

Far Eastern International Bank Ltd.

**Financial Statements for the
Years Ended December 31, 2021 and 2020 and
Independent Auditors' Report**

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, 2021 and 2020, 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, 2021 and 2020, 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, 2021. 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, 2021 for the Bank, which are described as follows:

Allowance for Expected Credit Losses on Loans

As of December 31, 2021, the balance of loans in the aggregate amounted to NT\$407,441,765 thousand, which accounted for 56% of the total assets of the consolidated financial statements; an amount that is deemed to be significant to the consolidated financial statements. Besides assessing expected credit losses on loans in accordance with IFRS 9 "Financial Instruments", the Bank complies with the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans and related regulations when assessing classification of credit assets and recognizing allowance for possible losses, and the higher amount of allowance for expected credit losses on loans is recognized. As the assessment on the impairment of loans involved the management's critical judgments in accounting estimation and the underlying assumptions, we deemed the allowance for expected credit losses on loans as a key audit matter. Refer to Note 5 to the consolidated financial statements for the critical accounting judgments and estimation uncertainty.

Refer to Notes 4, 5, 14 and 42 to the consolidated 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, 2021 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 3, 2022

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, 2021 AND 2020

(In Thousands of New Taiwan Dollars)

ASSETS	2021		2020	
	Amount	%	Amount	%
ASSETS				
Cash and cash equivalents (Note 6)	\$ 4,729,904	1	\$ 6,054,773	1
Due from the Central Bank and other banks (Notes 7, 37 and 38)	45,873,426	6	35,137,822	5
Financial assets at fair value through profit or loss (Notes 4, 8, 37 and 41)	37,662,767	5	31,757,436	5
Financial assets at fair value through other comprehensive income (Notes 4, 5, 9, 11, 21, 27, 38, 41 and 42)	113,429,715	16	177,659,673	26
Investment in debt instruments at amortized cost, net (Notes 4, 5, 10, 11 and 41)	71,374,127	10	1,077,764	-
Securities purchased under resale agreements, net (Notes 4 and 12)	5,888,595	1	10,960,705	2
Receivables, net (Notes 4, 5, 13 and 42)	22,126,806	3	19,525,730	3
Discounts and loans, net (Notes 4, 5, 14, 37 and 42)	407,441,765	56	383,192,769	56
Investment accounted for using the equity method (Notes 4, 15 and 27)	4,206,038	1	4,188,899	1
Other financial assets, net (Notes 16 and 38)	3,805,391	1	4,400,301	1
Property and equipment, net (Notes 4, 17 and 37)	2,957,881	-	2,966,680	-
Right-of-use assets, net (Notes 4 and 18)	1,005,202	-	794,172	-
Intangible assets, net (Notes 4 and 19)	1,623,153	-	1,648,636	-
Deferred tax assets (Notes 4 and 35)	185,240	-	194,572	-
Other assets (Note 37)	247,812	-	303,887	-
TOTAL	\$ 722,557,822	100	\$ 679,863,819	100
LIABILITIES AND EQUITY				
LIABILITIES				
Due to the Central Bank and other banks (Notes 20 and 42)	\$ 1,791,820	-	\$ 984,839	-
Funds borrowed from the Central Bank and other banks (Notes 42 and 44)	77,240	-	22,340	-
Financial liabilities at fair value through profit or loss (Notes 4, 8, 37 and 41)	3,002,289	1	5,196,435	1
Securities sold under repurchase agreements (Notes 4, 9, 21, 42 and 44)	4,959	-	3,530,487	1
Payables (Notes 22 and 42)	5,470,609	1	5,131,080	1
Current tax liabilities (Note 4)	158,815	-	126,886	-
Deposits and remittances (Notes 23, 37 and 42)	612,556,258	85	582,692,412	86
Bank debentures (Notes 24, 41, 42 and 44)	23,901,900	3	22,601,900	3
Principal received on structured products (Note 42)	23,050,606	3	8,190,621	1
Other financial liabilities (Notes 42 and 44)	187,451	-	172,814	-
Provisions (Notes 4, 25 and 37)	1,056,482	-	1,063,091	-
Lease liabilities (Notes 4, 18, 37, 42 and 44)	1,014,799	-	809,359	-
Other liabilities (Note 44)	582,643	-	597,850	-
Total liabilities	672,855,871	93	631,120,114	93
EQUITY (Notes 4, 9, 15 and 27)				
Share capital	35,139,632	5	34,481,044	5
Capital surplus	456,426	-	456,426	-
Retained earnings				
Legal reserve	10,294,866	1	9,547,845	1
Special reserve	5,922	-	23,543	-
Unappropriated earnings	3,786,263	1	3,259,093	1
Total retained earnings	14,087,051	2	12,830,481	2
Other equity	18,842	-	975,754	-
Total equity	49,701,951	7	48,743,705	7
TOTAL	\$ 722,557,822	100	\$ 679,863,819	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, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Per Share Amounts)

	2021		2020		Percentage Increase (Decrease) %
	Amount	%	Amount	%	
INTEREST REVENUES (Notes 4, 28 and 37)	\$ 9,509,744	92	\$ 10,393,360	98	(9)
INTEREST EXPENSES (Notes 4, 18, 28 and 37)	<u>2,946,670</u>	<u>29</u>	<u>4,416,244</u>	<u>42</u>	(33)
NET INTERESTS	<u>6,563,074</u>	<u>63</u>	<u>5,977,116</u>	<u>56</u>	10
NET REVENUES AND GAINS OTHER THAN INTEREST					
Net service fee income (Notes 4, 29 and 37)	2,517,825	24	2,799,906	26	(10)
Net gain on financial assets and liabilities at fair value through profit or loss (Notes 4, 30, 37 and 41)	981,304	10	1,316,959	12	(25)
Net realized gain on financial assets at fair value through other comprehensive income (Notes 4, 9 and 27)	83,125	1	52,611	1	58
Loss on disposal of credit assets measured at amortized cost (Note 14)	-	-	(116,904)	(1)	100
Net foreign exchange gain (Note 4)	78,784	1	42,240	-	87
Shares of profit of subsidiaries and associates for using equity method (Notes 4 and 15)	304,889	3	392,669	4	(22)
Others (Notes 14, 22 and 37)	<u>(162,578)</u>	<u>(2)</u>	<u>183,302</u>	<u>2</u>	(189)
Total net revenues and gains other than interest	<u>3,803,349</u>	<u>37</u>	<u>4,670,783</u>	<u>44</u>	(19)
NET REVENUES	<u>10,366,423</u>	<u>100</u>	<u>10,647,899</u>	<u>100</u>	(3)
NET PROVISION FOR LOSS ON BAD DEBTS EXPENSE, COMMITMENT AND GUARANTEE (Notes 4, 5, 13, 14, 16, 25 and 37)	<u>795,191</u>	<u>8</u>	<u>1,460,231</u>	<u>14</u>	(46)

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FAR EASTERN INTERNATIONAL BANK LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Per Share Amounts)

	2021		2020		Percentage Increase (Decrease) %
	Amount	%	Amount	%	
OPERATING EXPENSES					
Employee benefits expense (Notes 4, 26, 31, 32 and 37)	\$ 3,799,118	37	\$ 3,746,625	35	1
Depreciation and amortization (Notes 4, 17, 18, 19 and 33)	681,805	6	689,077	7	(1)
Other general and administrative expenses (Notes 18, 34 and 37)	<u>1,838,994</u>	<u>18</u>	<u>1,945,852</u>	<u>18</u>	(5)
Total operating expenses	<u>6,319,917</u>	<u>61</u>	<u>6,381,554</u>	<u>60</u>	(1)
INCOME BEFORE INCOME TAX	3,251,315	31	2,806,114	26	16
INCOME TAX EXPENSE (Notes 4 and 35)	<u>312,193</u>	<u>3</u>	<u>287,411</u>	<u>3</u>	9
NET INCOME FOR THE YEAR	<u>2,939,122</u>	<u>28</u>	<u>2,518,703</u>	<u>23</u>	17
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4, 9, 11, 15, 26, 27 and 35)					
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit plans	(61,744)	(1)	163,671	2	(138)
Gain on valuation of investments in equity instruments at fair value through other comprehensive income	43,728	1	152,606	1	(71)
Share of other comprehensive income of subsidiaries and associates for using equity method	3,121	-	652	-	379
Income tax benefit (expense) relating to items that will not be reclassified subsequently to profit or loss	<u>12,349</u>	<u>-</u>	<u>(32,734)</u>	<u>-</u>	138
	<u>(2,546)</u>	<u>-</u>	<u>284,195</u>	<u>3</u>	(101)

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FAR EASTERN INTERNATIONAL BANK LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Per Share Amounts)

	2021		2020		Percentage Increase (Decrease) %
	Amount	%	Amount	%	
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translating foreign operations	\$ (37,760)	-	\$ (135,451)	(1)	72
Share of other comprehensive income (loss) of subsidiaries and associates for using equity method	(46,330)	(1)	56,398	-	(182)
Unrealized gain (loss) on investments in debt instruments measured at fair value through other comprehensive income	<u>(770,158)</u>	<u>(7)</u>	<u>305,971</u>	<u>3</u>	(352)
	<u>(854,248)</u>	<u>(8)</u>	<u>226,918</u>	<u>2</u>	(476)
Other comprehensive income (loss) for the year	<u>(856,794)</u>	<u>(8)</u>	<u>511,113</u>	<u>5</u>	(268)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 2,082,328</u>	<u>20</u>	<u>\$ 3,029,816</u>	<u>28</u>	(31)
EARNINGS PER SHARE (Note 36)					
Basic	<u>\$0.84</u>		<u>\$0.72</u>		
Diluted	<u>\$0.83</u>		<u>\$0.71</u>		

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, 2021 AND 2020
(In Thousands of New Taiwan Dollars)**

	Share Capital (Note 27)	Capital Surplus (Note 27)	Retained Earnings (Notes 9 and 27)			Other Equity		Total Equity
			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, 15 and 27)	
BALANCE AT JANUARY 1, 2020	\$ 33,558,193	\$ 456,426	\$ 8,458,068	\$ 76,215	\$ 4,299,505	\$ (72,090)	\$ 508,096	\$ 47,284,413
Appropriation of the 2019 earnings								
Legal reserve	-	-	1,089,777	-	(1,089,777)	-	-	-
Reversal of special reserves	-	-	-	(52,672)	52,672	-	-	-
Cash dividends - NT\$0.468 per share	-	-	-	-	(1,570,524)	-	-	(1,570,524)
Stock dividends - NT\$0.275 per share	922,851	-	-	-	(922,851)	-	-	-
	<u>922,851</u>	<u>-</u>	<u>1,089,777</u>	<u>(52,672)</u>	<u>(3,530,480)</u>	<u>-</u>	<u>-</u>	<u>(1,570,524)</u>
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	<u>34,481,044</u>	<u>456,426</u>	<u>9,547,845</u>	<u>23,543</u>	<u>3,259,093</u>	<u>(196,471)</u>	<u>1,172,225</u>	<u>48,743,705</u>
Appropriation of the 2020 earnings								
Legal reserve	-	-	747,021	-	(747,021)	-	-	-
Reversal of special reserves	-	-	-	(17,621)	17,621	-	-	-
Cash dividends - NT\$0.326 per share	-	-	-	-	(1,124,082)	-	-	(1,124,082)
Stock dividends - NT\$0.191 per share	658,588	-	-	-	(658,588)	-	-	-
	<u>658,588</u>	<u>-</u>	<u>747,021</u>	<u>(17,621)</u>	<u>(2,512,070)</u>	<u>-</u>	<u>-</u>	<u>(1,124,082)</u>
Net income for the year ended December 31, 2021	-	-	-	-	2,939,122	-	-	2,939,122
Other comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	(49,894)	(44,173)	(762,727)	(856,794)
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	2,889,228	(44,173)	(762,727)	2,082,328
Disposal of investments in equity instruments at fair value through other comprehensive income (loss)	-	-	-	-	150,012	-	(150,012)	-
BALANCE AT DECEMBER 31, 2021	<u>\$ 35,139,632</u>	<u>\$ 456,426</u>	<u>\$ 10,294,866</u>	<u>\$ 5,922</u>	<u>\$ 3,786,263</u>	<u>\$ (240,644)</u>	<u>\$ 259,486</u>	<u>\$ 49,701,951</u>

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, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 3,251,315	\$ 2,806,114
Adjustments for:		
Depreciation	656,322	663,594
Amortization	25,483	25,483
Provision for loss on bad debts expense, commitment and guarantee	1,181,745	1,877,084
Net valuation loss (gain) on financial assets and liabilities at fair value through profit or loss	(17,713)	167,311
Interest expenses	2,946,670	4,416,244
Loss on disposal of credit assets measured at amortized cost	-	116,904
Interest revenues	(9,509,744)	(10,393,360)
Dividends revenue	(140,065)	(106,232)
Shares of profit from subsidiaries and associates	(304,889)	(392,669)
Unrealized net loss on foreign currency exchange	49,989	61,819
Other adjustments	(34,601)	(35,817)
Changes in operating assets and liabilities		
Increase in due from the Central Bank and other banks	(1,104,701)	(1,361,824)
Decrease (increase) in financial assets at fair value through profit or loss	(6,290,490)	20,312,335
Decrease (increase) in financial assets at fair value through other comprehensive income	62,843,330	(46,214,589)
Decrease (increase) in investments in debt instruments at amortized cost	(70,320,732)	1,386,344
Decrease (increase) in receivables	(3,791,023)	17,214
Increase in discounts and loans	(26,905,129)	(3,472,955)
Increase (decrease) in due to the Central Bank and other banks	886,105	(9,822,025)
Increase (decrease) in financial liabilities at fair value through profit or loss	(2,163,442)	1,324,615
Increase (decrease) in payables	1,004,561	(1,520,007)
Increase in deposits and remittances	33,284,376	50,982,494
Increase (decrease) in principal received on structured products	<u>14,927,990</u>	<u>(1,091,526)</u>
Cash generated from operations	475,357	9,746,551
Interest received	9,488,133	10,604,286
Dividends received	142,524	103,732
Interest paid	(3,082,056)	(4,762,539)
Income tax paid	<u>(222,532)</u>	<u>(560,268)</u>
Net cash generated from operating activities	<u>6,801,426</u>	<u>15,131,762</u>

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FAR EASTERN INTERNATIONAL BANK LTD.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	\$ (275,498)	\$ (336,852)
Proceeds from disposal of property and equipment	152	90
Decrease (increase) in other financial assets	513,900	(263,746)
Decrease (increase) in other assets	19,153	(52,404)
Dividends received from subsidiaries and associates	<u>244,541</u>	<u>202,800</u>
Net cash generated from (used in) investing activities	<u>502,248</u>	<u>(450,112)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in funds borrowed from the Central Bank and other banks	54,900	22,340
Proceeds from the issuance of bank debentures	2,400,000	1,600,000
Repayments of bank debentures	(1,100,000)	(4,000,000)
Decrease in securities sold under repurchase agreements	(3,465,911)	(5,844,744)
Repayments of the principal portion of lease liabilities	(383,033)	(400,020)
Increase (decrease) in other financial liabilities	14,637	(81,082)
Decrease in other liabilities	(14,197)	(42,117)
Cash dividends	<u>(1,124,082)</u>	<u>(1,570,524)</u>
Net cash used in financing activities	<u>(3,617,686)</u>	<u>(10,316,147)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		
	<u>(452,064)</u>	<u>(754,714)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,233,924	3,610,789
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	<u>38,636,906</u>	<u>35,026,117</u>
CASH AND CASH EQUIVALENTS, END OF THE YEAR	<u>\$ 41,870,830</u>	<u>\$ 38,636,906</u>

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

	December 31	
	2021	2020
Cash and cash equivalents in balance sheets	\$ 4,729,904	\$ 6,054,773
Due from the Central Bank and other banks that meet the IAS 7 definition of "cash and cash equivalents"	31,252,331	21,621,428
Securities purchased under resale agreements that meet the IAS 7 definition of "cash and cash equivalents"	<u>5,888,595</u>	<u>10,960,705</u>
Cash and cash equivalents in statements of cash flows	<u>\$ 41,870,830</u>	<u>\$ 38,636,906</u>

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

(Concluded)

FAR EASTERN INTERNATIONAL BANK LTD.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(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, 2021, the Bank’s operating units included the Business Department, International Banking Department, Trust Department, Credit Card Department, Offshore Banking Unit (OBU), and 55 domestic branches, as well as an overseas branch in Hong Kong and two foreign representative offices (Vietnam and Singapore).

