MEGA INTERNATIONAL COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

For the convenience of readers and for information purpose only, the 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. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

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INDEPENDENT AUDITORS' REPORT

PWCR21000343

To the Board of Directors and Stockholders of Mega International Commercial Bank Co., Ltd.

Opinion

We have audited the accompanying consolidated balance sheets of Mega International Commercial Bank Co., Ltd. and subsidiaries (collectively the "Bank and subsidiaries") as at December 31, 2021 and 2020, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Bank and subsidiaries as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, Jin-Guan-Yin-Fa-Zi Letter No.10802731571 and generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Bank and its subsidiaries in accordance with the 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.

Emphasis of matter-Impact of a merger

We draw attention to Note 16(2) of the consolidated financial statements, which describes the effects of the merger of the Bank and Mega Life Insurance Agency Co., Ltd. The Bank set May 12, 2020 as the effective date of the merger and the merger was a reorganisation of entities under common control. When the Bank and subsidiaries were preparing the financial statements of prior years, they were restated based on the assumption that the business combination occurred at the beginning of the merger based on the regulations. Our opinion is not modified in respect of this matter.

Key audit matters

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

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Key audit matters for the Bank and subsidiaries' 2021 consolidated financial statements are stated as follows:

Recognition and measurement of expected credit losses on discounts and loans

Description

The recognition and measurement of expected credit losses on discounts and loans comply with the regulations under IFRS 9 "Financial Instruments" and relevant regulations issued by the competent authority. For the accounting policy of recognition and measurement of expected credit losses on discounts and loans, please refer to Note 4(9); for critical accounting judgements, estimates, and assumption uncertainty of the recognition and measurement of expected credit losses on discounts and loans, please refer to Note 5(2). For information on gross discounts and loans and allowance for bad debts, which amounted to NT$2,067,692,709 thousand and NT$30,337,729 thousand, respectively, as at December 31, 2021, please refer to Note 6(7); for disclosures of related credit risks, please refer to Note 8(3).

The Bank and subsidiaries assess the impairment of its discounts and loans based on the expected credit loss model. At each financial reporting date, financial instruments are categorized into three stages based on the degree of change in its credit risk since initial recognition. Provision for impairment loss is measured either using 12-month expected credit losses (i.e. stage 1, there has been no significant increase in credit risk since initial recognition) or lifetime expected credit losses (i.e. stage 2, there has been a significant increase in credit risk since initial recognition; or stage 3, the credit has impaired). The measurement of expected credit losses is based on a complex model, which includes various parameters and assumptions and reflects reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. For example, the probability of default and loss given default are estimated using grouping and historical data and subsequently calibrated according to forward-looking information.

The aforementioned recognition and measurement of expected credit losses on discounts and loans use a complex model, which involves various assumptions, estimates, and judgements, as well as predictions and assessments of future economic conditions and credit behavior of debtors. The amounts, recognized in a manner consistent with regulations and interpretations, are directly subject to the measurement results. Thus, we have included recognition and measurement of expected credit losses on discounts and loans as one of the key audit matters in our audit.

How our audit addressed the matter

We performed the following audit procedures on the key audit matter mentioned above:

1. Obtained an understanding and assessed the related written policies and internal control system of discounts and loans, the expected credit loss impairment model and methodology (including various parameters and assumptions, reasonableness of the measurement criteria for the three stages of credit risk, and the relevancy of future economic condition criteria in forward-looking information), and the approval process.

2. Sampled and tested the implementation effectiveness of internal controls related to the recognition and measurement of expected credit losses, including management of collateral and its value assessment,

controls for changes in parameters, and approval for provisioning of expected credit losses.

3. Sampled and tested the consistency of measurement criteria for the samples in the three stages of expected credit loss with the judgement results of the system.
4. Sampled and tested probability of default, loss given default, exposure at default, and the discount rate
   (1) Sampled and tested assumptions for the parameters of the expected credit loss model, including the reasonableness of historical data on probability of default, loss given default, and exposure at default.
   (2) Sampled and tested whether the calculation method of the discount rate of loss given default is in accordance with existing policy.
5. Sampled and tested forward-looking information
   (1) Sampled and tested the reliability of data on historical economic conditions (economic growth rate, annual inflation rate, etc.) adopted by management to measure expected credit losses under IFRS 9.
   (2) Assessed the reasonableness of the forward-looking scenarios and their respective weights adopted by the management.
6. Assessed cases in stage 3 (credit impaired) with material amounts that were previously assessed individually.

