	(206,623)
Transfer to Stage 1	1,532,030	(141,586)	(4,957)	1,385,487
Financial assets derecognized in the current period	(106,427,272)	(226,565)	(2,589,003)	(109,242,840)
Purchased or original financial assets	108,828,209	56,710	397,124	109,282,043
Write-offs	(456,538)	(329,955)	(773,968)	(1,560,461)
Exchange rate and other changes	(709,420)	1,072	2,633	(705,715)
Balance on December 31, 2020	$ 383,428,760	$ 1,054,943	$ 4,373,009	$ 388,856,712

	For the Year Ended December 31, 2019			
	Stage 1 (Note 1)	Stage 2 (Note 2)	Stage 3 (Note 3)	Total
Beginning on January 1, 2019	$ 380,999,840	$ 496,749	$ 3,426,428	$ 384,923,017
Changes in financial assets recognized at the beginning of the year:				
Transfer to Stage 2	(990,256)	900,768	(4,805)	(94,293)
Transfer to Stage 3	(1,374,686)	(80,848)	2,968,331	1,512,797
Transfer to Stage 1	142,323	(154,104)	(7,929)	(19,710)
Financial assets derecognized in the current period	(100,060,743)	(145,469)	(1,000,100)	(101,206,312)
Purchased or original financial assets	105,483,020	81,728	339,468	105,904,216
Write-offs	(78,961)	(36,783)	(262,552)	(378,296)
Exchange rate and other changes	(441,429)	731	(293)	(440,991)
Balance on December 31, 2019	$ 383,679,108	$ 1,062,772	$ 5,458,548	$ 390,200,428

Note 1: 12-Month ECLs.

Note 2: Lifetime ECLs.

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

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

	For the Year Ended December 31, 2020					
	12-Month Expected Credit Loss (Stage 1)	Lifetime ECLs (Stage 2)	Lifetime ECLs (Credit Impairment on Financial Assets) (Stage 3)	Impairment Under the Guidelines of IFRS 9	The Difference of Impairment Under the Regulations	Total
January 1, 2020	$ 690,586	$ 101,911	$ 849,067	$ 1,641,564	$ 3,934,047	$ 5,575,611
Changes in financial assets recognized at the beginning of the year:						
Transfer to Stage 2	(11,752)	89,269	(917)	76,600	-	76,600
Transfer to Stage 3	(7,536)	(6,721)	984,579	970,322	-	970,322
Transfer to Stage 1	1,854	(17,749)	(1,564)	(17,459)	-	(17,459)
Financial assets derecognized in the current period	(333,919)	(37,352)	(188,298)	(559,569)	-	(559,569)
Purchased or original financial assets	512,319	309,960	141,454	963,733	-	963,733
The difference of impairment under the Regulations	-	-	-	-	(514,235)	(514,235)
Write-offs	(456,538)	(329,955)	(773,968)	(1,560,461)	-	(1,560,461)
Exchange rate and other changes	83,669	22,657	623,075	729,401	-	729,401
December 31, 2020	$ 478,683	$ 132,020	$ 1,633,428	$ 2,244,131	$ 3,419,812	$ 5,663,943

	For the Year Ended December 31, 2019					
	12-Month Expected Credit Loss (Stage 1)	Lifetime ECLs (Stage 2)	Lifetime ECLs (Credit Impairment on Financial Assets) (Stage 3)	Impairment Under the Guidelines of IFRS 9	The Difference of Impairment Under the Regulations	Total
January 1, 2019	$ 597,178	$ 86,709	$ 908,251	$ 1,592,138	$ 3,642,761	$ 5,234,899
Changes in financial assets recognized at the beginning of the year:						
Transfer to Stage 2	(2,564)	64,912	(211)	62,137	-	62,137
Transfer to Stage 3	(4,282)	(5,425)	243,036	233,329	-	233,329
Transfer to Stage 1	145	(20,376)	(2,559)	(22,790)	-	(22,790)
Financial assets derecognized in the current period	(175,631)	(37,332)	(265,165)	(478,128)	-	(478,128)
Purchased or original financial assets	266,348	33,450	126,285	426,083	-	426,083
The difference of impairment under the Regulations	-	-	-	-	291,286	291,286
Write-offs	(78,961)	(36,783)	(262,552)	(378,296)	-	(378,296)
Exchange rate and other changes	88,353	16,756	101,982	207,091	-	207,091
December 31, 2019	$ 690,586	$ 101,911	$ 849,067	$ 1,641,564	$ 3,934,047	$ 5,575,611

15. INVESTMENT ACCOUNTED FOR USING EQUITY METHOD

	December 31	
	2020	2019
Investment in subsidiaries	$ 2,276,970	$ 2,129,458
Investments in associates	1,911,929	1,812,522
	$ 4,188,899	$ 3,941,980

a. Investment in subsidiaries

	December 31			
	2020		2019	
	Amount	% of Ownership	Amount	% of Ownership
Far Eastern Asset Management Co., Ltd. (“FEAMC”)	$ 1,705,953	100.00	$ 1,687,890	100.00
Far Eastern International Securities Co., Ltd. (“FEIS”)	571,017	100.00	441,568	100.00
	$ 2,276,970		$ 2,129,458	

b. Investments in associates

	December 31			
	2020		2019	
	Amount	% of Ownership	Amount	% of Ownership
Dah Chung Bills Finance Corp.	$ 1,782,278	22.06	$ 1,699,389	22.06
Deutsche Far Eastern Asset Management Co., Ltd.	129,651	40.00	113,133	40.00
	$ 1,911,929		$ 1,812,522	

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

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

	For the Year Ended December 31	
	2020	2019
Net income from continuing operation	$ 123,012	$ 102,585
Other comprehensive income	45,980	5,161
Total comprehensive income	$ 168,992	$ 107,746

16. OTHER FINANCIAL ASSETS, NET

	December 31	
	2020	2019
Nonaccrual loans other than discounts and loans	$ 358	$ 645
Less: Allowance for possible losses (Note 13)	240	407
	118	238
Refundable deposits	3,524,401	3,439,897
Less: Allowance for loss	618	1,578
	3,523,783	3,438,319
Deposits with original maturity more than 3 months	2,000,158	864,400
Interbank clearing account	876,400	1,000,922
	$ 6,400,459	$ 5,303,879

The assets pledged as collaterals are disclosed in Note 38.

17. PROPERTY AND EQUIPMENT, NET

	For the Year Ended December 31, 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	$ 1,508,541	$ 98,722	$ 6,181,151
Additions	-	6,863	223,883	-	29,079	77,027	336,852
Disposals	-	(15,191)	(42,112)	(133)	(47,695)	-	(105,131)
Others	-	102	146,567	-	1,354	(151,453)	(3,430)
Ending balance	1,447,433	1,148,967	2,296,186	1,281	1,491,279	24,296	6,409,442
Accumulated depreciation							
Beginning balance	-	591,638	1,380,608	1,344	1,312,844	-	3,286,434
Depreciation	-	26,555	184,260	37	53,736	-	264,588
Disposals	-	(15,190)	(42,112)	(134)	(47,582)	-	(105,018)
Others	-	-	(2,645)	-	(597)	-	(3,242)
Ending balance	-	603,003	1,520,111	1,247	1,318,401	-	3,442,762
Net ending balance	$ 1,447,433	$ 545,964	$ 776,075	$ 34	$ 172,878	$ 24,296	$ 2,966,680

	For the Year Ended December 31, 2019						
	Land	Buildings and Improvements	Computer Equipment	Transportation Equipment	Miscellaneous Equipment	Equipment Prepayment	Total
Cost							
Beginning balance	$ 1,447,433	$ 1,130,563	$ 1,838,050	$ 2,403	$ 1,474,167	$ 48,745	$ 5,941,361
Additions	-	30,438	205,275	-	89,755	75,943	401,411
Disposals	-	(24,159)	(100,805)	(989)	(38,630)	-	(164,583)
Others	-	20,351	25,328	-	(16,751)	(25,966)	2,962
Ending balance	1,447,433	1,157,193	1,967,848	1,414	1,508,541	98,722	6,181,151
Accumulated depreciation							
Beginning balance	-	587,243	1,333,652	2,283	1,292,819	-	3,215,997
Depreciation	-	24,046	148,376	50	59,282	-	231,754
Disposals	-	(24,159)	(100,803)	(989)	(38,317)	-	(164,268)
Others	-	4,508	(617)	-	(940)	-	2,951
Ending balance	-	591,638	1,380,608	1,344	1,312,844	-	3,286,434
Net ending balance	$ 1,447,433	$ 565,555	$ 587,240	$ 70	$ 195,697	$ 98,722	$ 2,894,717

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 leases 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:

	December 31	
	2020	2019
Net carrying amount of right-of-use assets	$ 794,172	$ 971,147
Carrying amount of lease liabilities	$ 809,359	$ 987,337
The range of discount rate	0.70%-0.83%	0.70%-0.83%

The right-of-use assets disclosed above did not have sublease and impairment during 2020 and 2019.