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 3, 2022.

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)

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

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

The Bank’s change in the basis for determining contractual cash flows of financial assets and financial liabilities resulting from the interest rate benchmark reform are necessary as a direct consequence of the reform and the new basis is economically equivalent to the previous basis. The Bank elected to apply the practical expediency provided in the amendments to account for the changes by updating the effective interest rate at the time the basis is changed.

b. The IFRSs endorsed by the FSC for application starting from 2022

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

Note 1: The amendments to IFRS 9 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 2: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 3: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

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

As of the date the financial statements were authorized for issue, the Bank is assessing the application of above standards and interpretations will not have a material impact on the Bank’s financial position and financial performance.

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture”	To be determined by IASB
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 2)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 3)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 4)

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

Note 2: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 3: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

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

As of the date the financial statements were authorized for issue, the Bank 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 statements 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.

Current and Noncurrent Assets and Liabilities

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 42 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 operations (including foreign branches and the 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 the 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, Right-of-use Assets and Intangible Assets

At the end of each reporting period, the Bank review the carrying amounts of their property, equipment, right-of-use assets 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 41.

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; the higher amount of allowance for expected credit losses on loans is recognized.

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.

Equity instruments

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, is 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 are 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 revenue 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.

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

The points earned by customers under loyalty program are treated as multiple-element arrangements, in which consideration is allocated to the services and the award credits based on fair value through the eyes of the customer. The consideration is not recognized in earnings at the original sales transactions but at the time when the points are redeemed and the Bank's obligation is fulfilled.

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 including 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 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. The Bank has considered the economic implications of the COVID-19 into critical accounting estimates.

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.

6. CASH AND CASH EQUIVALENTS

	December 31, 2021	December 31, 2020
Cash on hand	\$ 2,693,069	\$ 2,623,863
Notes and checks for clearing	640,766	368,465
Deposits due from other banks	<u>1,396,069</u>	<u>3,062,445</u>
	<u>\$ 4,729,904</u>	<u>\$ 6,054,773</u>

7. DUE FROM THE CENTRAL BANK AND OTHER BANKS

	December 31, 2021	December 31, 2020
Due from other banks	\$ 19,610,970	\$ 13,173,772
New Taiwan dollar reserve deposits - Type A	8,013,890	6,316,477
New Taiwan dollar reserve deposits - Type B	14,621,095	13,516,394
Foreign-currency reserve deposits	126,532	131,021
Interbank clearing account	<u>3,500,939</u>	<u>2,000,158</u>
	<u>\$ 45,873,426</u>	<u>\$ 35,137,822</u>

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

As of December 31, 2021 and 2020, due from the Central Bank and other banks falling in the definition of IAS 7 "cash and cash equivalents" (i.e. short-term, highly liquid investments, readily convertible to known amounts of cash and subject to an insignificant risk of changes in value); amounted to \$31,252,331 thousand and \$21,621,428 thousand, respectively, and were included in cash and cash equivalents in the statements of cash flows.

The part of New Taiwan dollar reserve deposits - Type B pledged as collaterals are disclosed in Note 38.

8. FINANCIAL INSTRUMENTS AT FVTPL

Financial assets mandatorily classified as at FVTPL

	December 31, 2021	December 31, 2020
Non-derivative financial assets		
Government bond	\$ 14,040,793	\$ 11,750,113
Stock listed on TWSE and TPEX	928,354	673,149
Beneficiary certificates	<u>475,023</u>	<u>234,854</u>
	<u>15,444,170</u>	<u>12,658,116</u>
Derivative financial assets		
Interest rate swap contracts	1,399,793	1,413,015
Foreign-currency swap contracts	1,227,313	3,319,867
Currency option contracts	592,104	603,815
Forward exchange contracts	84,204	404,968
Others	<u>115,508</u>	<u>251,617</u>
	<u>3,418,922</u>	<u>5,993,282</u>
Hybrid contract		
Asset swap fixed-income	15,515,661	8,998,110
Credit linked loan contracts	2,888,818	2,350,490
Credit linked note contracts	277,903	1,574,134
Convertible bonds	<u>117,293</u>	<u>183,304</u>
	<u>18,799,675</u>	<u>13,106,038</u>
Total financial assets classified as at FVTPL	<u>\$ 37,662,767</u>	<u>\$ 31,757,436</u>

Financial liabilities held for trading

	December 31, 2021	December 31, 2020
Non-derivative financial liabilities		
Short-covering debentures	<u>\$ 148,325</u>	<u>\$ -</u>
Derivative financial liabilities		
Foreign-currency swap contracts	1,128,939	2,995,733
Interest rate swap contracts	946,575	1,038,249
Currency option contracts	592,515	604,574
Forward exchange contracts	106,825	351,565
Others	<u>79,110</u>	<u>206,314</u>
	<u>2,853,964</u>	<u>5,196,435</u>
Total financial liabilities at FVTPL	<u>\$ 3,002,289</u>	<u>\$ 5,196,435</u>

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

Outstanding derivative contract (notional) amounts were as follows:

	December 31, 2021	December 31, 2020
Foreign-currency swap contracts	\$ 398,603,744	\$ 388,506,251
Interest rate swap contracts	230,051,929	150,874,919
Currency option contracts	91,280,105	68,220,685
Seller of credit default swap contracts	17,602,632	19,430,192
Forward exchange contracts	15,128,180	19,346,925
Cross-currency swap contracts	6,119,210	3,374,610
Interest rate option contracts	4,000,000	4,850,800
Bond futures	497,639	417,057
Forward contracts	204,236	370,749
Non-deliverable forward contracts	177,175	40,121
Stock index futures	3,282	10,350
Stock index options	-	160,600

9. FINANCIAL ASSETS AT FVTOCI

	December 31, 2021	December 31, 2020
<u>Investments in equity instruments</u>		
Stock listed on TWSE and TPEX	\$ 1,090,772	\$ 1,088,114
Stock unlisted on TWSE and TPEX	<u>267,768</u>	<u>296,158</u>
	<u>1,358,540</u>	<u>1,384,272</u>
<u>Investments in debt instruments</u>		
Government bonds	39,031,626	36,594,394
Commercial paper	27,013,177	24,930,474
Corporate bonds	19,034,217	14,819,283
Bank debentures	14,685,474	15,489,183
Negotiable certificates of deposit	10,019,722	80,153,487
Collateralized mortgage obligation	<u>2,286,959</u>	<u>4,288,580</u>
	<u>112,071,175</u>	<u>176,275,401</u>
Total financial assets at FVTOCI	<u>\$ 113,429,715</u>	<u>\$ 177,659,673</u>

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

	For the Year Ended December 31	
	2021	2020
Dividends revenue recognized in profit or loss		
On equity held at year end	\$ 67,225	\$ 52,408
On equity disposed of in current year	<u>45,277</u>	<u>38,590</u>
	<u>\$ 112,502</u>	<u>\$ 90,998</u>

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	
	2021	2020
Fair value at the date of disposal	<u>\$ 1,367,927</u>	<u>\$ 966,307</u>
Accumulated gain (loss) transferred to retained earnings due to disposal	<u>\$ 148,214</u>	<u>\$ (160,081)</u>

For the above information of credit risk management and impairment assessment on investments in debt instruments at FVTOCI, refer to Note 11. The assets pledged as collaterals are disclosed in Note 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, 2021	December 31, 2020
Bank debentures	<u>\$ 5,572</u>	<u>\$ 3,412,187</u>
Government bonds	<u>\$ -</u>	<u>\$ 302,764</u>

10. DEBT INSTRUMENT INVESTMENT MEASURED AT AMORTIZED COST

	December 31, 2021	December 31, 2020
Negotiable certificates of deposits	\$ 70,600,000	\$ -
Bank debentures	774,192	507,721
Corporate bonds	<u>-</u>	<u>570,160</u>
	71,374,192	1,077,881
Less: Allowance for loss	<u>65</u>	<u>117</u>
	<u>\$ 71,374,127</u>	<u>\$ 1,077,764</u>

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

11. CREDIT RISK MANAGEMENT OF INVESTMENTS IN DEBT INSTRUMENTS

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

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

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

December 31, 2021

	At FVTOCI	At Amortized Cost	Total
Total carrying amount	\$ 112,052,598	\$ 71,374,192	\$ 183,426,790
Less: Impairment loss	<u>15,693</u>	<u>65</u>	<u>15,758</u>
Amortized cost	112,036,905	<u>\$ 71,374,127</u>	183,411,032
Fair value adjustment	<u>34,270</u>		<u>34,270</u>
	<u>\$ 112,071,175</u>		<u>\$ 183,445,302</u>

December 31, 2020

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

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, 2021

	At FVTOCI	At Amortized Cost	Total
Beginning on January 1, 2021	\$ 15,946	\$ 117	\$ 16,063
Purchase of new debt instruments	10,438	50	10,488
Derecognition	(10,247)	(101)	(10,348)
Exchange rate and other changes	<u>(444)</u>	<u>(1)</u>	<u>(445)</u>
Balance on December 31, 2021	<u>\$ 15,693</u>	<u>\$ 65</u>	<u>\$ 15,758</u>

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	<u>(2,884)</u>	<u>(69)</u>	<u>(2,953)</u>
Balance on December 31, 2020	<u>\$ 15,946</u>	<u>\$ 117</u>	<u>\$ 16,063</u>

12. SECURITIES PURCHASED UNDER RESALE AGREEMENTS

	December 31, 2021	December 31, 2020
Government bonds	\$ 4,694,198	\$ 7,439,318
Commercial paper	1,194,780	2,474,535
Negotiable certificates of deposit	<u>-</u>	<u>1,048,085</u>
	5,888,978	10,961,938
Less: Allowance for loss	<u>383</u>	<u>1,233</u>
	<u>\$ 5,888,595</u>	<u>\$ 10,960,705</u>
Resale price	<u>\$ 5,890,209</u>	<u>\$ 10,963,209</u>
Resale date	2022.01.03- 2022.01.25	2021.01.04- 2021.01.29

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

13. RECEIVABLES, NET

	December 31, 2021	December 31, 2020
Credit card	\$ 12,899,257	\$ 13,954,185
Factoring	6,451,669	2,634,064
Interest	859,666	838,055
Forfeiting	568,844	755,913
Proceeds from disposal of securities	549,300	14,978
Acceptances	419,489	901,886
Spot exchange transactions	402,381	623,413
Others	<u>494,320</u>	<u>303,298</u>
	22,644,926	20,025,792
Less: Allowance for possible losses	<u>518,120</u>	<u>500,062</u>
	<u>\$ 22,126,806</u>	<u>\$ 19,525,730</u>

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

For the year ended December 31, 2021

	Stage 1 (Note 1)	Stage 2 (Note 2)	Stage 3 (Note 3)	Total Receivables and Other Financial Assets
Beginning on January 1, 2021	\$ 17,389,630	\$ 61,434	\$ 1,174,131	\$ 18,625,195
Changes in financial instruments recognized at the beginning of the year:				
Transfer to Stage 2	(53,265)	57,180	(64)	3,851
Transfer to Stage 3	(98,468)	(19,209)	125,949	8,272
Transfer to Stage 1	6,695	(8,208)	(386)	(1,899)
Financial assets derecognized in the current period	(6,929,509)	(11,614)	(223,024)	(7,164,147)
Purchased or original financial assets	9,333,542	9,184	42,118	9,384,844
Write-offs	(52,053)	(19,093)	(41,633)	(112,779)
Exchange rate and other changes	<u>(4,987)</u>	<u>(2,127)</u>	<u>(4,497)</u>	<u>(11,611)</u>
Balance on December 31, 2021	<u>\$ 19,591,585</u>	<u>\$ 67,547</u>	<u>\$ 1,072,594</u>	<u>\$ 20,731,726</u>

For the year ended December 31, 2020

	Stage 1 (Note 1)	Stage 2 (Note 2)	Stage 3 (Note 3)	Total Receivables and Other Financial Assets
Beginning on January 1, 2020	\$ 18,055,773	\$ 69,452	\$ 1,265,215	\$ 19,390,440
Changes in financial instruments 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	<u>(20,845)</u>	<u>(4,802)</u>	<u>(2,906)</u>	<u>(28,553)</u>
Balance on December 31, 2020	<u>\$ 17,389,630</u>	<u>\$ 61,434</u>	<u>\$ 1,174,131</u>	<u>\$ 18,625,195</u>