   Assessed the reasonableness and calculation accuracy of the various assumed parameter values (including the borrower's time of past due, financial and operational conditions, guarantees by external parties and historical data) adopted in the estimation of future cash flows.

Fair value measurement of unlisted stocks without an active market

Description

For the accounting policy for unlisted stocks without an active market (included financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income), please refer to Note 4(7); for critical accounting judgements, estimates, and assumption uncertainty of unlisted stocks without an active market, please refer to Note 5(1); for details on financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income, please refer to Notes 6(3) and (4). The fair values of unlisted stocks without an active market were classified as financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income as at December 31, 2021, and amounted to NT$7,414,523 thousand and NT$16,137,783 thousand, respectively.

The fair value of unlisted stocks is determined by valuation methods since these financial instruments have no quoted prices from active market. Management uses the market approach and net asset approach to

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measure the fair value. The market approach is based on the fair value of comparable listed companies in similar industries or recently published price-to-book ratios of industries in which the valuation target operates, and incorporates discounting according to market liquidity or specified risk.

The aforementioned fair value measurement involves various assumptions and significant inputs that are not observable. This leads to estimates that are highly uncertain and rely on the subjective judgement of management. Any changes to the judgements and estimates will affect the final measurement results, and in turn affect the financial condition of the Bank and subsidiaries. Thus, we have included the fair value measurement of unlisted stock without active market as one of the key audit matters in our audit.

<u>How our audit addressed the matter</u>

We performed the following audit procedures on the key audit matter mentioned above:

1. Obtained an understanding and assessed the related written policies, internal control system, fair value measurement models, and approval process of the fair value measurement of stocks of unlisted companies.
2. Assessed the measurement used by the management is commonly utilized by the industry.
3. Assessed the reasonableness of similar and comparable companies used by management.
4. Sampled and examined inputs and calculation formulas used in valuation methods and agreed such data to their supporting documents.

Other matter- Parent company only financial report

We have audited and expressed an unqualified opinion on the parent company only financial statements as at and for the years ended December 31, 2021 and 2020.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair representation of the consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Public Banks, and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including supervisors are responsible for overseeing the Bank and subsidiaries' financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank and subsidiaries' internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank and subsidiaries' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank and subsidiaries to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Bank and subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group 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 consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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 consolidated financial statements as at and for the year ended December 31, 2021 expressed in US dollars were translated from the New Taiwan dollar consolidated financial statements using the exchange rate of US$1：NT$27.647 at December 31, 2021 solely for the convenience of the readers. This basis of translation is not in accordance with generally accepted accounting principles in the Republic of China.

Chi, Shu-Mei

Chi, Shu-Mei

Kuo, Puo-Ju

Kuo, Puo-Ju

For and on Behalf of PricewaterhouseCoopers, Taiwan

March 4, 2022

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

MEGA INTERNATIONAL COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(EXPRESSED IN THOUSANDS OF DOLLARS)