	For the Year Ended December 31	
	2020	2019
Additions to right-of-use assets	$ 234,432	$ 549,542
Cash outflow for leases	$ 412,069	$ 406,818
Depreciation expense of right-of-use assets	$ 399,006	$ 399,444
Interest expense of lease liabilities	$ 7,764	$ 6,428
Other lease information		
Short-term lease expenses	$ 4,285	$ 3,598

19. INTANGIBLE ASSETS, NET

	December 31	
	2020	2019
Operation rights	$ 1,538,210	$ 1,538,210
Fair value of core deposits	428,887	428,887
	1,967,097	1,967,097
Less: Accumulated amortization	318,461	292,978
	$ 1,648,636	$ 1,674,119

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 years ended December 31, 2020 and 2019.

20. DUE TO THE CENTRAL BANK AND OTHER BANKS

	December 31	
	2020	2019
Call loans to banks	$ 955,890	$ 11,126,410
Due to banks	20,269	10,720
Bank overdrafts	8,680	-
	$ 984,839	$ 11,137,130

21. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

	December 31	
	2020	2019
Bank debentures (Note 9)	$ 3,227,448	$ 9,675,529
Government bonds (Note 9)	303,039	-
	$ 3,530,487	$ 9,675,529
Repurchase date	2021.01.06-2021.01.19	2020.01.06-2020.02.20
Repurchase price	$ 3,532,088	$ 9,710,021

22. PAYABLES

	December 31	
	2020	2019
Accrued expenses	$ 1,444,711	$ 1,621,143
Liabilities on bank acceptances	901,886	374,546
Accounts payable factoring	679,375	822,352
Accrued interest	662,348	1,008,643
Notes and checks for clearing	368,465	1,560,292
Tax payable	93,205	103,255
Securities settlement payables	24,993	363,319
Others	712,608	710,650
	$ 4,887,591	$ 6,564,200

23. DEPOSITS AND REMITTANCES

	December 31	
	2020	2019
Checking deposits	$ 2,852,142	$ 3,246,814
Demand deposits	119,897,301	73,561,882
Demand savings	84,021,440	76,750,477
Time savings	71,626,336	75,870,192
Negotiable certificates of deposit	826,500	1,895,500
Time deposits	303,390,297	306,370,348
Remittances	78,396	56,965
	$ 582,692,412	$ 537,752,178

24. BANK DEBENTURES

Domestic Bank Debentures

Item	Issuance Period	Note	December 31 2020	December 31 2019
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
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
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
Subordinated bank debentures - perpetual; first issue in 2018	2018.09.18-	Interest payable on September 18 with fixed interest rate at 3.20% per annum	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
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
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
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
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	-
Subordinated bank debentures - seven-year maturity; 1-1 issue in 2005; acquired from Chinfon Bank	Matured on 2012.06.28	-	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
Total bank debentures			$ 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. PROVISIONS

	December 31 2020	December 31 2019
Reserve for employee benefits liability - defined benefit plans (Note 26)	$ 700,977	$ 906,339
Reserve for obligations guarantee	286,576	277,009
Reserve for financing commitment	75,538	51,856
	$ 1,063,091	$ 1,235,204

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

	For the Year Ended December 31, 2020					
	12-Month Expected Credit Loss (Stage 1)	**Lifetime ECLs (Stage 2)**	**Lifetime ECLs (Credit Impairment on Financial Assets) (Stage 3)**	**Impairment Under the Guidelines of IFRS 9**	**The Difference of Impairment Under the Regulations**	**Total**
January 1, 2020	$ 88,593	$ 11,704	$ 22,832	$ 123,129	$ 205,736	$ 328,865
Changes in financial assets recognized at the beginning of the year:						
Transfer to Stage 2	(7)	7,401	(21)	7,373	-	7,373
Transfer to Stage 3	-	(48)	372	324	-	324
Transfer to Stage 1	9	(8,207)	(1,808)	(10,006)	-	(10,006)
Financial assets derecognized in the current period	(37,061)	(1,229)	(306)	(38,596)	-	(38,596)
Purchased or original financial assets	31,724	1,113	50	32,887	-	32,887
The difference of impairment under the Regulations	-	-	-	-	38,908	38,908
Exchange rate and other changes	655	1,683	21	2,359	-	2,359
December 31, 2020	$ 83,913	$ 12,417	$ 21,140	$ 117,470	$ 244,644	$ 362,114

	For the Year Ended December 31, 2019					
	12-Month Expected Credit Loss (Stage 1)	**Lifetime ECLs (Stage 2)**	**Lifetime ECLs (Credit Impairment on Financial Assets) (Stage 3)**	**Impairment Under the Guidelines of IFRS 9**	**The Difference of Impairment Under the Regulations**	**Total**
January 1, 2019	$ 75,242	$ 12,368	$ 22,912	$ 110,522	$ 150,338	$ 260,860
Changes in financial assets recognized at the beginning of the year:						
Transfer to Stage 2	(4)	8,230	(13)	8,213	-	8,213
Transfer to Stage 3	-	(13)	562	549	-	549
Transfer to Stage 1	8	(8,400)	(222)	(8,614)	-	(8,614)
Financial assets derecognized in the current period	(24,000)	(1,418)	(479)	(25,897)	-	(25,897)
Purchased or original financial assets	38,806	1,080	596	40,482	-	40,482
The difference of impairment under the Regulations	-	-	-	-	55,398	55,398
Exchange rate and other changes	(1,459)	(143)	(524)	(2,126)	-	(2,126)
December 31, 2019	$ 88,593	$ 11,704	$ 22,832	$ 123,129	$ 205,736	$ 328,865

26. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The pension plan under the Labor Pension Act (the "LPA") is a defined contribution plan. For employees subjected to LPA, the Bank makes contributions to their individual pension accounts in the Department of Labor at 6% of their monthly salaries and wages.

b. Defined benefit plans

Applicable the defined benefit plan under the Labor Standards Law, under which pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Bank contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered, which are deposited in the Bank of Taiwan by the pension fund monitoring committee's name. Before the end of each year, the Bank assesses the pension fund balance. If the balance is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Bank is required to fund the difference in one appropriation before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds (the "Bureau") under the Ministry of Labor; the Bank has no right to influence the investment policy and strategy.

The amounts of employee benefits included in the balance sheets were as follows:

	December 31	
	2020	2019
Present value of defined benefit obligation	$ 1,099,728	$ 1,281,482
Fair value of plan assets	(398,751)	(375,143)
Reserve for employee benefits liability	$ 700,977	$ 906,339

Movements in defined benefit plan were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Employee Benefit
Balance at January 1, 2020	$ 1,281,482	$ (375,143)	$ 906,339
Service cost			
Current service cost	8,917	-	8,917
Net interest expense (revenue)	12,570	(3,772)	8,798
Recognized in profit or loss	21,487	(3,772)	17,715
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(11,074)	(11,074)
Actuarial gain - experience adjustments	(182,636)	-	(182,636)
Actuarial loss - changes in financial assumptions	30,039	-	30,039
Recognized in other comprehensive income	(152,597)	(11,074)	(163,671)
Contributions from the employer	-	(18,696)	(18,696)
Contributions from plan assets	(9,934)	9,934	-
Contributions from provisions	(40,710)	-	(40,710)
Balance at December 31, 2020	$ 1,099,728	$ (398,751)	$ 700,977
Balance at January 1, 2019	$ 1,276,052	$ (342,138)	$ 933,914
Service cost			
Current service cost	9,296	-	9,296
Net interest expense (revenue)	15,608	(4,231)	11,377
Recognized in profit or loss	24,904	(4,231)	20,673
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(11,051)	(11,051)
Actuarial loss - experience adjustments	11,137	-	11,137
Actuarial loss - changes in financial assumptions	30,409	-	30,409
Recognized in other comprehensive income	41,546	(11,051)	30,495
Contributions from the employer	-	(17,723)	(17,723)
Contributions from provisions	(61,020)	-	(61,020)
Balance at December 31, 2019	$ 1,281,482	$ (375,143)	$ 906,339

The calculation of the present value of the defined benefit obligation was carried out by qualified actuaries. The principal assumptions used in the actuarial valuations were as follows:

	December 31	
	2020	**2019**
Discount rates	0.70%	1.00%
Expected rates of salary increase	3.00%	3.00%

Had there been a possible change in each of the significant actuarial assumptions and all other assumptions remained constant, the present value of the defined benefit obligation would have increased (decreased) as follows:

	December 31	
	2020	**2019**
Discount rates		
0.50% increase	$ (49,394)	$ (59,769)
0.50% decrease	$ 52,903	$ 64,148
Expected rates of salary increase		
0.50% increase	$ 51,463	$ 62,587
0.50% decrease	$ (48,588)	$ (58,960)

The sensitivity analysis presented above might not have been representative of the actual change in the present value of the defined benefit obligation because it was unlikely that the change in assumptions occurred in isolation of one another, i.e., some of the assumptions might have been correlated.

The expected contribution to the plan for the next year is $18,872 thousand, and the average duration of the defined benefit obligation is 9.3 years.

The Bank is exposed to the following risks on its defined benefit plan managed by the Bureau:

1) Risk on investment: The investment income of benefit plan assets affects the plan fair value and contribution status. That is, a higher investment income increases the fair value of plan assets and decreases net defined benefits liabilities (or increases net assets) and thus improves contribution status. In contrast, a lower investment income or investment loss is unfavorable to the contribution status of benefit the plan.