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

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

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

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

For the year ended December 31, 2021

	12-month Expected Credit Loss (Stage 1)	Lifetime Expected Credit Loss (Stage 2)	Lifetime Expected Credit Loss (Credit Impairment on Financial Assets) (Stage 3)	Impairment Under the Guidelines of IFRS 9	The Difference of Impairment Under the Regulations	Total Allowance for Possible Losses
Beginning on January 1, 2021	\$ 19,041	\$ 6,387	\$ 371,471	\$ 396,899	\$ 103,403	\$ 500,302
Changes in financial instruments recognized at the beginning of the year:						
Transfer to Stage 2	(26)	6,617	(7)	6,584	-	6,584
Transfer to Stage 3	(49)	(1,905)	39,463	37,509	-	37,509
Transfer to Stage 1	3	(1,236)	(43)	(1,276)	-	(1,276)
Financial assets derecognized in the current period	(5,916)	(1,127)	(51,332)	(58,375)	-	(58,375)
Purchased or original financial assets	17,059	1,349	13,309	31,717	-	31,717
The difference of impairment under the Regulations	-	-	-	-	17,853	17,853
Write-offs	(52,053)	(19,093)	(41,633)	(112,779)	-	(112,779)
Exchange rate and other changes	<u>52,024</u>	<u>17,072</u>	<u>27,668</u>	<u>96,764</u>	<u>-</u>	<u>96,764</u>
Balance on December 31, 2021	\$ <u>30,083</u>	\$ <u>8,064</u>	\$ <u>358,896</u>	\$ <u>397,043</u>	\$ <u>121,256</u>	\$ <u>518,299</u>

For the year ended December 31, 2020

	12-month Expected Credit Loss (Stage 1)	Lifetime Expected Credit Loss (Stage 2)	Lifetime Expected Credit Loss (Credit Impairment on Financial Assets) (Stage 3)	Impairment Under the Guidelines of IFRS 9	The Difference of Impairment Under the Regulations	Total Allowance for Possible Losses
Beginning on January 1, 2020	\$ 26,413	\$ 7,343	\$ 377,681	\$ 411,437	\$ 94,421	\$ 505,858
Changes in financial instruments 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	<u>66,171</u>	<u>22,364</u>	<u>32,058</u>	<u>120,593</u>	<u>-</u>	<u>120,593</u>
Balance on December 31, 2020	\$ <u>19,041</u>	\$ <u>6,387</u>	\$ <u>371,471</u>	\$ <u>396,899</u>	\$ <u>103,403</u>	\$ <u>500,302</u>

14. DISCOUNTS AND LOANS, NET

	December 31, 2021	December 31, 2020
Negotiations, discounts and overdraft	\$ 221,873	\$ 259,841
Short-term loans	82,338,850	66,840,656
Medium-term loans	146,666,334	144,009,562
Long-term loans	183,152,384	176,390,904
Overdue receivable	<u>492,259</u>	<u>1,355,749</u>
	412,871,700	388,856,712
Less: Allowance for possible losses	<u>5,429,935</u>	<u>5,663,943</u>
	<u>\$ 407,441,765</u>	<u>\$ 383,192,769</u>

The Bank sold part of the nonperforming loans and recognized a loss of \$5,826 thousand on disposal of nonperforming loans in 2021; 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	
	2021	2020
Provision for possible losses - discounts and loans	\$ 1,083,358	\$ 1,713,156
Provision for possible losses - receivables and other financial assets	126,772	129,314
Provision for (reversal of) possible losses - reserve for commitment and guarantee obligations	(28,385)	34,614
Amounts recovered - discounts and loans	(230,598)	(234,219)
Amounts recovered - receivables and other financial assets	<u>(155,956)</u>	<u>(182,634)</u>
	<u>\$ 795,191</u>	<u>\$ 1,460,231</u>

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

For the year ended December 31, 2021

	Stage 1 (Note 1)	Stage 2 (Note 2)	Stage 3 (Note 3)	Total Discounts and Loans
Beginning on January 1, 2021	\$ 383,428,760	\$ 1,054,943	\$ 4,373,009	\$ 388,856,712
Changes in financial instruments recognized at the beginning of the year:				
Transfer to Stage 2	(311,962)	281,787	(629)	(30,804)
Transfer to Stage 3	(237,686)	(273,689)	503,366	(8,009)
Transfer to Stage 1	110,187	(117,451)	(60,695)	(67,959)
Financial assets derecognized in the current period	(106,577,320)	(381,899)	(1,705,984)	(108,665,203)
Purchased or original financial assets	134,076,603	32,207	351,642	134,460,452
Write-offs	(257,613)	(210,747)	(635,968)	(1,104,328)
Exchange rate and other changes	<u>(562,355)</u>	<u>2,212</u>	<u>(9,018)</u>	<u>(569,161)</u>
Balance on December 31, 2021	<u>\$ 409,668,614</u>	<u>\$ 387,363</u>	<u>\$ 2,815,723</u>	<u>\$ 412,871,700</u>

For the year ended December 31, 2020

	Stage 1 (Note 1)	Stage 2 (Note 2)	Stage 3 (Note 3)	Total Discounts and Loans
Beginning on January 1, 2020	\$ 383,679,108	\$ 1,062,772	\$ 5,458,548	\$ 390,200,428
Changes in financial instruments 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	<u>(709,420)</u>	<u>1,072</u>	<u>2,633</u>	<u>(705,715)</u>
Balance on December 31, 2020	<u>\$ 383,428,760</u>	<u>\$ 1,054,943</u>	<u>\$ 4,373,009</u>	<u>\$ 388,856,712</u>

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

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

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

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

For the year ended December 31, 2021

	12-month Expected Credit Loss (Stage 1)	Lifetime Expected Credit Loss (Stage 2)	Lifetime Expected Credit Loss (Credit Impairment on Financial Assets) (Stage 3)	Impairment Under the Guidelines of IFRS 9	The Difference of Impairment Under the Regulations	Total Allowance for Possible Losses
Beginning on January 1, 2021	\$ 478,683	\$ 132,020	\$ 1,633,428	\$ 2,244,131	\$ 3,419,812	\$ 5,663,943
Changes in financial instruments recognized at the beginning of the year:						
Transfer to Stage 2	(941)	80,200	(572)	78,687	-	78,687
Transfer to Stage 3	(538)	(8,437)	241,371	232,396	-	232,396
Transfer to Stage 1	195	(21,447)	(2,118)	(23,370)	-	(23,370)
Financial assets derecognized in the current period	(163,786)	(50,906)	(646,042)	(860,734)	-	(860,734)
Purchased or original financial assets	243,296	20,402	122,904	386,602	-	386,602
The difference of impairment under the Regulations	-	-	-	-	567,533	567,533
Write-offs	(257,613)	(210,747)	(635,968)	(1,104,328)	-	(1,104,328)
Exchange rate and other changes	<u>254,148</u>	<u>166,602</u>	<u>68,456</u>	<u>489,206</u>	<u>-</u>	<u>489,206</u>
Balance on December 31, 2021	<u>\$ 553,444</u>	<u>\$ 107,687</u>	<u>\$ 781,459</u>	<u>\$ 1,442,590</u>	<u>\$ 3,987,345</u>	<u>\$ 5,429,935</u>

For the year ended December 31, 2020

	12-month Expected Credit Loss (Stage 1)	Lifetime Expected Credit Loss (Stage 2)	Lifetime Expected Credit Loss (Credit Impairment on Financial Assets) (Stage 3)	Impairment Under the Guidelines of IFRS 9	The Difference of Impairment Under the Regulations	Total Allowance for Possible Losses
Beginning on January 1, 2020	\$ 690,586	\$ 101,911	\$ 849,067	\$ 1,641,564	\$ 3,934,047	\$ 5,575,611
Changes in financial instruments 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
Balance on December 31, 2020	\$ 478,683	\$ 132,020	\$ 1,633,428	\$ 2,244,131	\$ 3,419,812	\$ 5,663,943

15. INVESTMENT ACCOUNTED FOR USING EQUITY METHOD

	December 31, 2021	December 31, 2020
Investment in subsidiaries	\$ 2,235,863	\$ 2,276,970
Investments in associates	<u>1,970,175</u>	<u>1,911,929</u>
	<u>\$ 4,206,038</u>	<u>\$ 4,188,899</u>

a. Investment in subsidiaries

	December 31, 2021		December 31, 2020	
	Amount	% of Ownership	Amount	% of Ownership
Far Eastern Asset Management Co., Ltd. ("FEAMC")	\$ 1,701,292	100.00	\$ 1,705,953	100.00
Far Eastern International Securities Co., Ltd. ("FEIS")	<u>534,571</u>	100.00	<u>571,017</u>	100.00
	<u>\$ 2,235,863</u>		<u>\$ 2,276,970</u>	

b. Investments in associates

	December 31, 2021		December 31, 2020	
	Amount	% of Ownership	Amount	% of Ownership
Dah Chung Bills Finance Corp.	\$ 1,825,110	22.06	\$ 1,782,278	22.06
Deutsche Far Eastern Asset Management Co., Ltd.	<u>145,065</u>	40.00	<u>129,651</u>	40.00
	<u>\$ 1,970,175</u>		<u>\$ 1,911,929</u>	

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

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

	For the Year Ended December 31	
	2021	2020
Net income from continuing operation	\$ 144,746	\$ 123,012
Other comprehensive income	<u>(36,796)</u>	<u>45,980</u>
Total comprehensive income	<u>\$ 107,950</u>	<u>\$ 168,992</u>

16. OTHER FINANCIAL ASSETS, NET

	December 31, 2021	December 31, 2020
Nonaccrual loans other than discounts and loans	\$ 384	\$ 358
Less: Allowance for possible losses (Note 13)	<u>179</u>	<u>240</u>
	<u>205</u>	<u>118</u>
Refundable deposits	2,936,659	3,524,401
Less: Allowance for loss	<u>673</u>	<u>618</u>
	<u>2,935,986</u>	<u>3,523,783</u>
Deposits with original maturity more than 3 months (Note 38)	<u>869,200</u>	<u>876,400</u>
	<u>\$ 3,805,391</u>	<u>\$ 4,400,301</u>

17. PROPERTY AND EQUIPMENT, NET

For the year ended December 31, 2021

	Land	Buildings and Improvements	Computer Equipment	Transportation Equipment	Miscellaneous Equipment	Equipment Prepayment	Total
<u>Cost</u>							
Beginning balance	\$ 1,447,433	\$ 1,148,967	\$ 2,296,186	\$ 1,281	\$ 1,491,279	\$ 24,296	\$ 6,409,442
Additions	-	629	131,076	-	19,196	124,597	275,498
Disposals	-	-	(74,342)	(97)	(14,922)	-	(89,361)
Others	-	-	42,987	-	(201)	(50,549)	(7,763)
Ending balance	<u>1,447,433</u>	<u>1,149,596</u>	<u>2,395,907</u>	<u>1,184</u>	<u>1,495,352</u>	<u>98,344</u>	<u>6,587,816</u>
<u>Accumulated depreciation</u>							
Beginning balance	-	603,003	1,520,111	1,247	1,318,401	-	3,442,762
Depreciation	-	26,166	205,933	24	46,706	-	278,829
Disposals	-	-	(74,342)	(97)	(14,922)	-	(89,361)
Others	-	3	(1,917)	-	(381)	-	(2,295)
Ending balance	<u>-</u>	<u>629,172</u>	<u>1,649,785</u>	<u>1,174</u>	<u>1,349,804</u>	<u>-</u>	<u>3,629,935</u>
Net ending balance	<u>\$ 1,447,433</u>	<u>\$ 520,424</u>	<u>\$ 746,122</u>	<u>\$ 10</u>	<u>\$ 145,548</u>	<u>\$ 98,344</u>	<u>\$ 2,957,881</u>

For the year ended December 31, 2020

	Land	Buildings and Improvements	Computer Equipment	Transportation Equipment	Miscellaneous Equipment	Equipment Prepayment	Total
<u>Cost</u>							
Beginning balance	\$ 1,447,433	\$ 1,157,193	\$ 1,967,848	\$ 1,414	\$ 1,508,541	\$ 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	<u>1,447,433</u>	<u>1,148,967</u>	<u>2,296,186</u>	<u>1,281</u>	<u>1,491,279</u>	<u>24,296</u>	<u>6,409,442</u>
<u>Accumulated depreciation</u>							
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	-	<u>603,003</u>	<u>1,520,111</u>	<u>1,247</u>	<u>1,318,401</u>	-	<u>3,442,762</u>
Net ending balance	<u>\$ 1,447,433</u>	<u>\$ 545,964</u>	<u>\$ 776,075</u>	<u>\$ 34</u>	<u>\$ 172,878</u>	<u>\$ 24,296</u>	<u>\$ 2,966,680</u>

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

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

18. LEASE ARRANGEMENTS

The Bank 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, 2021	December 31, 2020
Net carrying amount of right-of-use assets	<u>\$ 1,005,202</u>	<u>\$ 794,172</u>
Carrying amount of lease liabilities	<u>\$ 1,014,799</u>	<u>\$ 809,359</u>
The range of discount rate	0.83%	0.70%-0.83%
	<u>For the Year Ended December 31</u>	
	2021	2020
Additions to right-of-use assets	<u>\$ 591,025</u>	<u>\$ 234,432</u>
Cash outflow for leases	<u>\$ 396,166</u>	<u>\$ 412,069</u>
Depreciation expense of right-of-use assets	<u>\$ 377,493</u>	<u>\$ 399,006</u>
Interest expense of lease liabilities	<u>\$ 8,987</u>	<u>\$ 7,764</u>
Other lease information		
Short-term lease expenses	<u>\$ 4,146</u>	<u>\$ 4,285</u>

19. INTANGIBLE ASSETS, NET

	December 31, 2021	December 31, 2020
Operation rights	\$ 1,538,210	\$ 1,538,210
Fair value of core deposits	428,887	428,887
Less: Accumulated amortization	<u>343,944</u>	<u>318,461</u>
	<u>84,943</u>	<u>110,426</u>
	<u>\$ 1,623,153</u>	<u>\$ 1,648,636</u>

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

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

The Bank assessed the recoverable amount of the cash generating unit of the operation rights for impairment in 2021 and 2020; 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, 2021 and 2020.

20. DUE TO THE CENTRAL BANK AND OTHER BANKS

	December 31, 2021	December 31, 2020
Call loans to banks	\$ 1,757,547	\$ 955,890
Bank overdrafts	19,690	8,680
Due to banks	<u>14,583</u>	<u>20,269</u>
	<u>\$ 1,791,820</u>	<u>\$ 984,839</u>

21. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

	December 31, 2021	December 31, 2020
Bank debentures (Note 9)	\$ 4,959	\$ 3,227,448
Government bonds (Note 9)	<u>-</u>	<u>303,039</u>
	<u>\$ 4,959</u>	<u>\$ 3,530,487</u>
Repurchase price	<u>\$ 4,960</u>	<u>\$ 3,532,088</u>
Repurchase date	2022.01.27	2021.01.06- 2021.01.19

22. PAYABLES

	December 31, 2021	December 31, 2020
Accrued expenses	\$ 1,431,651	\$ 1,444,711
Accounts payable factoring	868,908	679,375
Notes and checks for clearing	640,766	368,465
Accrued interest	526,962	662,348
Liabilities on bank acceptances	419,489	901,886
Securities settlement payables	379,701	24,993
Litigation settlement payables	317,222	-
Credit card	189,019	182,047
Spot exchange transactions	12,546	243,489
Others	<u>684,345</u>	<u>623,766</u>
	<u>\$ 5,470,609</u>	<u>\$ 5,131,080</u>

On September 23, 2015, 18 creditor banks of Allied Material Technology Co., a debtor with restructured overdue loan from the Bank, filed a lawsuit against the Bank demanding that the Bank abide by the restructuring procedures and recover the claims against Allied Material Technology Co. and compensate the creditor banks for losses caused by overpayments in the restructuring procedures. The Supreme Court ruled in December 2021 that the Bank was liable for damages of \$317,222 thousand and that the relevant liabilities had been accrued in the 2021 financial statements.