Assets	Notes	December 31, 2021 NT$	December 31, 2021 US$ (Unaudited - Note4)	December 31, 2020 NT$
Assets				
Cash and cash equivalents	6(1)	$ 133,744,154	$ 4,837,565	$ 115,110,508
Due from the Central Bank and call loans to banks	6(2) and 11(3)	443,742,195	16,050,284	377,465,228
Financial assets at fair value through profit or loss	6(3)	56,993,024	2,061,454	57,167,861
Financial assets at fair value through other comprehensive income	6(4)	407,244,111	14,730,138	396,955,384
Investments in debt instruments at amortised cost	6(5)	643,731,305	23,283,948	530,083,999
Securities purchased under resell agreements	11(3)	949,170	34,332	10,357,834
Receivables, net	6(6)	38,875,674	1,406,144	37,932,862
Current tax assets		2,386	86	62
Discounts and loans, net	6(7) and 11(3)	2,037,354,980	73,691,720	1,889,958,222
Investments measured by equity method, net	6(8)	5,340,153	193,155	5,408,950
Other financial assets, net	6(9)	245,968	8,897	108,415
Property and equipment, net	6(10)	14,802,762	535,420	14,835,044
Right-of-use assets, net	6(11) and 11(3)	1,803,703	65,240	1,880,844
Investment property, net	6(13)	583,197	21,094	583,624
Deferred income tax assets	6(36)	6,075,618	219,757	5,197,218
Other assets, net	6(14)	6,658,901	240,854	8,632,165
Total assets		$ 3,798,147,301	$ 137,380,088	$ 3,451,678,220
Liabilities and equity				
Liabilities				
Deposits from the Central Bank and banks	6(15) and 11(3)	$ 369,899,233	$ 13,379,362	$ 390,283,923
Due to the Central Bank and banks	6(16) and 11(3)	46,890,696	1,696,050	20,363,979
Financial liabilities at fair value through profit or loss	6(17) (20)	18,872,023	682,607	20,354,623
Securities sold under repurchase agreements	6(3)(4)	16,836,542	608,983	12,271,411
Payables	6(18)	30,340,067	1,097,409	37,447,244
Current tax liabilities	11(3)	9,772,613	353,478	8,440,554
Deposits and remittances	6(19) and 11(3)	2,971,731,600	107,488,393	2,617,463,763
Bank notes payable	6(20)(38)	1,000,000	36,170	13,000,000
Other financial liabilities	6(22)	6,339,600	229,305	8,134,052
Provisions	6(21)	16,566,648	599,221	16,916,656
Lease liabilities	6(11) and 11(3)	1,853,788	67,052	1,926,296
Deferred income tax liabilities	6(36)	2,385,723	86,292	2,755,194
Other liabilities	6(23)	6,552,379	237,001	7,737,096
Total liabilities		3,499,040,912	126,561,323	3,157,094,791
Equity attributable to owners of parent				
Capital				
Common stock	6(24)	85,362,336	3,087,580	85,362,336
Capital surplus	6(24)	62,219,540	2,250,499	62,219,540
Retained earnings				
Legal reserve	6(24)	106,587,497	3,855,301	100,792,996
Special reserve	6(24)	4,218,295	152,577	4,240,967
Unappropriated earnings		35,065,180	1,268,318	34,961,287
Other equity interest	6(26)	5,653,541	204,490	7,006,303
Total equity		299,106,389	10,818,765	294,583,429
Total liabilities and equity		$ 3,798,147,301	$ 137,380,088	$ 3,451,678,220

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

MEGA INTERNATIONAL COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(EXPRESSED IN THOUSANDS OF DOLLARS, EXCEPT FOR EARNINGS PER SHARE AMOUNTS)