2) Risk on interest fluctuations: The discount rate used in calculating the present value of defined benefit obligations mainly pertains to the yields of the corporate bonds with the credit ratings of twAAA assigned by Taiwan Ratings. A decrease in discount rate will increase the present value of defined benefit obligations.

3) Risk on salary fluctuations: As the defined benefit obligation was determined by the salaries of plan members before their retirement, the expected increase in salary should then be considered in the calculation. Thus, an increase in the expected rate for salary increase will result in a rise in the present values of defined benefit obligations.

27. EQUITY

a. Share capital

Ordinary shares

	December 31	
	2020	2019
Authorized shares (in thousands)	5,500,000	4,500,000
Authorized capital	$ 55,000,000	$ 45,000,000
Issued and paid shares (in thousands)	3,448,104	3,355,819
Issued capital	$ 34,481,044	$ 33,558,193

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

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

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

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

Global depository receipts

As of December 31, 2020, the outstanding GDRs were 334 thousand units, equivalent to 6,671 thousand ordinary shares.

b. Capital surplus

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

c. Retained earnings and dividend policy

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

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

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

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

The appropriations of earnings for the 2019 and 2018, which were approved in the shareholders' meetings on June 11, 2020 and June 19, 2019, respectively, were as follows:

	Appropriation of Earnings		**Dividends Per Share (Dollars)**	
	2019	**2018**	**2019**	**2018**
Cash dividends	$ 1,570,524	$ 1,471,134	$0.468	$0.450
Stock dividends	922,851	866,334	0.275	0.265

The appropriations of earnings for 2020 had been proposed by the Bank's Board of Directors on March 26, 2021. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	**Dividends Per Share (NT$)**
Cash dividends	$ 1,124,082	$0.326
Stock dividends	658,588	0.191

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

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

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

d. Other equity items

Change in unrealized gain or loss on financial assets measured at FVTOCI:

	For the Year Ended December 31	
	2020	2019
Balance, beginning of year	$ 508,096	$ (106,489)
Recognized for the year		
Unrealized gain or loss		
Debt instruments	267,584	551,246
Equity instruments	152,606	(4,395)
Share of other comprehensive income of associates for using the equity method	46,429	5,632
Investment in debt instruments transferred to current income (loss) due to disposal	38,387	(6,359)
Other comprehensive income recognized for the year	505,006	546,124
Loss of equity instruments transferred to retained earnings due to disposal	159,123	68,461
Balance, ending of year	$ 1,172,225	$ 508,096

28. NET INTERESTS

	For the Year Ended December 31	
	2020	2019
Interest revenues		
Discounts and loans	$ 8,068,277	$ 9,172,982
Securities	1,213,579	1,444,986
Credit cards	886,256	820,738
Others	225,248	366,621
	10,393,360	11,805,327
Interest expenses		
Deposits and remittances	3,591,535	5,090,700
Bank debentures	406,211	393,100
Structured products	195,129	369,062
Bonds under repurchase agreements	94,542	266,015
Due to other banks	93,396	252,885
Others	35,431	32,530
	4,416,244	6,404,292
	$ 5,977,116	$ 5,401,035

29. NET SERVICE FEE INCOME

	For the Year Ended December 31	
	2020	2019
Service fee income		
Fees from loan	$ 941,157	$ 928,165
Fees from trustee business	915,336	768,486
Fees from credit card	839,130	974,699
Fees from insurance commission	522,362	814,638
Others	332,327	333,456
	3,550,312	3,819,444
Service fee expense		
Refund from credit card	224,316	197,177
Visa and Master	145,721	149,320
National credit card center fee	68,455	63,675
Agency service fee	64,828	69,137
Interbank service fee	49,049	47,135
Credit investigation	37,612	42,251
Promotion Service fee	37,068	102,763
Others	121,090	116,299
	748,139	787,757
	$ 2,802,173	$ 3,031,687

30. NET GAIN ON FINANCIAL ASSETS AND LIABILITIES AT FVTPL

	For the Year Ended December 31	
	2020	2019
Realized gain	$ 1,226,051	$ 1,182,932
Valuation gain (loss)	(167,311)	593,942
Net interests	242,984	380,443
Dividends	15,235	16,434
	$ 1,316,959	$ 2,173,751

31. EMPLOYEE BENEFITS EXPENSE

	For the Year Ended December 31	
	2020	2019
Salaries	$ 3,048,891	$ 3,104,768
Labor and health insurance	221,623	214,277
Post-employment benefits (Note 26)	145,936	144,308
Others	330,175	350,359
	$ 3,746,625	$ 3,813,712

32. 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. On March 26, 2021, the Bank's Board of Directors resolved to pay employees' compensation of $116,261 thousand and remuneration of directors of $38,754 thousand for the year ended December 31, 2020, both in cash. If there is a change in the amounts after the Bank's individual financial statements for the year ended December 31, 2020 were authorized for issue, the differences will be recorded as a change in the accounting estimate and adjusted in the next year.

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 paid and the amounts recognized in the financial statements for the year ended December 31, 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.

33. DEPRECIATION AND AMORTIZATION

	For the Year Ended December 31	
	2020	2019
Depreciation		
Property and equipment (Note 17)	$ 264,588	$ 231,754
Leased right-of-use assets (Note 18)	399,006	399,444
	$ 663,594	$ 631,198
Amortization - intangible assets	$ 25,483	$ 25,483

34. OTHER GENERAL AND ADMINISTRATIVE EXPENSES

	For the Year Ended December 31	
	2020	2019
Tax and government fees	$ 569,116	$ 607,907
Marketing and advertising	314,979	453,991
Software	213,446	188,840
Telecommunications	161,649	162,160
Others	688,929	726,094
	$ 1,948,119	$ 2,138,992

35. INCOME TAX EXPENSE

a. Income tax expense recognized in profit or loss

The major components of tax expenses were as follows:

	For the Year Ended December 31	
	2020	2019
Current tax expense		
Current period	$ 295,583	$ 453,922
Prior years	(2,165)	(1,247)
	293,418	452,675
Deferred tax expense		
Current period	(5,992)	119,532
Prior years	(15)	(26)
Deferred tax expense	(6,007)	119,506
Income tax expense recognized in profit or loss	$ 287,411	$ 572,181

A reconciliation of accounting income and income tax expense recognized in profit or loss is as follows:

	For the Year Ended December 31	
	2020	2019
Income before income tax	$ 2,806,114	$ 4,204,776
Income tax expense calculated at the statutory rate	$ 561,223	$ 840,955
Income from offshore banking unit (OBU)	(422,649)	(452,164)
Tax-exempted investment income	(95,121)	(75,688)
Tax-exempted other items	13,285	4,901
Loss carryforwards utilized in the current year	-	(26,794)
Unrecognized deductible temporary differences	38,048	65,577
Additional income tax under the Alternative Minimum Tax Act	213,218	176,336
Overseas branch income tax	(18,497)	40,095
Adjustments for prior years' tax	(2,180)	(1,273)
Others	84	236
Income tax expense recognized in profit or loss	$ 287,411	$ 572,181

Due to the uncertainty of appropriation of earnings and approval by the shareholders in their meeting in 2021, the potential consequence of the 5% income tax rate of the unappropriated earnings in 2020 cannot be determined reliably.

b. Income tax benefit (expense) recognized in other comprehensive income

	For the Year Ended December 31	
	2020	2019
Remeasurement of defined benefit plans	$ (32,734)	$ 6,099

c. The movements of deferred tax assets were as follows:

	Beginning Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income (Loss)	Ending Balance
For the year ended December 31, 2020				
Temporary differences				
Allowance for possible loss in excess of the limit	$ 114,580	$ (25,561)	$ -	$ 89,019
Defined benefit plans in excess of the limit	155,273	(8,285)	(32,734)	114,254
Unrealized gain or loss on financial instruments	(87,802)	38,684	-	(49,118)
Others	39,248	1,169	-	40,417
	$ 221,299	$ 6,007	$ (32,734)	$ 194,572
For the year ended December 31, 2019				
Temporary differences				
Allowance for possible loss in excess of the limit	$ 185,461	$ (70,881)	$ -	$ 114,580
Defined benefit plans in excess of the limit	160,799	(11,625)	6,099	155,273
Unrealized gain or loss on financial instruments	(52,005)	(35,797)	-	(87,802)
Others	40,451	(1,203)	-	39,248
	$ 334,706	$ (119,506)	$ 6,099	$ 221,299

d. Unrecognized as deferred tax assets in respect of deductible temporary differences

	December 31	
	2020	**2019**
Allowance for possible losses in excess of the limit	$ 1,423,746	$ 1,233,505

e. Income tax assessments

The income tax returns of the Bank through 2018 had been assessed by the tax authorities.

36. EARNINGS PER SHARE

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

Unit: NT$ Per Share

	For the Year Ended December 31	
	2020	**2019**
Basic EPS	$ 0.73	$ 1.05
Diluted EPS	$ 0.73	$ 1.05

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

Net Income for the Year

	For the Year Ended December 31	
	2020	**2019**
Net income used in the computation of basic and diluted EPS	$ 2,518,703	$ 3,632,595

Number of Ordinary Shares (In Thousand Shares)

	For the Year Ended December 31	
	2020	**2019**
Weighted average number of ordinary shares in the computation of basic EPS	3,448,104	3,448,104
Effect of dilutive potential ordinary shares		
Employees' compensation	14,595	16,768
Weighted average number of ordinary shares used in the computation of diluted EPS	3,462,699	3,464,872

The weighted average number of ordinary shares outstanding for 2019 EPS calculation was retroactively adjusted to the issuance of stock dividends. The basic and diluted after-tax EPS were adjusted retrospectively as follows:

	Before Adjustment	After Adjustment
Basic EPS	$ 1.08	$ 1.05
Diluted EPS	$ 1.08	$ 1.05

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.