23. DEPOSITS AND REMITTANCES

	December 31, 2021	December 31, 2020
Checking deposits	\$ 3,156,272	\$ 2,852,142
Demand deposits	129,644,379	119,897,301
Demand savings	93,795,634	84,021,440
Time savings	80,740,147	71,626,336
Negotiable certificates of deposit	6,714,500	826,500
Time deposits	298,188,762	303,390,297
Remittances	<u>316,564</u>	<u>78,396</u>
	<u>\$ 612,556,258</u>	<u>\$ 582,692,412</u>

24. BANK DEBENTURES

Domestic Bank Debentures

Item	Issuance Period	Note	December 31, 2021	December 31, 2020
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
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 each year 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	1,600,000
Subordinated bank debentures - seven-year maturity; first issue in 2021	2021.04.27-2028.04.27	Interest payable on April 27 each year fixed interest rate at 0.83%	2,400,000	-
Subordinated bank debentures - seven-year maturity; 1-1 issue in 2005; acquired from Chinfon Bank	Matured on 2012.06.28	-	1,660	1,660
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			<u>\$ 23,901,900</u>	<u>\$ 22,601,900</u>

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, 2021	December 31, 2020
Reserve for employee benefits liability - defined benefit plans (Note 26)	\$ 723,561	\$ 700,977
Reserve for obligations guarantee (Note 42)	279,683	286,576
Reserve for financing commitment (Note 42)	<u>53,238</u>	<u>75,538</u>
	<u>\$ 1,056,482</u>	<u>\$ 1,063,091</u>

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

For the year ended December 31, 2021

	12-Month Expected Credit Loss (Stage 1)	Lifetime Expected Credit Loss (Stage 2)	Lifetime Expected Credit Loss (Credit Impairment on Financial Assets) (Stage 3)	Impairment Under the Guidelines of IFRS 9	The Difference of Impairment Under the Regulations	Total Provision for Losses on Financing Commitments and Obligations Guarantee
Beginning on January 1, 2021	\$ 83,913	\$ 12,417	\$ 21,140	\$ 117,470	\$ 244,644	\$ 362,114
Changes recognized at the beginning of the year:						
Transfer to Stage 2	(9)	7,591	-	7,582	-	7,582
Transfer to Stage 3	-	(34)	256	222	-	222
Transfer to Stage 1	6	(7,190)	(129)	(7,313)	-	(7,313)
Derecognized in the current period	(23,630)	(1,319)	(294)	(25,243)	-	(25,243)
Purchased or original	23,196	2,300	33	25,529	-	25,529
The difference of impairment under the Regulations	-	-	-	-	(30,766)	(30,766)
Exchange rate and other changes	1,416	(564)	(56)	796	-	796
Balance on December 31, 2021	\$ 84,892	\$ 13,201	\$ 20,950	\$ 119,043	\$ 213,878	\$ 332,921

For the year ended December 31, 2020

	12-Month Expected Credit Loss (Stage 1)	Lifetime Expected Credit Loss (Stage 2)	Lifetime Expected Credit Loss (Credit Impairment on Financial Assets) (Stage 3)	Impairment Under the Guidelines of IFRS 9	The Difference of Impairment Under the Regulations	Total Provision for Losses on Financing Commitments and Obligations Guarantee
Beginning on January 1, 2020	\$ 88,593	\$ 11,704	\$ 22,832	\$ 123,129	\$ 205,736	\$ 328,865
Changes 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)
Derecognized in the current period	(37,061)	(1,229)	(306)	(38,596)	-	(38,596)
Purchased or original	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
Balance on December 31, 2020	\$ 83,913	\$ 12,417	\$ 21,140	\$ 117,470	\$ 244,644	\$ 362,114

26. RETIREMENT BENEFIT PLANS

Defined contribution plans

The pension plan under the Labor Pension Act (the Act) is a defined contribution plan. Based on the Act, the Bank make monthly contributions to employees' individual pension accounts in the Bureau of Labor Insurance at 6% of monthly salaries and wages, related pension expense of \$128,369 thousand and \$128,221 thousand for the year ended December 31, 2021 and 2020, respectively.

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. 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. According to Labor Standards Act, 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 amounts of employee benefits included in the balance sheets were as follows:

	December 31, 2021	December 31, 2020
Present value of defined benefit obligation	\$ 1,142,294	\$ 1,099,728
Fair value of plan assets	<u>(418,733)</u>	<u>(398,751)</u>
Reserve for employee benefits liability	<u>\$ 723,561</u>	<u>\$ 700,977</u>

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, 2021	<u>\$ 1,099,728</u>	<u>\$ (398,751)</u>	<u>\$ 700,977</u>
Service cost			
Current service cost	7,100	-	7,100
Net interest expense (revenue)	<u>7,495</u>	<u>(2,843)</u>	<u>4,652</u>
Recognized in profit or loss	<u>14,595</u>	<u>(2,843)</u>	<u>11,752</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(4,212)	(4,212)
Actuarial loss - experience adjustments	36,448	-	36,448
Actuarial loss - changes in demographic assumptions	19,512	-	19,512
Actuarial loss - changes in financial assumptions	<u>9,996</u>	<u>-</u>	<u>9,996</u>
Recognized in other comprehensive income	<u>65,956</u>	<u>(4,212)</u>	<u>61,744</u>
Contributions from the employer	-	(17,939)	(17,939)
Contributions from plan assets	(5,012)	5,012	-
Contributions from provisions	<u>(32,973)</u>	<u>-</u>	<u>(32,973)</u>
Balance at December 31, 2021	<u>\$ 1,142,294</u>	<u>\$ (418,733)</u>	<u>\$ 723,561</u>

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Employee Benefit
Balance at January 1, 2020	<u>\$ 1,281,482</u>	<u>\$ (375,143)</u>	<u>\$ 906,339</u>
Service cost			
Current service cost	8,917	-	8,917
Net interest expense (revenue)	<u>12,570</u>	<u>(3,772)</u>	<u>8,798</u>
Recognized in profit or loss	<u>21,487</u>	<u>(3,772)</u>	<u>17,715</u>
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	<u>30,039</u>	<u>-</u>	<u>30,039</u>
Recognized in other comprehensive income	<u>(152,597)</u>	<u>(11,074)</u>	<u>(163,671)</u>

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Employee Benefit
Contributions from the employer	\$ -	\$ (18,696)	\$ (18,696)
Contributions from plan assets	(9,934)	9,934	-
Contributions from provisions	<u>(40,710)</u>	<u>-</u>	<u>(40,710)</u>
Balance at December 31, 2020	<u>\$ 1,099,728</u>	<u>\$ (398,751)</u>	<u>\$ 700,977</u> (Concluded)

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, 2021	December 31, 2020
Discount rates	0.60%	0.70%
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, 2021	December 31, 2020
Discount rates		
0.50% increase	<u>\$ (48,695)</u>	<u>\$ (49,394)</u>
0.50% decrease	<u>\$ 52,016</u>	<u>\$ 52,903</u>
Expected rates of salary increase		
0.50% increase	<u>\$ 50,552</u>	<u>\$ 51,463</u>
0.50% decrease	<u>\$ (47,856)</u>	<u>\$ (48,588)</u>

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 \$18,652 thousand, and the average duration of the defined benefit obligation is 8.8 years.

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

- a. 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.
- b. 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.

- c. 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, 2021	December 31, 2020
Authorized shares (in thousands)	<u>5,500,000</u>	<u>5,500,000</u>
Authorized capital	<u>\$ 55,000,000</u>	<u>\$ 55,000,000</u>
Issued and paid shares (in thousands)	<u>3,513,963</u>	<u>3,448,104</u>
Issued capital	<u>\$ 35,139,632</u>	<u>\$ 34,481,044</u>

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

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

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

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

Global depository receipts

As of December 31, 2021, the outstanding GDRs were 218 thousand units, equivalent to 4,353 thousand ordinary shares.

b. Capital surplus

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

c. Retained earnings and dividend policy

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

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

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

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

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

The appropriations of earnings for the 2020 and 2019, which were approved in the shareholders' meetings on July 20, 2021 and June 11, 2020, respectively, were as follows:

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

The appropriations of earnings for 2021 had been proposed by the Bank's Board of Directors on March 3, 2022. The appropriations and dividends per share were as follows:

	<u>Appropriation of Earnings</u>	<u>Dividends Per Share (NT\$)</u>
Cash dividends	\$ 1,511,004	\$0.430
Stock dividends	555,206	0.158

The appropriations of earnings for 2021 are subject to the resolution of the shareholders' meeting to be held on June 21, 2022.

According to FSC regulations, in order to respect to development of financial technology or business, expenditure of educational training to enhance the ability of employees, employee transformation or settlement was previously appropriated \$48,110 thousand as special reserve in 2016 to 2018. After the expenditure incurred in 2019 to 2020, the Bank reserved the special reserve within the range of its balance.

d. Other equity items

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

	For the Year Ended December 31	
	2021	2020
Balance, beginning of year	\$ <u>1,172,225</u>	\$ <u>508,096</u>
Recognized for the year		
Unrealized gain or loss		
Debt instruments	(799,535)	267,584
Equity instruments	43,728	152,606
Share of other comprehensive income (loss) of associates for using the equity method	(36,297)	46,429
Investment in debt instruments transferred to current loss due to disposal	<u>29,377</u>	<u>38,387</u>
Other comprehensive income recognized for the year	<u>(762,727)</u>	<u>505,006</u>
Loss (gain) on equity instruments transferred to retained earnings due to disposal	<u>(150,012)</u>	<u>159,123</u>
Balance, ending of year	\$ <u>259,486</u>	\$ <u>1,172,225</u>

28. NET INTERESTS

	For the Year Ended December 31	
	2021	2020
Interest revenues		
Discounts and loans	\$ 7,454,724	\$ 8,068,277
Securities	952,703	1,213,579
Credit cards	896,444	886,256
Others	<u>205,873</u>	<u>225,248</u>
	<u>9,509,744</u>	<u>10,393,360</u>
Interest expenses		
Deposits and remittances	2,405,985	3,591,535
Bank debentures	358,818	406,211
Structured products	133,776	195,129
Bonds under repurchase agreements	4,422	94,542
Call loans to banks	2,184	93,396
Others	<u>41,485</u>	<u>35,431</u>
	<u>2,946,670</u>	<u>4,416,244</u>
	\$ <u>6,563,074</u>	\$ <u>5,977,116</u>

29. NET SERVICE FEE INCOME

	For the Year Ended December 31	
	2021	2020
Service fee income		
Fees from trustee business	\$ 902,868	\$ 915,336
Fees from credit card	828,520	839,130
Fees from loan	654,377	941,157
Fees from insurance commission	572,461	522,362
Others	<u>353,548</u>	<u>332,327</u>
	<u>3,311,774</u>	<u>3,550,312</u>
Service fee expense		
Refund from credit card fee	207,079	224,316
Visa and Master fee	162,070	68,455
National credit card center fee	149,938	145,721
Agency service fee	75,166	78,934
Interbank service fee	49,621	49,049
Credit investigation fee	34,424	37,612
Promotion service fee	17,026	39,335
Others	<u>98,625</u>	<u>106,984</u>
	<u>793,949</u>	<u>750,406</u>
	<u>\$ 2,517,825</u>	<u>\$ 2,799,906</u>

30. NET GAIN ON FINANCIAL ASSETS AND LIABILITIES AT FVTPL

	For the Year Ended December 31	
	2021	2020
Gain on disposal	\$ 773,393	\$ 1,226,051
Gain (loss) on valuation	17,713	(167,311)
Net interests	162,635	242,984
Dividends	<u>27,563</u>	<u>15,235</u>
	<u>\$ 981,304</u>	<u>\$ 1,316,959</u>

31. EMPLOYEE BENEFITS EXPENSE

	For the Year Ended December 31	
	2021	2020
Salaries	\$ 3,119,865	\$ 3,048,891
Labor and health insurance	236,796	221,623
Post-employment benefits (Note 26)	140,121	145,936
Others	<u>302,336</u>	<u>330,175</u>
	<u>\$ 3,799,118</u>	<u>\$ 3,746,625</u>

32. EMPLOYEES' COMPENSATION AND REMUNERATION OF DIRECTORS

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 3, 2022, the Bank's Board of Directors resolved to pay employees' compensation of \$127,261 thousand and remuneration of directors of \$42,420 thousand for the year ended December 31, 2021, both in cash. If there is a change in the amounts after the Bank's financial statements for the year ended December 31, 2021 were authorized for issue, the differences will be recorded as a change in the accounting estimate and adjusted in the next year.

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. 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, 2020.