	Notes	For the years ended December 31, 2021 NT$	2021 US$ (Unaudited - Note4)	2020 NT$	Changes Percentage (%)
Interest income	6(27) and 11(3)	$ 39,958,533	$ 1,445,312	$ 46,745,658	(15)
Less: interest expenses	6(27) and 11(3)	(9,684,792)	(350,302)	(16,937,019)	(43)
Net interest revenue (expense)		30,273,741	1,095,010	29,808,639	2
Net revenue other than interest					
Net service fee revenue (charge)	6(28) and 11(3)	6,750,764	244,177	6,580,731	3
Gain on financial assets and liabilities at fair value through profit or loss	6(29)	4,901,301	177,281	6,555,685	(25)
Realized gains on financial assets at fair value through other comprehensive income	6(30)	1,507,922	54,542	4,285,922	(65)
Loss arising from derecognition of financial assets measured at amortized cost	6(5)(7)	(39,147)	(1,416)	(155,917)	(75)
Foreign exchange gains		1,469,622	53,157	1,498,288	(2)
Impairment losses on assets	6(31)	(29,927)	(1,082)	(50,115)	(40)
Share of profit (loss) of associates and joint ventures accounted for using equity method	6(8)	124,263	4,495	(22,539)	(651)
Net other revenue other than interest income	6(32)	359,860	13,016	405,358	(11)
Net revenue		45,318,399	1,639,180	48,906,052	(7)
Bad debts expense, commitment and guarantee liability provision	8(3)	(1,782,406)	(64,470)	(1,917,068)	(7)
Operating expenses					
Employee benefits expenses	6(33) and 11(3)	(15,526,622)	(561,603)	(15,875,076)	(2)
Depreciation and amortization expenses	6(34)	(1,425,091)	(51,546)	(1,387,188)	3
Other general and administrative expenses	6(35) and 11(3)	(5,993,274)	(216,779)	(6,266,470)	(4)
Consolidated income from continuing operations before tax		20,591,006	744,782	23,460,250	(12)
Income tax expense	6(36)	(2,133,686)	(77,176)	(3,128,169)	(32)
Consolidated income from continuing operations, net of tax		$ 18,457,320	$ 667,606	$ 20,332,081	(9)
Other comprehensive income					
Components of other comprehensive income that will not be reclassified to profit or loss					
Gains (losses) on remeasurements of defined benefit plans	6(21)	$ 765,259	$ 27,680	($ 607,480)	(226)
Revaluation gains on investments in equity instruments measured at fair value through other comprehensive income	6(4)(26)	2,473,230	89,457	1,127,190	119
Share of other comprehensive (loss) income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	6(8)(26)	1,496	54	2,242	(33)
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(36)	(153,052)	(5,536)	120,891	(227)
Components of other comprehensive income that will be reclassified to profit or loss					
Exchange differences on translation	6(26)	(1,141,967)	(41,306)	(1,600,913)	(29)
Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	6(8)(26)	(25,186)	(911)	53,738	(147)
Revaluation gains (losses) from investments in debt instruments measured at fair value through other comprehensive income	6(4)(26)	(2,743,604)	(99,237)	(119,199)	2,202
Impairment loss (reversal of impairment loss) from investments in debt instruments measured at fair value through other comprehensive income	6(4)(26)	(2,469)	(89)	81,561	(103)
Income tax related to components of other comprehensive income that will be reclassified to profit or loss	6(36)	37,733	1,365	(17,052)	(321)
Other comprehensive (loss) income, net of tax		(788,560)	(28,523)	(959,022)	(18)
Total comprehensive income		$ 17,668,760	$ 639,083	$ 19,373,059	(9)
Consolidated profit attributable to:					
Owners of the parent		18,457,320	667,606	20,251,877	(9)
Former owner of business combination under common control		-	-	80,204	(100)
		$ 18,457,320	$ 667,606	$ 20,332,081	(9)
Consolidated comprehensive income attributable to:					
Owners of the parent		17,668,760	639,083	19,292,855	(8)
Former owner of business combination under common control		-	-	80,204	(100)
		$ 17,668,760	$ 639,083	$ 19,373,059	(9)
Consolidated earnings per share	6(37)				
Owners of the parent		$ 2.16	$ 0.08	$ 2.37	
Former owner of business combination under common control		-	-	0.01	
Basic and diluted earnings per share (in dollars)		$ 2.16	$ 0.08	$ 2.38	

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

MEGA INTERNATIONAL COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(EXPRESSED IN THOUSANDS OF DOLLARS)

		Equity attributable to owners of the parent									
				Retained earnings			Other equity interest				
	Notes	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealised gains on financial assets measured at fair value through other comprehensive income	Others	Equity attributable to former owner of business combination under common control	Total equity
For the year ended December 31, 2020 (NT Dollars)											
Balance, January 1, 2020		$ 85,362,336	$ 62,219,540	$ 93,399,533	$ 4,289,719	$ 39,380,565	($ 2,382,637)	$ 9,439,013	($ 27,926)	$ 466,496	$ 292,146,639
Profit		-	-	-	-	20,251,877	-	-	-	80,204	20,332,081
Other comprehensive income (loss)		-	-	-	-	(486,589)	(1,601,970)	1,120,616	8,921	-	(959,022)
Total comprehensive income (loss)		-	-	-	-	19,765,288	(1,601,970)	1,120,616	8,921	80,204	19,373,059
Disposal of investments in equity instruments designated at fair value through other comprehensive income	6(4)	-	-	-	-	(450,286)	-	450,286	-	-	-
Effect of reorganization		-	-	-	-	-	-	-	-	(141,187)	(141,187)
Earnings distribution for 2019	6(25)										
Cash dividends		-	-	-	-	(16,389,569)	-	-	-	(405,513)	(16,795,082)
Legal reserve		-	-	7,393,463	-	(7,393,463)	-	-	-	-	-
Special reserve		-	-	-	34,209	(34,209)	-	-	-	-	-
Reversal of special reserve		-	-	-	(82,961)	82,961	-	-	-	-	-
Balance, December 31, 2020		$ 85,362,336	$ 62,219,540	$ 100,792,996	$ 4,240,967	$ 34,961,287	($ 3,984,607)	$ 11,009,915	($ 19,005)	$ -	$ 294,583,429