37. RELATED-PARTY TRANSACTIONS

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

Related Party	Relationship with the Bank
Far Eastern Asset Management Co., Ltd.	Subsidiary company
Far Eastern International Securities Co., Ltd.	Subsidiary company
FEIB Financial Leasing Co., Ltd.	Subsidiary company of Far Eastern Asset Management Co., Ltd.
Dah Chung Bills Finance Corp.	Association
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

(Continued)

Related Party	Relationship with the Bank
Yuan Ding Co., Ltd.	Chairman is the vice-chairman of the Bank
Ding Ding Hotel Co., Ltd.	Chairman is the vice-chairman of the Bank
U-Ming Marine Transport Corp.	Chairman is the vice-chairman of the Bank
Far EasTone Telecommunications Corporation	Chairman is the vice-chairman of the Bank
Oriental Union Chemical Corporation	Chairman is the vice-chairman of the Bank
Far Eastern New Century Corp.	Chairman is the vice-chairman of the Bank
Yuan Ze University	Chairman is the vice-chairman of the Bank
U-Ming Marine Transport (Singapore) Private, Ltd.	Chairman of parent company is the vice-chairman of the Bank
Yuan Long Stainless Steel Co.	Chairman of parent company is the vice-chairman of the Bank
Everest Textile Co., Ltd.	Chairman is a second-degree relative of the vice chairman of the Bank
Der Ching Investment Corporation	Chairman is a second-degree relative of the vice chairman of the Bank
Mr. Xu Yuanzhi Memorial Foundation	Substantive related party
Far Eastern International Leasing Corp.	Substantive related party
Pacific SOGO Department Stores Corporation	Substantive related party
Others	The Bank’s chairman, vice-chairman, managers, their second-degree relatives and 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 to other banks

Related Party	Highest Balance in Current Year	Ending Balance	Interest Revenues	Interest Rates
Dah Chung Bills Finance Corp.				
For the year ended December 31				
2020	$ 500,000	$ 500,000	$ 51	0.15%-0.27%
2019	$ 200,000	$ -	$ 7	0.45%

b. Loans

Category	Number of Accounts and Related Party	Highest Balance in Current Year	Ending Balance	Normal Loans	Nonperforming Loans	Collateral	Transactions Terms Different from Those for Unrelated Parties
For the year ended December 31, 2020							
Consumer loans	Four individuals	$ 2,452	$ 1,550	$ 1,550	$ -	Unsecured loan	Note 2
Loans for residential mortgage	Thirty two individuals	377,214	323,148	323,148	-	Real estate	Note 2
Others	Yuan Long Stainless Steel Co.	1,750,000	650,000	650,000	-	Real estate	Note 2
	Everest Textile Co., Ltd.	362,073	345,834	345,834	-	Real estate	Note 2
	Others (Note 1)	3,466,546	57,445	57,445	-	Real estate, certificates of deposit, machinery, stock unlisted on TWSE, and stock listed on TWSE	Note 2
			$ 1,377,977	$ 1,377,977	$ -		

(Continued)

Category	Number of Accounts and Related Party	Highest Balance in Current Year	Ending Balance	Normal Loans	Nonperforming Loans	Collateral	Transactions Terms Different from Those for Unrelated Parties
For the year ended December 31, 2019							
Consumer loans	Six individuals	$ 8,029	$ 871	$ 871	$ -	Unsecured loan	Note 2
Loans for residential mortgage	Twenty nine individuals	313,283	273,117	273,117	-	Real estate	Note 2
Others	Yuan Long Stainless Steel Co.	1,706,000	1,400,000	1,400,000	-	Real estate	Note 2
	Far Eastern New Century Corp.	1,500,000	1,500,000	1,500,000	-	Machinery	Note 2
	Others (Note 1)	2,612,723	484,453	484,453	-	Real estate, certificates of deposit, stock unlisted on TWSE, and stock listed on TWSE	Note 2
			$ 3,658,441	$ 3,658,441	$ -		

(Concluded)

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

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

	Interest Rate	Interest Revenues	Provision for (Reversal of) Possible Losses
For the year ended December 31			
2020	0.63%-3.22%	$ 25,734	$ (22,554)
2019	1.05%-3.68%	$ 34,851	$ 9,209

Balances of related allowance for possible losses were $15,396 thousand and $37,950 thousand as of December 31, 2020 and 2019, respectively.

c. Guarantees

Related Party	Highest Balance in Current Year	Ending Balance	Reserve for Guarantee Obligations	Interest Rate	Collateral
For the year ended December 31, 2020					
Far Eastern International Leasing Corp.	$ 700,000	$ 700,000	$ 7,000	0.30%	Real estate
U-Ming Marine Transport Corp.	600,000	550,000	5,500	0.40%-0.45%	Ship and certificates of deposit
Der Ching Investment Corporation	180,000	180,000	1,800	0.50%-0.55%	Stock listed on TWSE
Others (Note)	382,200	222,200	2,222	0.50%-0.80%	Real estate, machinery, stock unlisted on TWSE and stock listed on TWSE
		$ 1,652,200	$ 16,522		
For the year ended December 31, 2019					
Far Eastern International Leasing Corp.	$ 500,000	$ 500,000	$ 5,000	0.30%	Real estate
Oriental Union Chemical Corporation	130,000	130,000	1,300	0.50%	Stock unlisted on TWSE
Others (Note)	93,000	63,000	630	0.60%-0.80%	Stock unlisted on TWSE and machinery
		$ 693,000	$ 6,930		

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

d. Letters of credit issued

	December 31 2020	December 31 2019
Yuan Long Stainless Steel Co.	$ 2,155	$ 4,510
Everest Textile Co., Ltd.	-	6,199
	$ 2,155	$ 10,709

e. Security transactions - buy and sell

	FVTPL - Bonds Buy	FVTPL - Bonds Sell	Resale Agreement - Bonds	Repurchase Agreement - Bonds
Dah Chung Bills Finance Corp.				
For the year ended December 31				
2020	$ -	$ -	$ -	$ -
2019	$ -	$ -	$ 1,280,000	$ -

f. Derivative instruments

Related Party	Derivative Instrument	Contract Period	Nominal Amount	Valuation Gain (Loss)	Balance Sheet Account	Balance Sheet Balance
For the year ended December 31, 2020						
U-Ming Marine Transport (Singapore) Private, Ltd.	Interest rate swap contracts	2012.09.27 - 2028.01.10	$ 3,052,209	$ 258,752	Financial assets at FVTPL	$ 258,475
Far Eastern New Century Corp.	Forward exchange contracts	2020.10.27 - 2021.03.15	459,956	3,934	Financial assets at FVTPL	5,291
					Financial liabilities at FVTPL	1,357
Asia Cement Corp.	Cross-currency swap contracts	2018.12.25 - 2021.09.15	427,620	1,487	Financial assets at FVTPL	26,854
For the year ended December 31, 2019						
U-Ming Marine Transport (Singapore) Private, Ltd.	Interest rate swap contracts	2012.09.27 - 2027.09.30	3,320,767	(18,929)	Financial liabilities at FVTPL	15,567
Far Eastern New Century Corp.	Forward exchange contracts	2019.11.05 - 2020.03.17	1,030,260	4,576	Financial assets at FVTPL	5,391
					Financial liabilities at FVTPL	815
Asia Cement Corp.	Cross-currency swap contracts	2018.12.25 - 2021.09.15	451,590	(10,252)	Financial assets at FVTPL	1,397
Dah Chung Bills Finance Corp.	Convertible bond asset swap contracts	2016.06.20 - 2019.06.16	-	(381)	Financial assets at FVTPL	-

g. Deposits

	December 31 2020	December 31 2019
Deposits of related parties (each account balance did not exceed 5% of total deposits)	$ 55,819,937	$ 50,193,985
Interest rate	0%-5.84%	0%-6.08%

	For the Year Ended December 31	
	2020	2019
Interest expenses	$ 331,281	$ 506,385

h. Lessee agreements

	December 31	
	2020	2019
Lease liabilities - Pacific SOGO Department Stores Corp.	$ 20,826	$ 25,925
Lease liabilities - Far Eastern Department Store Corp.	17,242	21,274
Lease liabilities - Yuan Ding Co., Ltd.	-	98,568
	$ 38,068	$ 145,767