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	
	2021	2020
Depreciation		
Property and equipment (Note 17)	\$ 278,829	\$ 264,588
Leased right-of-use assets (Note 18)	<u>377,493</u>	<u>399,006</u>
	<u>\$ 656,322</u>	<u>\$ 663,594</u>
Amortization - intangible assets (Note 19)	<u>\$ 25,483</u>	<u>\$ 25,483</u>

34. OTHER GENERAL AND ADMINISTRATIVE EXPENSES

	For the Year Ended December 31	
	2021	2020
Tax and government fees	\$ 541,698	\$ 569,116
Marketing and advertising	258,525	312,712
Software	219,431	213,446
Telecommunications	157,782	161,649
Others	<u>661,558</u>	<u>688,929</u>
	<u>\$ 1,838,994</u>	<u>\$ 1,945,852</u>

35. INCOME TAX EXPENSE

a. Income tax recognized in profit or loss

The major components of tax expenses were as follows:

	For the Year Ended December 31	
	2021	2020
Current tax expense		
Current period	\$ 286,757	\$ 295,583
Prior years	<u>3,755</u>	<u>(2,165)</u>
	<u>290,512</u>	<u>293,418</u>
Deferred tax expense		
Current period	51,621	(5,992)
Prior years	<u>(29,940)</u>	<u>(15)</u>
Deferred tax expense	<u>21,681</u>	<u>(6,007)</u>
Income tax expense recognized in profit or loss	<u>\$ 312,193</u>	<u>\$ 287,411</u>

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

	For the Year Ended December 31	
	2021	2020
Income before income tax	<u>\$ 3,251,315</u>	<u>\$ 2,806,114</u>
Income tax expense calculated at the statutory rate	\$ 650,263	\$ 561,223
Income from offshore banking unit (OBU)	(294,889)	(422,649)
Tax-exempted investment income	(69,911)	(95,121)
Tax-exempted other items	5,605	13,285
Unrecognized deductible temporary differences	(55,697)	38,048
Additional income tax under the Alternative Minimum Tax Act	103,373	213,218
Overseas branch income tax	-	(18,497)
Adjustments for prior years' tax	(26,185)	(2,180)
Others	<u>(366)</u>	<u>84</u>
Income tax expense recognized in profit or loss	<u>\$ 312,193</u>	<u>\$ 287,411</u>

Due to the uncertainty of appropriation of earnings and approval by the shareholders in their meeting in 2022, the potential consequence of the 5% income tax rate of the unappropriated earnings in 2021 cannot be determined reliably.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2021	2020
Income tax benefit (expense) of remeasurement of defined benefit plans	<u>\$ 12,349</u>	<u>\$ (32,734)</u>

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

For the year ended December 31, 2021

Deferred Tax Assets	Beginning Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income (Loss)	Ending Balance
Temporary differences				
Allowance for possible losses in excess of the limit	\$ 89,019	\$ (12,765)	\$ -	\$ 76,254
Defined benefit plans in excess of the limit	114,254	18,109	12,349	144,712
Unrealized gain or loss on financial instruments	(49,118)	(28,744)	-	(77,862)
Others	<u>40,417</u>	<u>1,719</u>	<u>-</u>	<u>42,136</u>
	<u>\$ 194,572</u>	<u>\$ (21,681)</u>	<u>\$ 12,349</u>	<u>\$ 185,240</u>

For the year ended December 31, 2020

Deferred Tax Assets	Beginning Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income (Loss)	Ending Balance
Temporary differences				
Allowance for possible losses 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	<u>39,248</u>	<u>1,169</u>	<u>-</u>	<u>40,417</u>
	<u>\$ 221,299</u>	<u>\$ 6,007</u>	<u>\$ (32,734)</u>	<u>\$ 194,572</u>

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

	December 31, 2021	December 31, 2020
Allowance for possible losses in excess of the limit	<u>\$ 1,145,259</u>	<u>\$ 1,423,746</u>

e. Income tax assessments

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

36. EARNINGS PER SHARE

Unit: NT\$ Per Share

	For the Year Ended December 31	
	2021	2020
Basic EPS	<u>\$ 0.84</u>	<u>\$ 0.72</u>
Diluted EPS	<u>\$ 0.83</u>	<u>\$ 0.71</u>

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

	For the Year Ended December 31	
	2021	2020
Net income attributable to owners of the Bank used in the computation of basic and diluted EPS	<u>\$ 2,939,122</u>	<u>\$ 2,518,703</u>
<u>Number of Ordinary Shares (in thousand shares)</u>		
Weighted average number of ordinary shares in the computation of basic EPS	3,513,963	3,513,963
Effect of dilutive potential ordinary shares		
Employees' compensation	<u>14,316</u>	<u>14,595</u>
Weighted average number of ordinary shares used in the computation of diluted EPS	<u>3,528,279</u>	<u>3,528,558</u>

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

The weighted average number of ordinary shares outstanding for 2020 EPS calculation was retroactively adjusted to the issuance of stock dividends. The basic and diluted after-tax EPS were adjusted retrospectively as follows:

	For the Year Ended December 31, 2020	
	Before Adjustment	After Adjustment
Basic EPS	<u>\$ 0.73</u>	<u>\$ 0.72</u>
Diluted EPS	<u>\$ 0.73</u>	<u>\$ 0.71</u>

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
Yuan Ding Co., Ltd.	Chairman is the vice-chairman of the Bank
U-Ming Marine Transport Corp.	Chairman is the vice-chairman of the Bank
Far Eastone Telecommunications Corporation	Chairman is the vice-chairman of the Bank
Oriental Union Chemical Corporation	Chairman is the vice-chairman of the Bank
Far Eastern New Century Corp.	Chairman is the vice-chairman of the Bank
New Century InfoComm Tech Co., Ltd	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
Yu Yuan Investment Co., Ltd.	Substantive related party
Mr. Xu Yuanzhi Memorial Foundation	Substantive related party
Far Eastern International Leasing Corp.	Substantive related party
Pacific SOGO Department Stores Corp.	Substantive related party
Others	The Bank's chairman, vice-chairman, managers, their second-degree relatives and substantive related party

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

a. Due from other banks

	Highest Balance in Current Year	Ending Balance	Interest Revenues	Interest Rates
<u>Dah Chung Bills Finance Corp.</u>				
<u>For the year ended December 31</u>				
2021	<u>\$ 1,500,000</u>	<u>\$ -</u>	<u>\$ 185</u>	0.20%-0.27%
2020	<u>\$ 500,000</u>	<u>\$ 500,000</u>	<u>\$ 51</u>	0.15%-0.27%

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, 2021							
Consumer loans	Seven individuals	\$ 4,750	\$ 4,149	\$ 4,149	\$ -	Unsecured loan	Note 2
Loans for residential mortgage	Thirty five individuals	368,611	300,618	300,618	-	Real estate	Note 2
Others	Yuan Long Stainless Steel Co.	1,300,000	1,300,000	1,300,000	-	Real estate	Note 2
	Everest Textile Co., Ltd.	644,144	535,068	535,068	-	Real estate	Note 2
	Others (Note 1)	592,445	<u>27,545</u>	<u>27,545</u>	-	Real estate, certificates of deposits, stock unlisted on TWSE and stock listed on TWSE	Note 2
			<u>\$ 2,167,380</u>	<u>\$ 2,167,380</u>	<u>\$ -</u>		
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	<u>57,445</u>	<u>57,445</u>	-	Real estate, certificates of deposit, machinery, stock unlisted on TWSE, and stock listed on TWSE	Note 2
			<u>\$ 1,377,977</u>	<u>\$ 1,377,977</u>	<u>\$ -</u>		

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

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

The information related to the above loans is as follows:

	For the Year Ended December 31	
	2021	2020
Interest revenues	<u>\$ 17,296</u>	<u>\$ 25,734</u>
Interest rate	0.48%-1.87%	0.63%-3.22%
Provision for (reversal of) possible losses	<u>\$ 7,781</u>	<u>\$ (22,554)</u>

Balances of related allowance for possible losses were \$23,177 thousand and \$15,396 thousand as of December 31, 2021 and 2020, 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, 2021					
Far Eastern International Leasing Corp.	\$ 700,000	\$ 571,000	\$ 5,710	0.30%	Real estate
Der Ching Investment Corporation	180,000	180,000	1,800	0.50%-0.55%	Stock listed on TWSE
Yu Yuan Investment Co., Ltd.	130,000	130,000	1,300	0.50%-0.55%	Stock listed on TWSE
Oriental Union Chemical Corporation	130,000	130,000	1,300	0.50%	Stock listed on TWSE
Others (Note)	665,200	<u>75,000</u>	<u>750</u>	0.40%-0.80%	Real estate, stock unlisted on TWSE and stock listed on TWSE
		<u>\$ 1,086,000</u>	<u>\$ 10,860</u>		

(Continued)

Related Party	Highest Balance in Current Year	Ending Balance	Reserve for Guarantee Obligations	Interest Rate	Collateral
<u>For the year ended December 31, 2020</u>					
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	<u>222,200</u>	<u>2,222</u>	0.50%-0.80%	Real estate, machinery, stock unlisted on TWSE and stock listed on TWSE
		<u>\$ 1,652,200</u>	<u>\$ 16,522</u>		(Concluded)

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

d. Letters of credit issued

	December 31, 2021	December 31, 2020
Yuan Long Stainless Steel Co.	<u>\$ 14,684</u>	<u>\$ 2,155</u>

e. Derivative instruments (Note 8)

Related Party	Derivative Instrument	Contract Period	Nominal Amount	Valuation Gain (Loss)	Balance Sheet	
					Account	Balance
<u>For the year ended December 31, 2021</u>						
U-Ming Marine Transport (Singapore) Private, Ltd.	Interest rate swap contracts	2012.09.27 - 2028.01.10	\$ 2,576,555	\$ (125,571)	Financial assets at FVTPL	\$ 132,904
Far Eastern New Century Corp.	Forward exchange contracts	2021.11.26 - 2022.04.01	690,687	(1,996)	Financial assets at FVTPL	784
					Financial liabilities at FVTPL	2,780
<u>For the year ended December 31, 2020</u>						
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
Asia Cement Corp.	Cross-currency swap contracts	2018.12.25 - 2021.09.15	427,620	1,487	Financial liabilities at FVTPL	1,357
					Financial assets at FVTPL	26,854

f. Deposits

	December 31, 2021	December 31, 2020
Deposits of related parties (each account balance did not exceed 5% of total deposits)	<u>\$ 56,196,535</u>	<u>\$ 55,819,937</u>
Interest rate	0%-5.84%	0%-5.84%
	<u>For the Year Ended December 31 2021</u>	<u>2020</u>
Interest expenses	<u>\$ 185,126</u>	<u>\$ 331,281</u>

g. Prepayments

	December 31, 2021	December 31, 2020
New Century InfoComm Tech Co., Ltd.	\$ <u>13,748</u>	\$ <u>6,495</u>

h. Acquisition of equipment

	For the Year Ended December 31	
	2021	2020
New Century InfoComm Tech Co., Ltd.	\$ <u>13,676</u>	\$ <u>6,417</u>

i. Lessee agreements

	For the Year Ended December 31	
	2021	2020
Acquisition of right-of-use assets - Yuan Ding Co., Ltd.	\$ <u>252,870</u>	\$ <u>-</u>
	December 31, 2021	December 31, 2020
Lease liabilities - Yuan Ding Co., Ltd.	\$ 155,642	\$ -
Lease liabilities - Pacific SOGO Department Stores Corp.	15,684	20,826
Lease liabilities - Far Eastern Department Store Corp.	<u>13,080</u>	<u>17,242</u>
	<u>\$ 184,406</u>	<u>\$ 38,068</u>

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

j. Other net revenues and gains other than interest

	For the Year Ended December 31	
	2021	2020
Miscellaneous revenue - Yuan Ze University	\$ <u>-</u>	\$ <u>26,300</u>

k. Service fee expense

	For the Year Ended December 31	
	2021	2020
Refund from credit card		
Ding Ding Integrated Marketing Service Co.	\$ 137,006	\$ 148,098
Far Eastern Department Store Corp.	18,311	20,131
Promotion Service fee - Far EastTone Telecommunications Corporation	<u>-</u>	<u>32,473</u>
	<u>\$ 155,317</u>	<u>\$ 200,702</u>

l. Operating expenses

	For the Year Ended December 31	
	2021	2020
Marketing and advertising		
Far Eastern Department Store Corp.	\$ 81,146	\$ 100,141
Pacific SOGO Department Stores Corp.	67,004	58,346
Computer equipment maintenance expenses - New Century		
InfoComm Tech Co., Ltd	16,783	2,658
Donation expense - Mr. Xu Yuanzhi Memorial Foundation	<u>-</u>	<u>26,300</u>
	<u>\$ 164,933</u>	<u>\$ 187,445</u>

m. Compensation of key management personnel

	For the Year Ended December 31	
	2021	2020
Short-term employee benefits	\$ 180,021	\$ 186,401
Post-employment benefits	<u>4,062</u>	<u>2,398</u>
	<u>\$ 184,083</u>	<u>\$ 188,799</u>

38. PLEDGED ASSETS

	December 31, 2021	December 31, 2020
Financial assets at FVTOCI -		
Government bonds	\$ 3,577,633	\$ 3,651,851
Negotiable certificates of deposits	3,394,342	2,901,317
Other financial assets - deposits with original maturity more than 3 months	869,200	876,400
Due from the Central Bank and other banks - New Taiwan dollar reserve deposits - Type B	<u>500,000</u>	<u>500,000</u>
	<u>\$ 8,341,175</u>	<u>\$ 7,929,568</u>

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

39. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in Note 42, the Bank's contingent liabilities and commitments resulting from operating activities as of December 31, 2021 and 2020 are summarized as follows:

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

Balance Sheets of Trust Accounts

	December 31, 2021	December 31, 2020
<u>Assets</u>		
Deposits in banks	\$ 9,120,514	\$ 6,412,823
Accounts receivable	1,667	1,948
Funds	45,836,658	43,573,775
Equity stocks	4,895,595	4,754,620
Real estate, net		
Land	10,010,826	4,516,109
Building	66,552	8,155
Construction in progress	3,514,020	1,781,096
Intangible assets		
Superficies	13,471	-
Marketable securities in custody	15,932,874	15,496,986
Others	<u>2,572,465</u>	<u>2,310,558</u>
	<u>\$ 91,964,642</u>	<u>\$ 78,856,070</u>
<u>Liabilities</u>		
Accounts payable	\$ 2,358	\$ 1,716
Income tax payable	81	108
Marketable securities in custody payable	15,932,874	15,496,986
Trust capital	74,801,134	62,020,666
Reserve and earnings		
Net income or loss for current period	4,206,176	1,603,731
Accumulated profit or loss	(2,978,011)	(267,169)
Exchange	<u>30</u>	<u>32</u>
	<u>\$ 91,964,642</u>	<u>\$ 78,856,070</u>

Income Statements of Trust Accounts

	For the Year Ended December 31	
	2021	2020
Trust revenue		
Interest	\$ 24,677	\$ 30,878
Cash dividends	3,499,145	2,038,313
Realized capital gain - Common stock	2,183	1,268
Realized capital gain - Funds	3,038,167	1,597,016
Unrealized capital gain - Common stock	5,139	-
Unrealized capital gain - Funds	<u>16,212</u>	<u>11,373</u>
	<u>6,585,523</u>	<u>3,678,848</u>
Trust expenses		
Management	71,909	45,717
Supervision	344	446
Service charges	369,558	173,110
Taxes	4,187	4,915
Realized capital loss - Funds	1,877,091	1,481,407
Unrealized capital loss - Common stock	38,446	355,887
Unrealized capital loss - Funds	<u>17,535</u>	<u>13,316</u>
	<u>2,379,070</u>	<u>2,074,798</u>
Net income before tax	4,206,453	1,604,050
Income tax	<u>277</u>	<u>319</u>
Net income	<u>\$ 4,206,176</u>	<u>\$ 1,603,731</u>

Trust Asset Lists

	December 31, 2021	December 31, 2020
Deposits in banks	\$ 9,120,514	\$ 6,412,823
Funds	45,836,658	43,573,775
Equity stocks	4,895,595	4,754,620
Accounts receivable	1,667	1,948
Real estate, net		
Land	10,010,826	4,516,109
Building	66,552	8,155
Construction in progress	3,514,020	1,781,096
Intangible assets		
Superficies	13,471	-
Marketable securities in custody	15,932,874	15,496,986
Others	<u>2,572,465</u>	<u>2,310,558</u>
	<u>\$ 91,964,642</u>	<u>\$ 78,856,070</u>

As of December 31, 2021 and 2020, funds amounting to \$1,143,589 thousand and \$1,048,795 thousand, respectively, had been recognized in the OBU's books as investment in overseas securities through Non-discretionary Pecuniary Trust of the OBU.