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MEGA INTERNATIONAL COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(EXPRESSED IN THOUSANDS OF DOLLARS)

		Equity attributable to owners of the parent									
				Retained earnings			Other equity interest				
	Notes	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealised gains (losses) on financial assets measured at fair value through other comprehensive income	Others	Equity attributable to former owner of business combination under common control	Total equity
For the year ended December 31, 2021 (NT Dollars)											
Balance, January 1, 2021		$ 85,362,336	$ 62,219,540	$ 100,792,996	$ 4,240,967	$ 34,961,287	($ 3,984,607)	$ 11,009,915	($ 19,005)	$ -	$ 294,583,429
Profit		-	-	-	-	18,457,320	-	-	-	-	18,457,320
Other comprehensive income (loss)		-	-	-	-	612,207	(1,136,639)	(265,699)	1,571	-	(788,560)
Total comprehensive income (loss)		-	-	-	-	19,069,527	(1,136,639)	(265,699)	1,571	-	17,668,760
Disposal of investments in equity instruments designated											
at fair value through other comprehensive income	6(4)	-	-	-	-	(48,005)	-	27,914	20,091	-	-
Earnings distribution for 2020	6(25)										
Cash dividends		-	-	-	-	(13,145,800)	-	-	-	-	(13,145,800)
Legal reserve		-	-	5,794,501	-	(5,794,501)	-	-	-	-	-
Special reserve		-	-	-	36,432	(36,432)	-	-	-	-	-
Reversal of special reserve		-	-	-	(59,104)	59,104	-	-	-	-	-
Balance, December 31, 2021		$ 85,362,336	$ 62,219,540	$ 106,587,497	$ 4,218,295	$ 35,065,180	($ 5,121,246)	$ 10,772,130	$ 2,657	$ -	$ 299,106,389
For the year ended December 31, 2021 (US Dollars - Unaudited - Note4)											
Balance, January 1, 2021		$ 3,087,580	$ 2,250,499	$ 3,645,712	$ 153,397	$ 1,264,560	($ 144,124)	$ 398,232	($ 687)	$ -	$ 10,655,169
Profit		-	-	-	-	667,606	-	-	-	-	667,606
Other comprehensive income (loss)		-	-	-	-	22,144	(41,113)	(9,611)	57	-	(28,523)
Total comprehensive income (loss)		-	-	-	-	689,750	(41,113)	(9,611)	57	-	639,083
Disposal of investments in equity instruments designated											
at fair value through other comprehensive income		-	-	-	-	(1,736)	-	1,009	727	-	-
Earnings distribution for 2020											
Cash dividends		-	-	-	-	(475,487)	-	-	-	-	(475,487)
Legal reserve		-	-	209,589	-	(209,589)	-	-	-	-	-
Special reserve		-	-	-	1,318	(1,318)	-	-	-	-	-
Reversal of special reserve		-	-	-	(2,138)	2,138	-	-	-	-	-
Balance, December 31, 2021		$ 3,087,580	$ 2,250,499	$ 3,855,301	$ 152,577	$ 1,268,318	($ 185,237)	$ 389,630	$ 97	$ -	$ 10,818,765

MEGA INTERNATIONAL COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(EXPRESSED IN THOUSANDS OF DOLLARS)