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

i. Other miscellaneous revenues

	For the Year Ended December 31	
	2020	2019
Miscellaneous revenue - Yuan Ze University	$ 26,300	$ -

j. Service fee expense

	For the Year Ended December 31	
	2020	2019
Refund from credit card - Ding Ding Integrated Marketing Service Co.	$ 148,098	$ 128,030
Promotion Service fee - Far EasTone Telecommunications Corporation	32,473	94,128
Refund from credit card - Far Eastern Department Store Corp.	20,131	18,988
	$ 200,702	$ 241,146

k. Other general and administrative expenses

	For the Year Ended December 31	
	2020	2019
Marketing and advertising - Far Eastern Department Store Corp.	$ 100,141	$ 97,684
Marketing and advertising - Pacific SOGO Department Stores Corp.	58,346	72,470
Donation Expense - Mr. Xu Yuanzhi Memorial Foundation	26,300	-
Marketing and advertising - Ding Ding Hotel Co., Ltd.	6,149	14,188
	$ 190,936	$ 184,342

l. Compensation of key management personnel

	For the Year Ended December 31	
	2020	2019
Short-term employee benefits	$ 186,401	$ 203,442
Post-employment benefits	2,398	2,144
	$ 188,799	$ 205,586

38. PLEDGED ASSETS

	December 31	
	2020	2019
FVTOCI		
Government bonds	$ 3,651,851	$ 3,643,145
Negotiable certificates of deposits	2,901,317	2,910,673
Other financial assets - deposits with original maturity more than 3 months	876,400	864,400
New Taiwan dollar reserve deposits - Type B	500,000	-
	$ 7,929,568	$ 7,418,218

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

39. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to Note 43, the Bank's contingent liabilities and commitments resulting from operating activities as of December 31, 2020 and 2019 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

	December 31	
	2020	**2019**
Assets		
Deposits in banks	$ 6,412,823	$ 6,079,772
Accounts receivable	1,948	9,580
Funds	43,573,775	42,604,532
Equity stocks	4,754,620	4,974,188
Bond investments	-	5,669
Real estate		
Land	4,516,109	4,002,671
Building	8,155	49,991
Construction in progress	1,781,096	675,128
Marketable securities in custody	15,496,986	13,921,416
Others	2,310,558	2,121,123
	$ 78,856,070	$ 74,444,070
Liabilities		
Accounts payable	$ 1,716	$ 1,854
Income tax payable	108	331
Marketable securities in custody payable	15,496,986	13,921,416
Trust capital	62,020,666	59,062,840
Reserve and earnings		
Net income or loss for current period	1,603,731	1,883,863
Accumulated profit or loss	(267,169)	(425,576)
Exchange	32	(658)
	$ 78,856,070	$ 74,444,070

Income Statements of Trust Accounts

	For the Year Ended December 31	
	2020	2019
Trust revenue		
Interest	$ 30,878	$ 37,937
Cash dividends	2,038,313	2,068,046
Realized capital gain - Common stock	1,268	507
Realized capital gain - Funds	1,597,016	593,855
Unrealized capital gain - Bond	-	311
Unrealized capital gain - Common stock	-	555,348
Unrealized capital gain - Funds	11,373	96,933
	3,678,848	3,352,937
Trust expenses		
Management	45,717	38,257
Supervision	446	475
Taxes	4,915	21,123
Service charges	173,110	149,676
Realized capital loss - Funds	1,481,407	1,189,425
Unrealized capital loss - Common stock	355,887	-
Unrealized capital loss - Funds	13,316	69,591
	2,074,798	1,468,547
Income before tax	1,604,050	1,884,390
Income tax	319	527
Net income	$ 1,603,731	$ 1,883,863

Trust Asset Lists

	December 31	
	2020	2019
Deposits in banks	$ 6,412,823	$ 6,079,772
Bonds investments	-	5,669
Funds	43,573,775	42,604,532
Equity stocks	4,754,620	4,974,188
Accounts receivable	1,948	9,580
Real estate, net		
Land	4,516,109	4,002,671
Building	8,155	49,991
Construction in progress	1,781,096	675,128
Marketable securities in custody	15,496,986	13,921,416
Others	2,310,558	2,121,123
	$ 78,856,070	$ 74,444,070

As of December 31, 2020 and 2019, funds amounting to $1,048,795 thousand and $1,337,806 thousand, respectively, had been recognized in the OBU's books as investment in overseas securities through Non-discretionary Pecuniary Trust of the OBU.

40. UNSETTLED LITIGATION EVENTS

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

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

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

	December 31					
	2020			2019		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>						
Monetary items						
USD	$ 3,666,557	28.508	$ 104,526,196	$ 3,640,940	30.106	$ 109,614,140
CNY	2,191,448	4.382	9,602,923	709,574	4.322	3,066,780
HKD	2,312,691	3.678	8,506,078	4,343,854	3.866	16,793,340
EUR	105,421	35.050	3,694,997	75,439	33.740	2,545,316
AUD	103,420	21.990	2,274,202	248,417	21.100	5,241,606
ZAR	1,023,326	1.948	1,993,439	1,558,910	2.142	3,339,185
JPY	6,913,596	0.276	1,910,918	7,164,801	0.277	1,985,366
SGD	59,017	21.580	1,273,597	41,948	22.360	937,946
CAD	8,861	22.360	198,142	8,387	23.080	193,567
GBP	5,043	38.920	196,259	6,644	39.540	262,698
NZD	7,079	20.600	145,826	6,901	20.260	139,810
<u>Financial liabilities</u>						
Monetary items						
USD	3,547,723	28.508	101,138,496	3,498,468	30.106	105,324,866
CNY	2,175,383	4.382	9,532,529	699,151	4.322	3,021,730
HKD	2,422,617	3.678	8,910,385	4,325,941	3.866	16,724,087
EUR	104,058	35.050	3,647,223	72,590	33.740	2,449,201
AUD	103,996	21.990	2,286,871	248,094	21.100	5,234,790
ZAR	1,054,560	1.948	2,054,282	1,537,371	2.142	3,293,048
JPY	7,041,930	0.276	1,946,390	6,788,914	0.277	1,881,208
SGD	58,970	21.580	1,272,572	41,882	22.360	936,471
GBP	5,027	38.920	195,633	4,666	39.540	184,485
CAD	7,881	22.360	176,210	8,411	23.080	194,125
NZD	7,789	20.600	160,459	6,723	20.260	136,201

42. FINANCIAL INSTRUMENTS

a. Information of fair value

1) Overview

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

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

2) Valuation techniques for fair value measurement

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

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

a) The consistency and adequacy of the market parameters used in the valuation;

b) The appropriateness of the valuation model in light of the assumptions to be used, the internal control and risk management framework, and the degree of mathematical expertise required for an independent unit to make the valuation;

c) Reliability of price information and other parameters used in the valuation and any model adjustments to be made on the basis of current market conditions.

3) Credit risk valuation adjustment

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

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

b) Debit Value Adjustment (the "DVA") is the reflection of possibility that the Bank is likely to default and the 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"), loss given default (the "LGD") and exposure at default (the "EAD") of counterparty together. In contrast, DVA is calculated by multiplying PD (under zero default rate of the counterparty), LGD and EAD of the Bank together.

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

4) The definition of three levels of fair value information

a) Level 1

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

b) Level 2

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

c) Level 3

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

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

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

	December 31, 2020			
Repetitive Financial Instruments	**Total**	**Level 1**	**Level 2**	**Level 3**
Non-derivative financial assets and liabilities				
Mandatorily at FVTPL				
Bonds investments	$ 11,750,113	$ 11,750,113	$ -	$ -
Equity investments	673,149	673,149	-	-
Beneficiary certificates	234,854	234,854	-	-
FVTOCI				
Equity instruments	1,384,272	1,088,114	-	296,158
Debt instruments				
Bonds investments	71,191,440	71,191,440	-	-
Bills investments	105,083,961	-	105,083,961	-
Derivative financial assets and liabilities				
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				
Mandatorily at FVTPL	13,106,038	183,304	12,922,734	-
	$ 204,220,674	$ 85,121,852	$ 118,666,424	$ 432,398

	December 31, 2019			
Repetitive Financial Instruments	**Total**	**Level 1**	**Level 2**	**Level 3**
Non-derivative financial assets and liabilities				
Mandatorily at FVTPL				
Bonds investments	$ 12,105,443	$ 12,105,443	$ -	$ -
Equity investments	713,681	713,681	-	-
Bills investments	17,843,850	-	17,843,850	-
Beneficiary certificates	426,828	426,828	-	-
FVTOCI				
Equity instruments	1,208,021	888,270	-	319,751
Debt instruments				
Bonds investments	68,032,979	68,032,979	-	-
Bills investments	63,068,472	-	63,068,472	-

(Continued)

Repetitive Financial Instruments	December 31, 2019 Total	Level 1	Level 2	Level 3
Derivative financial assets and liabilities				
Mandatorily at FVTPL	$ 3,241,362	$ -	$ 3,119,889	$ 121,473
Financial liabilities at FVTPL	(3,909,304)	(3,073)	(3,904,416)	(1,815)
Hybrid contract				
Mandatorily at FVTPL	18,684,277	239,844	18,444,433	-
	$ 181,415,609	$ 82,403,972	$ 98,572,228	$ 439,409

(Concluded)

2) Transfers between Levels 1 and Level 2

There was no transfer between Level 1 and Level 2 for the years ended December 31, 2020 and 2019.