40. 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, 2021			December 31, 2020		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>						
Monetary items						
USD	\$ 3,924,007	27.690	\$ 108,655,744	\$ 3,666,557	28.508	\$ 104,526,196
HKD	2,330,977	3.551	8,276,367	2,312,691	3.678	8,506,078
CNY	1,494,897	4.346	6,496,822	2,191,448	4.382	9,602,923
EUR	171,240	31.330	5,364,930	105,421	35.050	3,694,997
AUD	120,074	20.095	2,412,832	103,420	21.990	2,274,202
ZAR	974,580	1.735	1,691,091	1,023,326	1.948	1,993,439
JPY	6,237,956	0.241	1,500,228	6,913,596	0.276	1,910,918
SGD	18,313	20.460	374,691	59,017	21.580	1,273,597
NZD	8,178	18.889	154,476	7,079	20.600	145,826
GBP	3,955	37.294	147,485	5,043	38.920	196,259
CAD	5,364	21.627	116,016	8,861	22.360	198,142
<u>Financial liabilities</u>						
Monetary items						
USD	3,819,926	27.690	105,773,762	3,547,723	28.508	101,138,496
HKD	2,364,618	3.551	8,395,813	2,422,617	3.678	8,910,385
CNY	1,448,499	4.346	6,295,178	2,175,383	4.382	9,532,529
EUR	169,812	31.330	5,320,205	104,058	35.050	3,647,223
AUD	120,604	20.095	2,423,486	103,996	21.990	2,286,871
ZAR	979,785	1.735	1,700,123	1,054,560	1.948	2,054,282
JPY	6,482,686	0.241	1,559,086	7,041,930	0.276	1,946,390
SGD	18,287	20.460	374,159	58,970	21.580	1,272,572
GBP	4,397	37.294	163,999	5,027	38.920	195,633
NZD	7,136	18.889	134,785	7,789	20.600	160,459
CAD	5,925	21.627	128,131	7,881	22.360	176,210

41. 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 on transaction date (Normally refer to transaction price). All financial instruments are subsequently measured at fair value on balance sheet date except for financial instruments which are valued at amortized cost.

2) Valuation techniques for fair value measurement

When the Bank determines 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' quotes or to parameters based on conditions and quoted market prices of financial instruments that are similar to those of the Bank' instruments.

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

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

3) Credit risk valuation adjustment

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

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

The CVA is calculated by multiplying the probability of default (the "PD") (under zero default rate of the Bank), 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 reflect the credit risk of the counterparty and the credit quality of the Bank respectively and incorporate credit risk adjustments into measuring the fair value of financial instruments, the Bank use the appropriate ratio of LGD and PD that follows the advice of "The disclosure guidelines of CVA and DVA under IFRS 13" issued by the TWSE, and calculate the counterparty's EAD based on the mark-to-market of over-the-counter derivatives transaction.

4) The definition of three levels of fair value information

a) Level 1

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

b) Level 2

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

c) Level 3

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

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

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

Financial Instruments	December 31, 2021			
	Total	Level 1	Level 2	Level 3
<u>Non-derivative financial assets and liabilities</u>				
Financial assets mandatorily at FVTPL				
Bonds investments	\$ 14,040,793	\$ 14,040,793	\$ -	\$ -
Equity investments	928,354	928,354	-	-
Beneficiary certificates	475,023	475,023	-	-
Financial assets at FVTOCI				
Equity instruments	1,358,540	1,090,772	-	267,768
Debt instruments				
Bonds investments	75,038,276	75,038,276	-	-
Bills investments	37,032,899	-	37,032,899	-
Financial liabilities held for trading				
Short-covering debentures	148,325	148,325	-	-
<u>Derivative financial assets and liabilities</u>				
Financial assets mandatorily at FVTPL	3,418,922	730	3,342,443	75,749
Financial liabilities at FVTPL	2,853,964	-	2,851,045	2,919
<u>Hybrid contract</u>				
Financial assets mandatorily at FVTPL	18,799,675	117,293	18,682,382	-
Financial Instruments	December 31, 2020			
	Total	Level 1	Level 2	Level 3
<u>Non-derivative financial assets and liabilities</u>				
Financial assets mandatorily at FVTPL				
Bonds investments	\$ 11,750,113	\$ 11,750,113	\$ -	\$ -
Equity investments	673,149	673,149	-	-
Beneficiary certificates	234,854	234,854	-	-
Financial assets at FVTOCI				
Equity instruments	1,384,272	1,088,114	-	296,158
Debt instruments				
Bonds investments	71,191,440	71,191,440	-	-
Bills investments	105,083,961	-	105,083,961	-
<u>Derivative financial assets and liabilities</u>				
Financial assets mandatorily at FVTPL	5,993,282	878	5,855,925	136,479
Financial liabilities at FVTPL	5,196,435	-	5,196,196	239
<u>Hybrid contract</u>				
Financial assets mandatorily at FVTPL	13,106,038	183,304	12,922,734	-

2) Transfers between Levels 1 and Level 2

There was no transfer between Level 1 and Level 2 for the years ended December 31, 2021 and 2020.

3) Level 3 financial instruments

a) Movement of Level 3 financial assets

For the Year Ended December 31, 2021

Item	Beginning Balance	Valuation		Increase in the Current Year		Decrease in the Current Year		Ending Balance
		Included in Profit or Loss	Included in Other Comprehensive Income	Purchase or Issue	Transfer-in	Sale, Disposition or Settlement	Transfer-out from Level 3	
Mandatorily at FVTPL	\$ 136,479	\$ (28,442)	\$ -	\$ 30,401	\$ -	\$ (62,689)	\$ -	\$ 75,749
Financial assets at FVTOCI	296,158	-	(35,436)	7,046	-	-	-	267,768
Total	\$ 432,637	\$ (28,442)	\$ (35,436)	\$ 37,447	\$ -	\$ (62,689)	\$ -	\$ 343,517

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 Comprehensive 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

b) Movements of Level 3 financial liabilities

For the Year Ended December 31, 2021

Item	Beginning Balance	Valuation Included in Profit or Loss	Increase in the Current Year		Decrease in the Current Year		Ending Balance
			Purchase or Issue	Transfer-in	Sale, Disposition or Settlement	Transfer-out from Level 3	
Financial liabilities at FVTPL							
Derivative financial liabilities	\$ 239	\$ (239)	\$ 2,919	\$ -	\$ -	\$ -	\$ 2,919

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

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

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

Measured at Fair Value Based on Repetition	Fair Value	Valuation Techniques	Significant Unobservable Parameters	Interval	Relationship Between Parameters and Fair Value
<u>Derivative financial assets</u>					
December 31, 2021	\$ 75,749	Default probability model	Credit separation	0.05%-2.00%	The increase of credit separation decreases its fair value.
December 31, 2020	136,479	Default probability model	Credit separation	0.40%-2.23%	The increase of credit separation decreases its fair value.
<u>Investments in equity</u>					
December 31, 2021	238,460	Income approach - cash dividend discount method	Without open market marketable discount	19.54%	The increase of discount decreases its fair value
	17,758	Market approach - comparable listed or TPEX company	Without open market marketable discount	10.00%	The increase of discount decreases its fair value
	11,550	Net asset value method	Net asset value	N/A	The increase of net asset value increases its fair value
December 31, 2020	272,483	Income approach - cash dividend discount method	Without open market marketable discount	19.78%	The increase of discount decreases its fair value
	12,287	Market approach - 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	Net asset value	N/A	The increase of net asset value increases its fair value
<u>Derivative financial liabilities</u>					
December 31, 2021	2,919	Default probability model	Credit separation	0.05%-2.00%	The increase of credit separation decreases its fair value.
December 31, 2020	239	Default probability model	Credit separation	0.40%-2.23%	The increase of credit separation decreases its fair value.

d) Valuation procedures for Level 3 fair value

The evaluation of financial instruments at the level 3 is from specific departments independent of the business unit and external experts evaluating the fair values close to the market status, ensuring the data source is independent, reliable, and consistent with other resources, reviewing the evaluation parameters regularly, updating the required input values, confirming whether correcting the valuation technique is necessary, and adjusting fair value if necessary to ensure the rationality in the evaluation results.

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

The fair value of the Bank's financial instruments is evaluated as reasonable. Had the valuation parameters for financial instruments categorized within Level 3 been 0.01% higher/lower, the impact of fair value on the assets and liabilities would have been as follows:

Item	Impact on Gain and Loss			
	December 31, 2021		December 31, 2020	
	Favorable	Unfavorable	Favorable	Unfavorable
<u>Assets</u>				
Mandatorily at FVTPL	\$ 2,638	\$ (4,424)	\$ 1,219	\$ (4,374)
<u>Liabilities</u>				
Financial liabilities at FVTPL	265	(265)	41	(41)

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

- 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:

December 31, 2021

	Book Value	Fair Value	The Fair Value Hierarchy of Financial Instruments	
			Level 1	Level 2
<u>Financial asset</u>				
Investments in debt instrument at amortized cost	\$ 71,374,127	\$ 71,381,072	\$ 781,676	\$ 70,599,396
<u>Financial liabilities</u>				
Bank debentures	23,901,900	24,005,681	-	24,005,681

December 31, 2020

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

The fair values of financial instruments with quoted price in an active market are based on their market prices; fair values of financial instruments with no quoted prices in an active market are estimated by valuation methods.

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

c. Credit risk management

1) Definition and scope of credit risk

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

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

2) Management policies on credit risk

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

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

a) The credit risk has increased significantly after original recognition

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

Qualitative Index

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

Quantitative Index

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

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

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

Qualitative Index

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

Quantitative Index

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

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

The aforementioned default and credit impairment definitions apply to all financial assets held by the Bank and 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 was 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, 2021	December 31, 2020
Unused portion of credit card lines	\$ 196,500,728	\$ 197,805,517
Guarantees and standby L/Cs	27,328,893	27,721,592
Irrevocable loan commitments	14,708,106	14,286,387

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, 2021

	Maximum Credit Risk Exposure			Total
	With Collaterals	Other Credit Enhancements	Without Collaterals	
<u>Balance sheet items</u>				
Discounts and loans	\$ 266,364,388	\$ 65,293,423	\$ 81,213,889	\$ 412,871,700
Receivables - credit card	-	-	12,771,358	12,771,358
Receivables - acceptances	278,668	22,657	118,164	419,489
<u>Off-Balance sheet items</u>				
Unused portion of credit card lines	-	-	196,500,728	196,500,728
Guarantee	10,495,751	6,390,460	9,016,095	25,902,306
Letters of credit issued	61,948	705,655	658,984	1,426,587
Irrevocable loan commitments	<u>1,994,045</u>	<u>-</u>	<u>12,714,061</u>	<u>14,708,106</u>
	<u>\$ 279,194,800</u>	<u>\$ 72,412,195</u>	<u>\$ 312,993,279</u>	<u>\$ 664,600,274</u>

December 31, 2020

	Maximum Credit Risk Exposure			Total
	With Collaterals	Other Credit Enhancements	Without Collaterals	
<u>Balance sheet items</u>				
Discounts and loans	\$ 258,597,463	\$ 56,166,720	\$ 74,092,529	\$ 388,856,712
Receivables - credit card	-	-	13,875,508	13,875,508
Receivables - acceptances	205,826	35,510	660,550	901,886

(Continued)

	Maximum Credit Risk Exposure			Total
	With Collaterals	Other Credit Enhancements	Without Collaterals	
<u>Off-Balance sheet items</u>				
Unused portion of credit card lines	\$ -	\$ -	\$ 197,805,517	\$ 197,805,517
Guarantee	8,533,490	8,886,725	9,171,368	26,591,583
Letters of credit issued	26,822	731,399	371,788	1,130,009
Irrevocable loan commitments	<u>95,804</u>	<u>-</u>	<u>14,190,583</u>	<u>14,286,387</u>
	<u>\$ 267,459,405</u>	<u>\$ 65,820,354</u>	<u>\$ 310,167,843</u>	<u>\$ 643,447,602</u> (Concluded)

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.

Stage 3 impaired financial assets

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

	Carrying Amount	Allowance for Possible Losses Under IFRS 9	Collateral Fair Value And Other Credit Enhancements
<u>December 31, 2021</u>			
Receivables			
Credit cards	\$ 1,048,593	\$ 351,370	\$ -
Others	24,001	7,526	2,107
Discounts and loans	<u>2,815,722</u>	<u>781,459</u>	<u>1,121,286</u>
	<u>\$ 3,888,316</u>	<u>\$ 1,140,355</u>	<u>\$ 1,123,393</u>
<u>December 31, 2020</u>			
Receivables			
Credit cards	\$ 1,148,054	\$ 363,988	\$ -
Others	26,077	7,483	2,590
Discounts and loans	<u>4,373,009</u>	<u>1,633,428</u>	<u>2,329,034</u>
	<u>\$ 5,547,140</u>	<u>\$ 2,004,899</u>	<u>\$ 2,331,624</u>

6) Concentrations of credit risk

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

a) By industry

Industry Sector	December 31, 2021		December 31, 2020	
	Amount	%	Amount	%
Finance and insurance	\$ 56,948,172	14	\$ 50,871,153	13
Manufacturing	44,806,320	11	38,496,332	10
Real estate	<u>27,605,939</u>	<u>6</u>	<u>23,020,517</u>	<u>6</u>
	<u>\$ 129,360,431</u>	<u>31</u>	<u>\$ 112,388,002</u>	<u>29</u>

b) By geography

Region	December 31, 2021		December 31, 2020	
	Amount	%	Amount	%
Taiwan	\$ 362,168,882	88	\$ 337,835,560	87
Asia Pacific except Taiwan	28,303,409	7	27,282,587	7
Others	<u>22,399,409</u>	<u>5</u>	<u>23,738,565</u>	<u>6</u>
	<u>\$ 412,871,700</u>	<u>100</u>	<u>\$ 388,856,712</u>	<u>100</u>

c) By type of collaterals

Type of Collaterals	December 31, 2021		December 31, 2020	
	Amount	%	Amount	%
Unsecured	\$ 146,507,312	36	\$ 130,259,249	34
Secured				
Real estate	228,252,258	55	221,161,171	57
Financial collateral	19,835,704	5	16,860,409	4
Movable property	17,150,003	4	18,984,983	5
Others	<u>1,126,423</u>	<u>-</u>	<u>1,590,900</u>	<u>-</u>
	<u>\$ 412,871,700</u>	<u>100</u>	<u>\$ 388,856,712</u>	<u>100</u>

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

Some of the financial assets held by the Bank, 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 management

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 implemented by an independent department, include:

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

Monitoring and reporting take the form of cash flow measurement and projections respectively for the next ten days, one month, two months, etc., to, one year and over one year. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets. Related information is submitted regularly to the Bank's Assets and Liabilities Management Committee and the Board of Directors.