	For the years ended December 31,		
	2021		2020
	NT$	US$	NT$
CASH FLOWS FROM OPERATING ACTIVITIES		(Unaudited - Note4)	
Profit before tax	$ 20,591,006	$ 744,782	$ 23,460,250
Adjustments			
Adjustments to reconcile (profit) loss			
Depreciation expense	1,419,611	51,348	1,381,067
Amortization expense	5,480	198	6,121
Bad debts expense, commitment and guarantee liability provision	1,782,406	64,470	1,917,068
Interest expense	9,684,792	350,302	16,937,019
Interest income	(39,958,533)	(1,445,312)	(46,745,658)
Dividend income	(2,182,244)	(78,932)	(1,238,762)
Share of loss (profit) of associates and joint ventures accounted for using equity method	(124,263)	(4,495)	22,539
Gain on disposal of property and equipment	(8,381)	(303)	(492)
Loss on retirement of property and equipment	39	1	8,509
Impairment loss on assets	29,927	1,082	50,115
Others	(23,044)	(833)	-
Changes in operating assets and liabilities			
Decrease (increase) in due from the Central Bank and call loans to banks	8,191,233	296,279	(42,487,815)
Decrease in financial assets at fair value through profit or loss	174,837	6,324	6,737,486
Increase in financial assets at fair value through other comprehensive income	(10,559,101)	(381,926)	(8,468,782)
Increase in investments in debt instruments measured at amortised cost	(113,679,702)	(4,111,828)	(258,960,841)
(Increase) decrease in receivables	(833,608)	(30,152)	21,462,974
Increase in discounts and loans	(149,604,839)	(5,411,250)	(18,623,564)
Increase in other financial assets	(116,054)	(4,198)	(89,437)
Decrease (increase) in other assets	1,967,784	71,175	(2,456,630)
Decrease in deposits from the Central Bank and banks	(20,384,690)	(737,320)	(22,909,262)
Decrease in financial liabilities at fair value through profit or loss	(1,482,600)	(53,626)	(1,018,123)
Increase (decrease) in securities sold under repurchase agreements	4,565,131	165,122	(19,740,051)
(Decrease) increase in payables	(6,778,794)	(245,191)	3,906,996
Increase in deposits and remittances	354,267,837	12,813,970	156,908,908
Decrease in other financial liabilities	(1,794,452)	(64,906)	(2,132,479)
Increase in provisions for employee benefits	622,161	22,504	378,413
Increase (decrease) in other liabilities	85,124	3,079	(743,431)
Cash inflow (outflow) generated from operations	55,857,063	2,020,364	(192,437,862)
Interest received	40,054,373	1,448,778	48,488,221
Dividends received	2,351,969	85,072	1,384,504
Interest paid	(10,013,170)	(362,179)	(19,246,257)
Income taxes paid	(2,167,141)	(78,386)	(1,953,966)
Net cash flows from (used in) operating activities	86,083,094	3,113,649	(163,765,360)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property and equipment	(798,568)	(28,884)	(617,125)
Proceeds from disposal of property and equipment	13,974	505	514
Net cash flows used in investing activities	(784,594)	(28,379)	(616,611)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase (decrease) in due to the Central Bank and banks	26,526,717	959,479	(797,342)
(Decrease) increase in bank notes payable	(12,000,000)	(434,043)	1,000,000
(Decrease) increase in guarantee deposits received	(1,277,541)	(46,209)	1,216,409
Payments of lease liabilities	(591,201)	(21,384)	(438,164)
Cash dividends paid	(13,145,800)	(475,487)	(16,795,082)
Net cash flows used in financing activities	(487,825)	(17,644)	(15,814,179)
EFFECT OF EXCHANGE RATE CHANGES	(1,117,060)	(40,404)	(1,872,684)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	83,693,615	3,027,222	(182,068,834)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	320,216,847	11,582,336	502,285,681
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 403,910,462	$ 14,609,558	$ 320,216,847
CASH AND CASH EQUIVALENTS COMPOSITION:			
Cash and cash equivalents reported in the balance sheet	$ 133,744,154	$ 4,837,565	$ 115,110,508
Due from the Central Bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	269,217,138	9,737,661	194,748,505
Securities purchased under resell agreements qualifying for cash and cash equivalents under the definition of IAS 7	949,170	34,332	10,357,834
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 403,910,462	$ 14,609,558	$ 320,216,847

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

MEGA INTERNATIONAL COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT AS OTHERWISE INDICATED)

1. HISTORY AND ORGANISATION

(1) Mega International Commercial Bank Co., Ltd. (the "Bank"; formerly the International Commercial Bank of China Co., Ltd.) was reorganized on December 17, 1971 in accordance with the "Law for International Commercial Bank of China" as announced by the President of the Republic of China (R.O.C.) (which was then abolished in December, 2005) and other related regulations. As of December 31, 2002, the Bank became an unlisted wholly owned subsidiary of Mega Financial Holding Co. Ltd., through a share swap transaction. With the view to enlarging business scale and increasing market share, the Bank entered into a merger agreement with Chiao Tung Bank Co., Ltd. on August 21, 2006, the effective date of the merger. The Bank was later renamed Mega International Commercial Bank Co., Ltd. Mega Financial Holding Co., Ltd. holds 100% equity interest in the Bank and is the Bank's ultimate parent company.