3) Level 3 financial instruments

a) Movement of Level 3 financial assets

For the Year Ended December 31, 2020

Item	Beginning Balance	Valuation		Increase in the Current Year		Decrease in the Current Year		Ending Balance
		Included in Profit or Loss	Included in Other Compre-hensive Income	Purchase or Issue	Transfer-in	Sale, Disposition or Settlement	Transfer-out from Level 3	
Mandatorily at FVTPL	$ 121,473	$ 20,702	$ -	$ 7,254	$ -	$ (12,950)	$ -	$ 136,479
Financial assets at FVTOCI	319,751	-	(23,593)	-	-	-	-	296,158
Total	$ 441,224	$ 20,702	$ (23,593)	$ 7,254	$ -	$ (12,950)	$ -	$ 432,637

For the Year Ended December 31, 2019

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	$ 83,853	$ 27,598	$ -	$ 32,620	$ -	$ (22,598)	$ -	$ 121,473
Financial assets at FVTOCI	335,330	-	(15,579)	-	-	-	-	319,751
Total	$ 419,183	$ 27,598	$ (15,579)	$ 32,620	$ -	$ (22,598)	$ -	$ 441,224

b) Movements of Level 3 financial liabilities

For the Year Ended December 31, 2020

Item	Beginning Balance	Valuation Included in Profit or Loss	Increase in the Current Year		Decrease in the Current Year		Ending Balance
			Purchase or Issue	Transfer-in	Sale, Disposition or Settlement	Transfer-out from Level 3	
Financial liabilities at FVTPL Derivative financial liabilities	$ 1,815	$ (1,231)	$ -	$ -	$ (345)	$ -	$ 239

For the Year Ended December 31, 2019

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	$ 66,739	$(34,447)	$ 1,705	$ -	$(32,182)	$ -	$ 1,815

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

Level 3 financial instruments mainly consist of credit default swap and part of investments 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	Relationship Between Parameters and Fair Value
Derivative financial assets					
December 31, 2020	$ 136,479	Default probability model	Credit separation	0.40%-2.23%	The increase of credit separation decreases its fair value.
December 31, 2019	121,473	Default probability model	Credit separation	0.40%-2.50%	The increase of credit separation decreases its fair value.
Investments in equity					
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 - comparable listed or TPEx company	Without open market marketable discount	10.00%	The increase of discount decreases its fair value
	11,388	Net asset value method	N/A	N/A	N/A
December 31, 2019	291,069	Income approach - cash dividend discount method	Without open market marketable discount	20.06%	The increase of discount decreases its fair value
	17,442	Market approach - comparable listed or TPEx company	Without open market marketable discount	10.00%	The increase of discount decreases its fair value
	11,240	Net asset value method	N/A	N/A	N/A
Derivative financial liabilities					
December 31, 2020	239	Default probability model	Credit separation	0.40%-2.23%	The increase of credit separation decreases its fair value.
December 31, 2019	1,815	Default probability model	Credit separation	0.40%-2.50%	The increase of credit separation decreases its fair value.

d) Valuation procedures for Level 3 fair value

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

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

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

Item	Impact on Gain and Loss			
	December 31, 2020		December 31, 2019	
	Favorable	Unfavorable	Favorable	Unfavorable
Assets				
Mandatorily at FVTPL	$ 1,219	$ (4,374)	$ 4,025	$ (6,208)
Liabilities				
Financial liabilities at FVTPL	41	(41)	653	(654)

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 year would have been as follows:

Item	Impact on Other Comprehensive Income and Losses			
	December 31, 2020		December 31, 2019	
	Favorable	Unfavorable	Favorable	Unfavorable
Assets				
Financial assets at FVTOCI	$ 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 consider that the book value of financial assets and liabilities which 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:

	2020		The Fair Value Hierarchy of Financial Instruments	
	Book Value	Fair Value	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

	2019		The Fair Value Hierarchy of Financial Instruments	
	Book Value	Fair Value	Level 1	Level 2
Financial asset				
Investments in debt instrument at amortized cost	$ 2,543,880	$ 2,565,560	$ 2,565,560	$ -
Financial liabilities				
Bank debentures	25,001,900	25,150,740	-	25,150,740

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

43. 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.

b. Risk management framework

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

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

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

c. Credit risk

1) Definition and scope of credit risk

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

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

2) Management policies on credit risk

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

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

a) The credit risk has increased significantly after original recognition

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

<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 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:

	December 31	
	2020	**2019**
Unused portion of credit card lines	$ 197,805,517	$ 188,007,163
Guarantees and standby L/Cs	27,721,592	24,700,194
Irrevocable loan commitments	14,286,387	14,785,233

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:

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

December 31, 2019

	Maximum Credit Risk Exposure			
	With Collaterals	**Other Credit Enhancements**	**Without Collaterals**	**Total**
Balance sheet items				
Discounts and loans	$ 248,126,845	$ 61,308,183	$ 80,765,400	$ 390,200,428
Receivables - credit card	-	-	14,857,103	14,857,103
Receivables - acceptances	5,602	44,307	324,637	374,546
Off-Balance sheet items				
Unused portion of credit card lines	-	-	188,007,163	188,007,163
Guarantee	14,168,600	5,534,907	4,166,993	23,870,500
Letters of credit issued	183,117	429,247	217,330	829,694
Irrevocable loan commitments	181,040	-	14,604,193	14,785,233
	$ 262,665,204	$ 67,316,644	$ 302,942,819	$ 632,924,667

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 financial assets. The information of provision for impairment amount, collateral fair value and other credit enhancements which reduce their potential loss are as below:

December 31, 2020

Credit-impaired financial assets	Carrying Amount	Impairment	Exposure Measurement (Amortized Cost)	Collateral Fair Value and Other Credit Enhancements
Receivables				
Credit cards	$ 1,148,054	$ 363,988	$ 784,066	$ -
Others	26,077	7,483	18,594	2,590
Discounts and loans	4,373,009	1,633,428	2,739,581	2,329,034
	$ 5,547,140	$ 2,004,899	$ 3,542,241	$ 2,331,624

December 31, 2019

Credit-impaired financial assets	Carrying Amount	Impairment	Exposure Measurement (Amortized Cost)	Collateral Fair Value and Other Credit Enhancements
Receivables				
Credit cards	$ 1,234,239	$ 370,500	$ 863,739	$ -
Others	30,976	7,181	23,795	12,388
Discounts and loans	5,458,548	849,067	4,609,481	4,159,922
	$ 6,723,763	$ 1,226,748	$ 5,497,015	$ 4,172,310

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

Credit Risk Profile by Industry Sector	December 31, 2020 Amount	%
Finance and insurance	$ 50,871,153	13
Manufacturing	38,496,332	10
Real estate	23,020,517	6
	$ 112,388,002	29

Credit Risk Profile by Industry Sector	December 31, 2019 Amount	%
Finance and insurance	$ 48,540,314	12
Manufacturing	48,052,170	12
Wholesale and retail trade	15,677,396	4
	$ 112,269,880	28

b) By geography

Region	December 31 2020 Amount	%	2019 Amount	%
Taiwan	$ 337,835,560	87	$ 329,681,879	84
Asia Pacific except Taiwan	27,282,587	7	30,898,494	8
Others	23,738,565	6	29,620,055	8
	$ 388,856,712	100	$ 390,200,428	100

c) By type of collaterals

Type of Collaterals	December 31 2020 Amount	%	2019 Amount	%
Unsecured	$ 130,259,249	34	$ 142,073,583	36
Secured				
Real estate	221,161,171	57	211,438,116	54
Movable property	18,984,983	5	18,236,041	5
Financial collateral	16,860,409	4	15,824,637	4
Others	1,590,900	-	2,628,051	1
	$ 388,856,712	100	$ 390,200,428	100

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

Some of the financial assets held by the Bank, 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.

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.

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	1,466,696	1,262,651	920,883	440,179	797,182	4,887,591
Deposits and remittances	275,303,398	96,361,409	75,420,837	120,148,541	15,458,227	582,692,412
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	-	-	-	-	172,814	172,814
Lease liabilities	37,536	42,746	58,976	111,573	573,340	824,171
Total	$ 281,114,791	$ 98,038,951	$ 76,400,696	$ 121,824,698	$ 46,529,640	$ 623,908,776

December 31, 2019	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	$ 4,673,023	$ 3,862,327	$ 2,601,780	$ -	$ -	$ 11,137,130
Securities sold under repurchase agreement	1,694,986	8,015,035	-	-	-	9,710,021
Payables	2,960,691	1,317,082	830,816	526,540	929,071	6,564,200
Deposits and remittances	225,349,394	101,330,074	77,222,130	116,019,524	17,831,056	537,752,178
Bank debentures	1,900	-	-	4,000,000	21,000,000	25,001,900
Principal received on structured products	93,391	27,019	11,440	176,499	9,168,274	9,476,623
Other financial liabilities	-	-	-	-	253,896	253,896
Lease liabilities	32,431	71,572	94,212	182,525	624,643	1,005,383
Total	$ 234,805,816	$ 114,623,109	$ 80,760,378	$ 120,905,088	$ 49,806,940	$ 600,901,331

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

In the maturity analysis of "deposits and remittance" disclosed in the above table, it is assumed that demand deposits are expected to be drawn down in the earliest period.