3) Financial assets held for liquidity risk management purposes

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

As of December 31, 2021 and 2020, the Bank's liquidity reserve ratios were 37.42%, and 37.53%, respectively.

4) Maturity analysis of non-derivative financial liabilities

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

December 31, 2021	Due in 30 Days	Due Between 31 Days and 90 Days	Due Between 91 Days and 180 Days	Due Between 181 Days and One Year	Due After One Year	Total
Due to the Central Bank and other banks	\$ 389,971	\$ 1,401,849	\$ -	\$ -	\$ -	\$ 1,791,820
Funds borrowed from the Central Bank and other banks	-	-	-	77,240	-	77,240
Securities sold under repurchase agreement	4,960	-	-	-	-	4,960
Short-covering debentures	148,325	-	-	-	-	148,325
Payables	2,354,685	1,142,298	535,964	461,172	976,490	5,470,609
Deposits and remittances	99,654,092	140,154,009	94,615,892	141,676,785	136,455,480	612,556,258
Bank debentures	-	-	-	3,000,000	20,901,900	23,901,900
Principal received on structured products	67,404	20,130	199,700	127,069	22,636,303	23,050,606
Other financial liabilities	-	-	-	-	187,451	187,451
Lease liabilities	37,018	68,406	93,378	179,842	651,241	1,029,885
Total	\$ 102,656,455	\$ 142,786,692	\$ 95,444,934	\$ 145,522,108	\$ 181,808,865	\$ 668,219,054

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	1,710,185	1,262,651	920,883	440,179	797,182	5,131,080
Deposits and remittances	99,577,493	111,874,138	89,134,735	135,042,864	147,063,182	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	\$ 105,632,375	\$ 113,551,680	\$ 90,114,594	\$ 136,719,021	\$ 178,134,595	\$ 624,152,265

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

Maturity analysis of demand deposits in “deposits and remittances” are allocated to each period based on historical experience. If all demand deposits were required to be paid off in recent period, the cash outflows on period of due in 30 days would have been \$296,193,519 thousand and \$277,975,060 thousand as of December 31, 2021 and 2020, respectively.

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

	Due Between 1 Year and 2 Years	Due Between 2 Years and 3 Years	Due After 3 Years	Total
December 31, 2021	<u>\$ 291,664</u>	<u>\$ 174,270</u>	<u>\$ 185,307</u>	<u>\$ 651,241</u>
December 31, 2020	<u>\$ 193,043</u>	<u>\$ 151,568</u>	<u>\$ 228,729</u>	<u>\$ 573,340</u>

5) Maturity analysis of derivative financial liabilities

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

December 31, 2021	Due in 30 Days	Due Between 31 Days and 90 Days	Due Between 91 Days and 180 Days	Due Between 181 Days and One Year	Due After One Year	Total
Derivative financial liabilities at FVTPL						
Foreign exchange derivatives	\$ 253	\$ 186	\$ 1,047	\$ 2,267	\$ -	\$ 3,753
Interest rate derivatives	3,129	7,987	57,992	34,933	867,410	971,451
Total	\$ 3,382	\$ 8,173	\$ 59,039	\$ 37,200	\$ 867,410	\$ 975,204

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

Note: The amounts disclosed in the table are the contractual cash flows, some of which may not reconcile to the corresponding items in the 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, 2021	Due in 30 Days	Due Between 31 Days and 90 Days	Due Between 91 Days and 180 Days	Due Between 181 Days and One Year	Due After One Year	Total
Derivative financial liabilities at FVTPL						
Foreign exchange derivatives						
Cash outflow	\$ 87,044,207	\$ 76,746,020	\$ 43,754,706	\$ 40,563,399	\$ 3,086,828	\$ 251,195,160
Cash inflow	86,445,481	76,456,206	43,595,941	40,339,247	3,111,205	249,948,080
Interest rate derivatives						
Cash outflow	-	-	-	-	4,765,990	4,765,990
Cash inflow	-	-	-	-	4,707,300	4,707,300
Credit derivatives						
Cash outflow	-	-	-	-	-	-
Cash inflow	-	980	969	1,938	15,776	19,663
Subtotal of cash outflow	87,044,207	76,746,020	43,754,706	40,563,399	7,852,818	255,961,150
Subtotal of cash inflow	86,445,481	76,457,186	43,596,910	40,341,185	7,834,281	254,675,043
Net cash flow	\$ (598,726)	\$ (288,834)	\$ (157,796)	\$ (222,214)	\$ (18,537)	\$ (1,286,107)

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)

Note: The amounts disclosed in the table are the contractual cash flows, some of which may not reconcile to the corresponding items in the 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, 2021	Due in 30 Days	Due Between 31 Days and 90 Days	Due Between 91 Days and 180 Days	Due Between 181 Days and One Year	Due After One Year	Total
Developed and irrevocable loan commitments	\$ 14,708,106	\$ -	\$ -	\$ -	\$ -	\$ 14,708,106
Irrevocable credit card commitments	196,500,728	-	-	-	-	196,500,728
Issued but unused letters of credit	1,426,587	-	-	-	-	1,426,587
Other guarantees	18,648,206	6,554,100	-	100,000	600,000	25,902,306
Total	\$ 231,283,627	\$ 6,554,100	\$ -	\$ 100,000	\$ 600,000	\$ 238,537,727

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

e. Market risk management

1) Definition and scope of market risk

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

2) Management policies of market risk

The Bank develops appropriate management process to identify and measure market risk, and to effectively manage and control credit limits, valuation of profits and losses, sensitivity analysis and stress tests of each financial instrument position. Besides, the Bank takes appropriate management strategy while facing market risk in its daily operating activities and management processes. The information of market risk and implementation are managed, monitored and disclosed by the Risk Management Group. A summary report, including suggestion, is submitted regularly to the Risk Management Committee and the Board of Directors.

3) Market risk management process

a) Recognition and measurement

The risk measurement system identifies 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.

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 transactions with the intention of profiting from actual or forecast spread. Positions not belonging to trading book are carried in banking book.

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

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

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

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

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

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

The identification and measurement of interest rate risk in banking book include re-pricing and yield curve risks, and measure the possible impact of changes in interest rate on profits and losses. The Bank analyzes and monitors position limits and various management indexes of interest risk (such as the ratio of interest rate sensitivity gap over total assets) 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.

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 40.

6) Management of equity securities market risk

a) Definition and measurement bases of equity market risk

Equity market risk is the risk arising from open positions in equity securities as a result of fluctuations in the market prices of individual securities. The Bank manages market risk on the basis of closing prices of equity securities.

b) Management processes of equity market risk

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

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

7) Valuation techniques of market risk

a) Stress testing

The Risk Management Group performs stress testing at least once a year and submits the results of stress testing to the Risk Management Committee and the board of directors. The Bank applies market risk factors sensitivity analysis under extreme scenarios to analyze the situational profit and loss and risk exposure of risk factors on asset portfolios in trading book that have become extremely volatile for the management to evaluate the risk-bearing capacity and ensure the continuous solvency of the Bank.

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 in trading book 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 an increase/decrease of \$2,415 thousand in income before income tax for the year ended December 31, 2021. There would be a decrease/increase of \$772 thousand in income before income tax for the year ended December 31, 2020. There would be a decrease/increase of \$144 thousand and \$116 thousand in other comprehensive income for the years ended December 31, 2021 and 2020, respectively.

ii. Foreign exchange sensitivity

Foreign exchange rate factor sensitivity (“FX Delta”) measured at the balance sheet date is the impact on the values of foreign exchange positions in trading book 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 \$190,539 thousand and \$248,379 thousand in income before income tax for the year ended December 31, 2021 and 2020, respectively.

iii. Equity securities market risk

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

Where the securities prices increases/decreases by 1%, assuming all other variables remain constant, there would be an increase/decrease of \$15,240 thousand and \$10,993 thousand in income before income tax for the year ended December 31, 2021 and 2020 respectively.

f. Interest rate benchmark reform

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

Overnight risk-free rates are expected to replace most of the five currency of LIBOR. There are key differences between LIBOR and overnight risk-free rates. LIBOR is “forward looking”, which implies market expectation over future interest rates, and includes a credit spread over the risk-free rate. Overnight risk-free rates are currently a “backward-looking” rate, based on interest rates from actual transactions, and excludes a credit spread. Therefore, the Bank has transferred existing contracts and agreements that reference LIBOR to overnight risk-free rates.

According to IBA’s announcement on March 5, 2021, one-week and two-month USD LIBOR, GBP LIBOR, EUR LIBOR, CHF LIBOR and JPY LIBOR are expected to be available until the end of 2021, and the remaining USD LIBOR will sure to be available until the end of June 2023.

In response to the reform, the Bank prepared interest rate benchmark transition plan which comprises the following work streams: Risk management, contract management, product management, taxation and accounting, and customer communication. The Bank has already implemented the adjustments of internal processes and risk management policies, upgraded IT systems and valuation models of financial instruments, as well as managing any related tax and accounting implications.

For contracts of loans and financial instruments that are expected to expire after the discontinuation of LIBOR, the Bank has gradually incorporated fallback provisions into the supplementary contracts of the financial instrument contracts since August 2021 to enable the contract-linked interest rate to be converted from the current interest rate to another alternative reference rate at the agreed time.

On December 31, 2021, the non-derivative financial instruments held by the Bank that have been affected by the interest rate benchmark reform and have not transitioned to an alternative benchmark interest rate are summarized as follows:

Items	Carrying Amount		
	Linked to USD LIBOR	Linked to JPY LIBOR	Linked to EUR LIBOR
Assets			
Financial assets at FVTPL	\$ 13,700,668	\$ -	\$ -
Financial assets at FVTOCI	7,016,696	-	-
Debt instrument investment measured at amortized cost	361,813	-	-
Receivables	4,899,675	-	-
Discounts and loans	<u>40,630,298</u>	<u>305,262</u>	<u>354,090</u>
	<u>\$ 66,609,150</u>	<u>\$ 305,262</u>	<u>\$ 354,090</u>
Liabilities			
Principal received on structured products	<u>\$ 188,266</u>	<u>\$ -</u>	<u>\$ -</u>

On December 31, 2021, the derivative financial instruments held by the Bank that have been affected by the interest rate benchmark reform and have not transitioned to an alternative benchmark interest rate are summarized as follows:

Items	Nominal Amount	Carrying Amount	
		Financial Assets	Financial Liabilities
Derivative financial instruments linked to USD LIBOR			
Interest rate swap contracts	\$ 20,631,283	\$ 501,261	\$ 435,383
Cross-currency swap contracts	<u>6,091,800</u>	<u>26,322</u>	<u>39,203</u>
	<u>\$ 26,723,083</u>	<u>\$ 527,583</u>	<u>\$ 474,586</u>

g. Transfer of financial assets

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

Types of Financial Assets	Book Value of Transferred Financial Assets	Book Value of Related Financial Liabilities	Fair Value of Transferred Financial Assets	Fair Value of Related Financial Liabilities	Net Position of Fair Value
FVTOCI - transactions under repurchase agreements					
December 31, 2021	\$ 5,572	\$ 4,959	\$ 5,572	\$ 4,959	\$ 613
December 31, 2020	3,714,951	3,530,487	3,714,951	3,530,487	184,464

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

1) Asset quality of loans

Nonperforming loans and nonperforming receivables of the Bank

Business		Item	December 31, 2021				
			Nonperforming Loans (Note a)	Loans	Ratio of Nonperforming Loans (Note b)	Allowance for Possible Losses	Coverage Ratio (Note c)
Corporate Banking	Secured		\$ 493,328	\$ 60,785,039	0.81%	\$ 778,304	157.77%
	Unsecured		70,842	115,288,079	0.06%	1,339,588	1,890.95%
	Residential mortgage (Note d)		147,388	134,458,648	0.11%	2,021,794	1,371.75%
Consumer Banking	Cash card		-	-	-	-	-
	Small-scale credit loan (Note e)		289,749	24,715,787	1.17%	446,802	154.20%
	Others (Note f)	Secured		89,279	71,120,701	0.13%	766,174
Unsecured			3,778	6,503,446	0.06%	77,273	2,045.34%
Total			1,094,364	412,871,700	0.27%	5,429,935	496.17%
Business		Item	December 31, 2021				
			Nonperforming Receivables	Accounts Receivable	Ratio of Nonperforming Receivables	Allowance for Possible Losses	Coverage Ratio
	Credit card		32,038	12,771,358	0.25%	368,769	1,151.04%
	Accounts receivable factored without recourse (Note g)		-	6,451,669	-	68,663	-

Business \ Item		December 31, 2020				
		Nonperforming Loans (Note a)	Loans	Ratio of Nonperforming Loans (Note b)	Allowance for Possible Losses	Coverage Ratio (Note c)
Corporate Banking	Secured	\$ 988,046	\$ 58,752,471	1.68%	\$ 809,325	81.91%
	Unsecured	433,773	98,963,450	0.44%	1,396,604	321.97%
Consumer Banking	Residential mortgage (Note d)	106,746	128,879,002	0.08%	2,152,061	2,016.06%
	Cash card	-	-	-	-	-
	Small-scale credit loan (Note e)	312,785	25,246,962	1.24%	460,062	147.09%
	Others (Note f)	Secured	135,449	70,965,990	0.19%	774,847
Unsecured		899	6,048,837	0.01%	71,044	7,902.56%
Total		1,977,698	388,856,712	0.51%	5,663,943	286.39%

Business \ Item		December 31, 2020				
		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	-

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

Note b: Ratio of nonperforming loans: Nonperforming loans ÷ Outstanding loan balance.