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
December 31, 2020	$ 193,043	$ 151,568	$ 228,729	$ 573,340
December 31, 2019	$ 201,156	$ 147,814	$ 275,673	$ 624,643

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:

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

December 31, 2019	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	$ 1,665	$ 66	$ 1,081	$ 712	$ -	$ 3,524
Interest rate derivatives	451	4,281	3,821	11,858	710,300	730,711
Total	$ 2,116	$ 4,347	$ 4,902	$ 12,570	$ 710,300	$ 734,235

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

b) Derivative instruments settled on a gross basis are 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:

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)

December 31, 2019	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	$ 50,467,841	$ 80,755,420	$ 58,693,412	$ 34,752,640	$ 1,523,574	$ 226,192,887
Cash inflow	49,992,431	79,873,652	58,434,676	34,782,603	1,551,352	224,634,714
Interest rate derivatives						
Cash outflow	1,845,060	3,088,100	-	1,829,300	905,600	7,668,060
Cash inflow	1,800,950	3,010,600	-	1,806,360	903,180	7,521,090
Credit derivatives						
Cash outflow	-	-	-	-	-	-
Cash inflow	-	3,234	3,199	6,398	30,448	43,279
Subtotal of cash outflow	52,312,901	83,843,520	58,693,412	36,581,940	2,429,174	233,860,947
Subtotal of cash inflow	51,793,381	82,887,486	58,437,875	36,595,361	2,484,980	232,199,083
Net cash flow	$ (519,520)	$ (956,034)	$ (255,537)	$ 13,421	$ 55,806	$ (1,661,864)

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

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

December 31, 2019	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	$ 14,785,233	$ -	$ -	$ -	$ -	$ 14,785,233
Irrevocable credit card commitments	188,007,163	-	-	-	-	188,007,163
Issued but unused letters of credit	829,694	-	-	-	-	829,694
Other guarantees	8,667,440	14,650,100	20,000	-	532,960	23,870,500
Total	$ 212,289,530	$ 14,650,100	$ 20,000	$ -	$ 532,960	$ 227,492,590

e. Market risk

1) Definition and scope of market risk

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

2) Management policies of market risk

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

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

3) Market risk management process

a) Recognition and measurement

The risk measurement system is identify the market risk factors of the exposure positions first, then measuring the risks assumed in on- and off-balance sheet trading positions by change in market risk factors (interest rates, stock price, foreign exchange rates and commodity price) etc.

Risk measurement adds sensitivity analysis (DV01, Delta, Vega) etc. or situational analysis, to assess the changes in the value of the asset portfolio. And perform stress testing in accordance with the regulations of the administration, to measure abnormal losses under extreme conditions.

b) Monitoring and reporting

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

4) Management process of interest risk

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

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

<u>Management of interest rate risk in trading book</u>

a) Management process

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.

b) Valuation methods

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.

Management 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.

a) Strategies

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.

b) Management process

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.

c) Valuation methods

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 41.

6) Management of equity securities market risk

a) Definition of equity market risk

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

b) Management processes of equity market risk

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

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

c) Measurement

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

7) Valuation techniques of market risk

a) Stress tests

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

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

i. Interest rate: Evaluate impacts on the values of interest-rate-based securities if yield curves move in parallel manner.

ii. Foreign exchange: Evaluate impacts on changes in foreign exchange rates.

iii. Equity securities: Evaluate impacts on volatility of changes in stock prices and its related derivatives.

iv. Commodity: Evaluate impacts on volatility of changes in commodity prices and its related derivatives.

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

b) Sensitivity analysis

i. Interest rate sensitivity

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

Assuming all other variables remain constant, where the interest rate increases/decreases by 1 bps, there would be a decrease of $4,836 thousand and an increase of $1,634 thousand in income before income tax for the year ended December 31, 2020. There would be a decrease of $8,070 thousand and an increase of $5,846 thousand in income before income tax for the year ended December 31, 2019. There would be a decrease/increase of $13,074 thousand and $16,886 thousand in other comprehensive income for the years ended December 31, 2020 and 2019, 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 $248,379 thousand and $158,276 thousand in income before income tax for the year ended December 31, 2020 and 2019, 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 $10,993 thousand and $13,804 thousand in income before income tax for the year ended December 31, 2020 and 2019 respectively. There would be an increase/decrease of $13,843 thousand and $12,081 thousand in other comprehensive income for the years ended December 31, 2020 and 2019, respectively.

f. 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					
December 31, 2020	$ 3,714,951	$ 3,530,487	$ 3,714,951	$ 3,530,487	$ 184,464
December 31, 2019	$ 10,281,012	$ 9,675,529	$ 10,281,012	$ 9,675,529	$ 605,483

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

1) Asset quality of loans

<u>Nonperforming loans and nonperforming receivables of the Bank</u>

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			December 31, 2019				
			Nonperforming Loans (Note a)	**Loans**	**Ratio of Nonperforming Loans (Note b)**	**Allowance for Possible Losses**	**Coverage Ratio (Note c)**
Corporate Banking	Secured		$ 321,175	$ 50,905,884	0.63%	$ 623,563	194.15%
	Unsecured		257,292	112,077,713	0.23%	1,695,501	658.98%
Consumer Banking	Residential mortgage (Note d)		171,960	127,954,177	0.13%	2,006,846	1,167.04%
	Cash card		-	-	-	-	-
	Small-scale credit loan (Note e)		261,439	24,253,951	1.08%	435,824	166.70%
	Others (Note f)	Secured	74,846	69,266,784	0.11%	744,703	994.98%
		Unsecured	1,136	5,741,919	0.02%	69,174	6,089.26%
Total			1,087,848	390,200,428	0.28%	5,575,611	512.54%
Business \ Item			**Nonperforming Receivables**	**Accounts Receivable**	**Ratio of Nonperforming Receivables**	**Allowance for Possible Losses**	**Coverage Ratio**
Credit card			45,664	14,857,103	0.31%	411,420	900.97%
Accounts receivable factored without recourse (Note g)			-	3,579,407	-	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

Item / Business	December 31, 2020		December 31, 2019	
	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)	$ 30,513	$ 93,417	$ 44,549	$ 133,433
Loans upon performance of a debt discharge program and rehabilitation program (Note b)	1,032,270	926,253	901,221	962,485
Total	1,062,783	1,019,670	945,770	1,095,918

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

Ranking (Note a)	December 31, 2019		
	Group Entity Industry and Code (Note b)	**Total Balances of Credit Extensions (Note c)**	**Ratio of Credit Extensions to Net Worth (%)**
1	A Group - 6700 - real estate development	$ 12,256,000	26
2	B Group - 6499 - non-categorized and other financial services	4,419,750	9
3	H Group - 1111 - spinning of yarn, cotton and wool	4,028,754	9
4	D Group - 6496 - private financing industry	3,865,629	8
5	K Group - 4841 - retail of motor vehicles	3,817,165	8
6	L Group - 2630 - bare Printed Circuit Boards Manufacturing	3,332,026	7
7	C Group - 6491 - financial leasing industry	3,100,042	7
8	G Group - 3510 - electricity transmission and distribution enterprise	2,832,767	6
9	J Group - 4210 - road engineering	2,600,359	5
10	M Group - 6700 - real estate development	2,600,010	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
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
December 31, 2019

Items	1 Day to 90 Days	91 Days to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	$ 293,639,973	$ 155,543,117	$ 6,367,359	$ 40,261,588	$ 495,812,037
Interest rate-sensitive liabilities	181,067,999	174,602,478	86,545,266	25,587,610	467,803,353
Interest rate sensitivity gap	112,571,974	(19,059,361)	(80,177,907)	14,673,978	28,008,684
Net worth					47,284,413
Ratio of interest rate-sensitive assets to liabilities					105.99%
Ratio of interest rate-sensitivity gap to net worth					59.23%

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
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
December 31, 2019

(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	$ 2,758,096	$ 167,878	$ 58,942	$ 43,264	$ 3,028,180
Interest rate-sensitive liabilities	2,112,017	1,102,300	295,972	-	3,510,289
Interest rate sensitivity gap	646,079	(934,422)	(237,030)	43,264	(482,109)
Net worth					1,570,598
Ratio of interest rate-sensitive assets to liabilities					86.27%
Ratio of interest rate-sensitivity gap to net worth					(30.70%)

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 Year Ended December 31, 2020	For the Year Ended December 31, 2019
Return on total assets	Before tax	0.42%	0.66%
	After tax	0.38%	0.57%
Return on equity	Before tax	5.84%	9.14%
	After tax	5.25%	7.89%
Net income ratio		23.65%	32.06%

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

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

December 31, 2019

	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	$ 663,480,803	$ 121,026,089	$ 66,894,523	$ 111,522,829	$ 49,508,634	$ 59,985,930	$ 254,542,798
Main capital outflow on maturity	806,062,108	48,773,874	72,871,353	164,557,038	159,322,007	171,115,580	189,422,256
Gap	(142,581,305)	72,252,215	(5,976,830)	(53,034,209)	(109,813,373)	(111,129,650)	65,120,542

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

b) For U.S. dollar items

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

December 31, 2019

(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	$ 9,006,380	$ 2,523,001	$ 2,305,104	$ 1,294,458	$ 942,218	$ 1,941,599
Main capital outflow on maturity	9,880,760	3,187,676	3,810,174	843,210	997,182	1,042,518
Gap	(874,380)	(664,675)	(1,505,070)	451,248	(54,964)	899,081

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

44. CAPITAL MANAGEMENT

a. Objective of capital management

1) Unconsolidated regulatory capital and the consolidated regulatory capital should meet the requirements of the related regulations. The basic goal of the Bank’s capital management is to meet the minimum ratio of regulatory capital and risk assets (the “capital adequacy ratio”) according to the “Regulations Governing the Capital Adequacy and Capital Category of Banks” enacted based on the “Banking law.”

2) In order to maintain an adequate level of capital to bear various risks, the Bank makes capital planning based on the operating plans and budget, the development strategies, dividend policy and stress tests and forecasts of capital adequacy which are approved by the Board of Directors. The objective is to optimize assets allocation and strengthen capital structure.

b. Procedure of capital management

1) The calculation of the Bank’s capital adequacy ratio is based on the “Regulations Governing the Capital Adequacy and Capital Category of Banks” enacted by the Financial Supervisory Commission and the related information is reported to the competent authority on a regular basis.

2) In order to monitor capital adequacy ratio, the execution and changes in the parameters of the capital planning are reviewed quarterly by the Bank’s Assets and Liabilities Management Committee. The committee assesses whether the Bank’s capital is able to respond to various risks and whether the objective of capital management is met.

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

			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%

			December 31, 2019	
			Unconsolidated	**Consolidated**
Regulatory capital	Common equity		$ 43,803,077	$ 44,327,124
	Additional Tier I capital		1,909,528	2,441,893
	Tier II capital		10,844,574	11,940,847
	Total common capital		56,557,179	58,709,864
Risk-weighted assets	Credit risk	Standardized approach	380,798,943	383,322,495
		Internal rating-based approach	-	-
		Asset securitization	873,284	873,284
	Operational risk	Basic indicator approach	19,809,625	20,256,763
		Standardized approach/alternative standardized approach	-	-
		Advanced measurement approach	-	-
	Market risk	Standardized approach	14,451,488	14,451,488
		Internal models approach	-	-
	Total risk-weighted assets		415,933,340	418,904,030
Capital adequacy ratio			13.60%	14.02%
Ratio of common equity to risk-weighted assets			10.53%	10.58%
Ratio of Tier I capital to risk-weighted assets			10.99%	11.16%
Leverage ratio			6.11%	6.24%

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.

45. CASH FLOW INFORMATION

Changes in Liabilities Arising from Financing Activities

For the year ended December 31, 2020

	Beginning Balance	Cash Flows	Non-cash Changes Exchange Rate	Non-cash Changes Others	Ending Balance
Funds borrowed from the Central Bank and other banks	$ -	$ 22,340	$ -	$ -	$ 22,340
Securities sold under repurchase agreement	9,675,529	(5,701,127)	(443,915)	-	3,530,487
Bank debentures	25,001,900	(2,400,000)	-	-	22,601,900
Other financial liabilities	253,896	(81,082)	-	-	172,814
Lease liabilities	987,337	(400,020)	(6,804)	228,846	809,359
Other liabilities	643,198	(45,348)	-	-	597,850
	$ 36,561,860	$ (8,605,237)	$ (450,719)	$ 228,846	$ 27,734,750

For the year ended December 31, 2019

	Beginning Balance	Cash Flows	Non-cash Changes Exchange Rate	Non-cash Changes Others	Ending Balance
Securities sold under repurchase agreement	$ 14,665,794	$ (4,836,461)	$ (153,804)	$ -	$ 9,675,529
Bank debentures	18,001,900	7,000,000	-	-	25,001,900
Other financial liabilities	170,780	83,116	-	-	253,896
Lease liabilities	846,497	(396,792)	347	537,285	987,337
Other liabilities	468,302	174,896	-	-	643,198
	$ 34,153,273	$ 2,024,759	$ (153,457)	$ 537,285	$ 36,561,860

46. SEGMENT INFORMATION

According to the Article 23 of "Regulations Governing the Preparation of Financial Reports by Public Banks", the Bank does not prepare the segment information of IFRS 8.

47. OTHER ITEMS

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

48. ADDITIONAL DISCLOSURES

a. Information about significant transactions:

   1) Marketable securities acquired and disposed of at cost or prices at least NT$300 million or 10% of the paid-in capital: Nil

   2) Acquisition of individual real estate at cost of at least NT$300 million or 10% of the paid-in capital: Nil

   3) Disposal of individual real estate at prices of at least NT$300 million or 10% of the paid-in capital: Nil

   4) Service charge discounts on transactions with related parties in aggregated amount of at least NT$5 million: Nil

   5) Receivables from related parties amounting to at least NT$300 million or 10% of the paid-in capital: Nil

   6) Sale of nonperforming loans: Nil

   7) The type and related information of any securitization product that has been approved in accordance with the Financial Asset Securitization Act or the Real Estate Securitization Act: Nil

   8) Intercompany relationships and significant intercompany transactions: Nil

   9) Other significant transactions which may have effects on decision making of financial statement users: Nil

b. Information of subsidiaries' financings 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 1 and Table 2 (attached)

c. Related information of investees on which the Bank exercises significant influence: Table 3 (attached)

d. Information about branches and investments in mainland China: Table 4 (attached)

e. Information about major shareholders: Name, number of shares, and percentage of ownership of shareholders holding more than 5% of the shares: Nil

TABLE 1

FAR EASTERN INTERNATIONAL BANK LTD.

SUBSIDIARIES' FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

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	No	$ 21,910	$ 21,910	$ 17,528	6%-10%	a	$ 907	-	$ 175	Real estate	$ 33,061	$ 978,117	$ 978,117

Note 1: No. column is coded as follows:

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

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

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

Note 3: The limits on financing are as follows:

a. Financing limit for each borrower

1) In the case of lending funds to companies or firms who have a business relationship with the lender, the total lending amount to an individual borrower shall not exceed two times of the net value of the lender as shown in the latest financial report audited or reviewed by a CPA.

2) In the case of lending funds to the companies or firms in need of short-term financing, the total lending amount to an individual borrower shall not exceed 40% of the net value of the lender as shown in the latest financial report audited or reviewed by a CPA.

b. Aggregate financing limit

1) In the case of lending funds to companies or firms who have a business relationship with the lender, the total accumulation lending amount to an individual borrower shall not exceed two times of the net value of the lender as shown in the latest financial report audited or reviewed by a CPA.

2) In the case of lending funds to the companies or firms in need of short-term financing, the total accumulation lending amount to an individual borrower shall not exceed 40% of the net value of the lender as shown in the latest financial report audited or reviewed by a CPA.

TABLE 2

FAR EASTERN INTERNATIONAL BANK LTD.

INFORMATION OF SUBSIDIARIES' GUARANTEE PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Company Providing Endorsements/Guarantees	Receiving Party		Limits on Endorsements/ Guarantees Amount Provided to Each Entity (Note 3)	Maximum Balance for the Period	Ending Balance	Drawdown Amounts	Amount of Endorsements/ Guarantees Collateralized by Property	Ratio of Accumulated Endorsements/ Guarantees to Net Worth of the Most Current Financial Statement (%)	Maximum Endorsements/ Guarantees Amount Allowable (Note 3)	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiaries in Mainland China	Note
		Name	Nature of Relationship (Note 2)											
1	Far Eastern Asset Management Co., Ltd.	FEIB Financial Leasing Co., Ltd.	b	$ 8,552,400	$ 70,112	$ -	$ -	$ -	-	$ 17,059,532	N	N	Y	

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: No. column is coded as follows:

a. A company with which it does business.
b. A company in which the public company directly and indirectly holds more than 50 percent of the voting shares.
c. A company that directly and indirectly holds more than 50 percent of the voting shares in the public company.
d. Companies hold, directly or indirectly, 90% or more of the voting shares for each other.
e. Where a company fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project.
f. Where all capital contributing shareholders make endorsements/guarantees for their jointly invested company in proportion to their shareholding percentages.
g. Where companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

Note 3: According to the FEAMC's "Regulations of Endorsements/Guarantees", the limit of amount of its endorsements/guarantees for any single subsidiaries is 10 times of the total amount invested in this subsidiaries, and the amount of endorsements/guarantees may not exceed 10% of the net worth of the company.

FAR EASTERN INTERNATIONAL BANK LTD.

RELATED INFORMATION OF INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2020
(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
						Present Shares (In Thousands)	Pro Forma Shares	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	$ 129,651	$ 16,535	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	1,782,278	106,477	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	1,705,953	65,388	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	571,017	204,269	23,000	-	23,000	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	4,145	-	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	2,755	-	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	272,483	-	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	12,287	-	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	4,488	-	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	978,117	43,894	N/A	-	N/A	100.00	

FAR EASTERN INTERNATIONAL BANK LTD.

INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2020
(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 December 31, 2020	Investment Flow (Note 4)		Accumulated Outflow of Investment as of December 31, 2020 (Note 4)	Net Income (Loss) of Investee (Note 5)	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Notes 2 and 5)	Carrying Value as of December 31, 2020 (Note 2)	Accumulated Inward Remittance of Earnings as of December 31, 2020	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)	$ 43,894 (CNY 10,259 thousand)	100	$ 43,894 (CNY 10,259 thousand)	$ 978,117	$ -	

Accumulated Investment in Mainland China as of December 31, 2020 (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)	$1,023,572

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 year ended 2020.