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

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

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

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

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

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

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

Nonperforming loans and nonperforming receivables excluded from the information stated above

Business	Item	December 31, 2021		December 31, 2020	
		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)		\$ 20,394	\$ 64,980	\$ 30,513	\$ 93,417
Loans upon performance of a debt discharge program and rehabilitation program (Note b)		1,109,145	860,906	1,032,270	926,253
Total		1,129,539	925,886	1,062,783	1,019,670

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, 2021		
	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	\$ 13,136,450	26
2	B Group - 4652 - wholesale of motorcycles	6,642,932	13
3	C Group - 6499 - other financial service activities not elsewhere classified	5,725,899	12
4	D Group - 3510 - electricity supply	3,939,709	8
5	E Group - 6496 - non-depository financing	3,756,960	8
6	F Group - 2613 - packaging and testing of semiconductors	3,580,609	7
7	G Group - 4642 - electricity transmission and distribution enterprise	3,391,350	7
8	H Group - 2699 - non-categorized and other electronic component manufacturing	3,192,847	6
9	I Group - 2411 - smelting and refining of iron and steel	3,143,587	6
10	J Group - 6499 - other financial service activities not elsewhere classified	3,000,000	6

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 - other financial service activities not elsewhere classified	4,945,348	10
3	C Group - 6491 - financial leasing industry	4,573,403	9
4	K Group - 6496 - non-depository financing	4,370,634	9
5	L Group - 6499 - other financial service activities not elsewhere classified	3,101,073	6
6	J Group - 6499 - other financial service activities not elsewhere classified	3,000,000	6
7	D Group - 3510 - electricity supply	2,877,573	6
8	I Group - 2411 - smelting and refining of iron and steel	2,648,034	5
9	M Group - 2611 - manufacture of integrated circuits	2,615,678	5
10	N Group - 4210 - construction of roads and railways	2,570,369	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, 2021

Items	1 Day to 90 Days	91 Days to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 360,540,038	\$ 163,501,248	\$ 9,899,079	\$ 42,393,927	\$ 576,334,292
Interest rate-sensitive liabilities	222,916,709	206,892,834	80,361,063	24,318,965	534,489,571
Interest rate sensitivity gap	137,623,329	(43,391,586)	(70,461,984)	18,074,962	41,844,721
Net worth					49,701,951
Ratio of interest rate-sensitive assets to liabilities					107.83%
Ratio of interest rate-sensitivity gap to net worth					84.19%

**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%

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, 2021**

(In Thousands of U.S. Dollars)

Items	1 Day to 90 Days	91 Days to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 3,075,239	\$ 66,857	\$ 146,901	\$ 127,409	\$ 3,416,406
Interest rate-sensitive liabilities	1,181,945	2,362,928	177,818	-	3,722,691
Interest rate sensitivity gap	1,893,294	(2,296,071)	(30,917)	127,409	(306,285)
Net worth					1,794,942
Ratio of interest rate-sensitive assets to liabilities					91.77%
Ratio of interest rate-sensitivity gap to net worth					(17.06%)

**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%)

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, 2021	For the Year Ended December 31, 2020
Return on total assets	Before tax	0.46%	0.42%
	After tax	0.42%	0.38%
Return on equity	Before tax	6.61%	5.84%
	After tax	5.97%	5.25%
Net income ratio		28.35%	23.65%

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, 2021

	Total	Amount for Remaining Period to Maturity					
		0 Day to 10 Days	11 Days to 30 Days	31 Days to 90 Days	91 Days to 180 Days	181 Days to One Year	Over One Year
Main capital inflow on maturity	\$ 788,354,119	\$ 132,991,954	\$ 93,352,744	\$ 118,306,092	\$ 88,251,525	\$ 83,962,598	\$ 271,489,206
Main capital outflow on maturity	956,912,227	61,352,297	97,217,833	197,495,551	174,961,218	192,014,074	233,871,254
Gap	(168,558,108)	71,639,657	(3,865,089)	(79,189,459)	(86,709,693)	(108,051,476)	37,617,952

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

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

b) For U.S. dollar items

December 31, 2021

(In Thousands of U.S. Dollars)

	Total	Amount for Remaining Period to Maturity				
		0 Day to 30 Days	31 Days to 90 Days	91 Days to 180 Days	181 Days to One Year	Over One Year
Main capital inflow on maturity	\$ 11,522,239	\$ 4,189,779	\$ 2,480,909	\$ 1,566,914	\$ 1,354,511	\$ 1,930,126
Main capital outflow on maturity	12,323,271	3,392,587	3,771,796	2,480,361	2,071,325	607,202
Gap	(801,032)	797,192	(1,290,887)	(913,447)	(716,814)	1,322,924

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

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

43. CAPITAL MANAGEMENT

a. Objective of capital management

- 1) The basic goal of the Bank's capital management is that unconsolidated regulatory capital and the consolidated regulatory capital should meet the requirements of the related regulations. The ratio of regulatory capital and risk assets (the "capital adequacy ratio") should meet the statutory threshold according to the "Regulations Governing the Capital Adequacy and Capital Category of Banks".
- 2) In order to maintain an adequate level of capital to bear various risks, the Bank makes capital planning based on the operating plans and budget, the development strategies and dividend policy. 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 Bank are performed stress testing periodically and evaluated capital adequacy to 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:

Unconsolidated

		December 31, 2021	December 31, 2020	
Regulatory capital	Common equity	\$ 46,653,029	\$ 45,007,659	
	Additional Tier I capital	1,848,490	1,852,775	
	Tier II capital	11,392,226	10,674,012	
	Total common capital	59,893,745	57,534,446	
Risk-weighted assets	Credit risk	Standardized approach	393,687,935	378,101,729
		Internal rating-based approach	-	-
		Asset securitization	458,214	859,791
	Operational risk	Basic indicator approach	20,512,863	20,229,725
		Standardized approach/alternative standardized approach	-	-
		Advanced measurement approach	-	-
	Market risk	Standardized approach	14,680,875	8,822,288
		Internal models approach	-	-
	Total risk-weighted assets		429,339,887	408,013,533
Capital adequacy ratio		13.95%	14.10%	
Ratio of common equity to risk-weighted assets		10.87%	11.03%	
Ratio of Tier I capital to risk-weighted assets		11.30%	11.49%	
Leverage ratio		5.87%	6.09%	

Consolidated

		December 31, 2021	December 31, 2020	
Regulatory capital	Common equity	\$ 47,211,995	\$ 45,576,902	
	Additional Tier I capital	2,407,456	2,422,018	
	Tier II capital	12,541,523	11,831,485	
	Total common capital	62,160,974	59,830,405	
Risk-weighted assets	Credit risk	Standardized approach	396,197,242	380,483,851
		Internal rating-based approach	-	-
		Asset securitization	458,214	859,791
	Operational risk	Basic indicator approach	21,252,263	20,884,000
		Standardized approach/alternative standardized approach	-	-
		Advanced measurement approach	-	-
	Market risk	Standardized approach	14,680,875	8,822,288
		Internal models approach	-	-
	Total risk-weighted assets		432,588,594	411,049,930
Capital adequacy ratio		14.37%	14.56%	
Ratio of common equity to risk-weighted assets		10.91%	11.09%	
Ratio of Tier I capital to risk-weighted assets		11.47%	11.68%	
Leverage ratio		5.99%	6.23%	

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.

44. CASH FLOW INFORMATION

Changes in Liabilities Arising from Financing Activities

For the year ended December 31, 2021

	Beginning Balance	Cash Flows	Non-cash Changes		Ending Balance
			Exchange Rate	Others	
Funds borrowed from the Central Bank and other banks	\$ 22,340	\$ 54,900	\$ -	\$ -	\$ 77,240
Securities sold under repurchase agreement	3,530,487	(3,465,911)	(59,617)	-	4,959
Bank debentures	22,601,900	1,300,000	-	-	23,901,900
Other financial liabilities	172,814	14,637	-	-	187,451
Lease liabilities	809,359	(383,033)	(1,418)	589,891	1,014,799
Other liabilities	<u>597,850</u>	<u>(14,197)</u>	<u>(1,010)</u>	<u>-</u>	<u>582,643</u>
	<u>\$ 27,734,750</u>	<u>\$ (2,493,604)</u>	<u>\$ (62,045)</u>	<u>\$ 589,891</u>	<u>\$ 25,768,992</u>

For the year ended December 31, 2020

	Beginning Balance	Cash Flows	Non-cash Changes		Ending Balance
			Exchange Rate	Others	
Funds borrowed from the Central Bank and other banks	\$ -	\$ 22,340	\$ -	\$ -	\$ 22,340
Securities sold under repurchase agreement	9,675,529	(5,844,744)	(300,298)	-	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)	(2,724)	224,766	809,359
Other liabilities	<u>643,198</u>	<u>(42,117)</u>	<u>(3,231)</u>	<u>-</u>	<u>597,850</u>
	<u>\$ 36,561,860</u>	<u>\$ (8,745,623)</u>	<u>\$ (306,253)</u>	<u>\$ 224,766</u>	<u>\$ 27,734,750</u>

45. 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.

46. 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 the consistent and prudent business policy, strengthen risk management and lay out long-term sound growth momentum. The impact of the COVID-19 on the Bank's ability to continue as a going concern, impairment of assets and financing risk has been properly reflected and disclosed in the annual financial statements.

47. ADDITIONAL DISCLOSURES

a. Information about significant transactions:

- 1) Marketable securities acquired and disposed of at cost or prices at least NT\$300 million or 10% of the paid-in capital: Nil
- 2) Acquisition of individual real estate at cost of at least NT\$300 million or 10% of the paid-in capital: Nil
- 3) Disposal of individual real estate at prices of at least NT\$300 million or 10% of the paid-in capital: Nil
- 4) Service charge discounts on transactions with related parties in aggregated amount of at least NT\$5 million: Nil
- 5) Receivables from related parties amounting to at least NT\$300 million or 10% of the paid-in capital: Nil
- 6) Sale of nonperforming loans: Table 1 (attached)
- 7) The type and related information of any securitization product that has been approved in accordance with the Financial Asset Securitization Act or the Real Estate Securitization Act: Nil
- 8) Intercompany relationships and significant intercompany transactions: Nil
- 9) Other significant transactions which may have effects on decision making of financial statement users: Nil

b. Information of subsidiaries' financing provided, endorsement/guarantee provided, marketable securities held, marketable securities acquired and disposed of at cost or prices at least NT\$300 million or 10% of the paid-in capital and derivative transactions: Table 2 (attached)

c. Related information of investees on which the Bank exercises significant influence: 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

FAR EASTERN INTERNATIONAL BANK LTD.

**SALE OF NONPERFORMING LOANS
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)**

1. Sale of nonperforming loans

Trade Date	Counterparty	Form of Nonperforming Loan	Book Value (Note)	Selling Price	Gain (Loss)	Incidentally Conditions	Relationship Between the Counterparty and the Bank
2021.06.25	A company	Long-term secured loan for enterprise (international syndicated loans)	\$ 337,064	\$ 331,238	\$ (5,826)	None	Unrelated parties

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

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

FAR EASTERN INTERNATIONAL BANK LTD.

SUBSIDIARIES' FINANCING PROVIDED TO OTHERS
 FOR THE YEAR ENDED DECEMBER 31, 2021
 (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 - entrusted loan receivable	No	\$ 15,797	\$ 15,646	\$ 15,646	6%-10%	a	\$ 17,495	-	\$ 156	Real estate	\$ 32,790	\$ 301,279	\$ 1,004,263

Note 1: No. column is coded as follows:

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

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

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

Note 3: The limits on financing are as follows:

- a. Financing limit for each borrower
 - 1) In the case of lending funds to companies or firms who have a business relationship with the lender, the total lending amount to an individual borrower shall not exceed 30% of the net value of the lender as shown in the latest financial report audited or reviewed by a CPA.
 - 2) In the case of lending funds to the companies or firms in need of short-term financing, the total lending amount to an individual borrower shall not exceed 30% of the net value of the lender as shown in the latest financial report audited or reviewed by a CPA.
- b. Aggregate financing limit
 - 1) In the case of lending funds to companies or firms who have a business relationship with the lender, the total accumulation lending amount to an individual borrower shall not exceed two times of the net value of the lender as shown in the latest financial report audited or reviewed by a CPA.
 - 2) In the case of lending funds to the companies or firms in need of short-term financing, the total accumulation lending amount to an individual borrower shall not exceed 40% of the net value of the lender as shown in the latest financial report audited or reviewed by a CPA.

The total accumulated lending amount of the above shall not exceed the net value of the lender as shown in the latest financial report audited or reviewed by a CPA.

FAR EASTERN INTERNATIONAL BANK LTD.

RELATED INFORMATION OF INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)

Investee Company	Location	Main Business and Product	Percentage of Ownership (%)	Carrying Amount	Investment Income (Loss) Recognized	The Proportionate Share of the Bank, Its Subsidiaries and Their Affiliates in Investees (Note 1)				Note
						Present Shares (In Thousands)	Pro Forma Shares (Note 2)	Total		
								Shares (In Thousands)	Percentage of Ownership (%)	
<u>Held by the Bank</u>										
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	\$ 145,065	\$ 15,646	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	1,825,110	129,100	101,941	-	101,941	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	1,701,292	60,600	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	534,571	99,543	26,000	-	26,000	100.00	
Taipei Foreign Exchange Agency Co., Ltd.	8F., No. 400, Bade Road, Sec. 2, Taipei, Taiwan	Foreign exchange, cross-currency swaps, etc.	0.40	4,098	-	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	2,778	-	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	238,460	-	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	4.05	17,758	-	2,758	-	2,758	4.05	
Nonfinancial business										
An Feng Enterprise Co., Ltd.	3F., No. 139, Jhengjhou Road, Taipei, Taiwan	ATM maintenance, replacement and repair	10.00	4,674	-	300	-	300	10.00	
<u>Held by Far Eastern Asset Management Co., Ltd.</u>										
Financial business										
FEIB Financial Leasing Co., Ltd.	8F., Far Eastern Plaza, No. 28, Bailianjing Road, Pudong New District, Shanghai, China	Leasing operation	100.00	1,004,263	34,161	N/A	-	N/A	100.00	

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

Note 2: Routes of investment are listed below:

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

FAR EASTERN INTERNATIONAL BANK LTD.

INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2021

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

Investee Company Name	Main Business and Product	Total Paid-in Capital (Note 4)	Investment Type (Note 1)	Accumulated Outflow of Investment as of December 31, 2021	Investment Flow (Note 4)		Accumulated Outflow of Investment as of December 31, 2021 (Note 4)	Net Income (Loss) of Investee (Note 2 and 5)	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Notes 2 and 5)	Carrying Value as of December 31, 2021 (Note 2)	Accumulated Inward Remittance of Earnings as of December 31, 2021	Note
					Outflow	Inflow							
FEIB Financial Leasing Co., Ltd.	Leasing operation	\$ 920,470 (US\$ 30,000 thousand)	a	\$ 920,470 (US\$ 30,000 thousand)	\$ -	\$ -	\$ 920,470 (US\$ 30,000 thousand)	\$ 34,161 (CNY 7,865 thousand)	100	\$ 34,161 (CNY 7,865 thousand)	\$ 1004,263	\$ -	

Accumulated Investment in Mainland China as of December 31, 2021 (Note 4)	Investment Amount Authorized by Investment Commission, MOEA (Note 4)	Limit on Investment Authorized by Investment Commission MOEA (Note 3)
\$920,470 (US\$30,000 thousand)	\$920,470 (US\$30,000 thousand)	\$1,020,775

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 2021.