The Bank and Mega Life Insurance Agency Co., Ltd. ("Mega Life Insurance Agency") are both wholly owned subsidiaries of Mega Financial Holding Co. Ltd. To integrate all the resource of the Group and create synergies, the Bank merged with Mega Life Insurance Agency on May 12, 2020, and concurrently engages in personal insurance agent business.

(2) The Bank engages in the following operations: (a) commercial banking operations authorized by the R.O.C. Banking Law; (b) foreign exchange and related operations; (c) import and export financing and guarantees; (d) financial operations related to international trade; (e) trust operations; (f) investment services on consignments by clients; (g) loan operations, including mid-term to long-term development loan and guarantee operations; (h) venture capital activities; (i) other related operations approved by the R.O.C. government; and (j) the insurance agent business which commercial banks are permitted to engage in under Insurance Act.

(3) The Bank's business and operations are widely managed by the head office. The Bank expands its network by opening branches at key locations in both domestic and foreign markets. The Bank was incorporated as company limited by shares under the provisions of the Company Law of the Republic of China (R.O.C.). As of December 31, 2021, in addition to Offshore Banking Unit, the Bank had 108 domestic branches (excluding Head Office business unit), 24 overseas branches, 1 overseas subsidiary, 6 overseas sub-branches, 1 overseas representative offices, and 1 marketing office.

(4) The Trust Department of the Bank is primarily responsible for planning, management and operation of trust investment businesses regulated by the R.O.C. Banking Law.

(5) As of December 31, 2021 and 2020, the Bank and subsidiaries had 6,770 and 6,855 employees, respectively.

2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These consolidated financial statements were authorized for issuance by the Board of Directors on March

4, 2022.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRS") as endorsed by the Financial Supervisory Commission ("FSC")

New standards, interpretations and amendments endorsed by the FSC effective from 2021 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board (IASB)
Amendments to IFRS 4, 'Extension of the temporary exemption from applying IFRS 9'	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, 'Interest Rate Benchmark Reform— Phase 2'	January 1, 2021
Amendment to IFRS 16, 'Covid-19-related rent concessions beyond 30 June 2021'	April 1, 2021(Note)

Note：Earlier application from January 1, 2021 is allowed by the FSC.

Except for the following, the above standards and interpretations have no significant impact to the Bank and subsidiaries' financial condition and financial performance based on the Bank and subsidiaries' assessment.

A. Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, 'Interest Rate Benchmark Reform— Phase 2'

The amendments address issues that arise during the reform of an interest rate benchmark, including the replacement of one benchmark with an alternative one. Given the pervasive nature of IBOR-based contracts, the amendments provide accounting for changes in the basis for determining contractual cash flows as a result of IBOR reform, end date for Phase 1 relief for non- contractually specified risk components in hedging relationships, additional temporary exceptions from applying specific hedge accounting requirements, and additional IFRS 7 disclosures related to IBOR reform. Related disclosure is provided in Note 8(8).

B. Amendment to IFRS 16, 'Covid-19-related rent concessions beyond 30 June 2021'

The amendment extends the application period of the practical expedient by one year to cover COVID-19-related rent concessions that reduce only lease payments originally due on or before June 30, 2022, provided that all specified conditions are met. The original amendment covered only lease payments originally due on or before June 30, 2021.

(2) Effect of new issuances of or amendments to IFRS as endorsed by the FSC but not yet adopted by the Bank and subsidiaries

New standards, interpretations and amendments endorsed by the FSC effective from 2022 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts—cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022

The above standards and interpretations have no significant impact to the Bank and subsidiaries' financial condition and financial performance based on the Bank and subsidiaries' assessment.

(3) IFRS issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
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 International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Initial application of IFRS 17 and IFRS 9-comparative infromation'	January 1, 2023
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
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023

The above standards, interpretations on the financial condition, financial performance of the Bank and subsidiaries are yet to be assessed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The consolidated financial statements of the Bank and subsidiaries have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, International Financial Reporting Standards, International Accounting standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs").

(2) Basis for preparation

A. Except for financial assets and financial liabilities (including derivatives) recognised at fair value, financial assets at fair value through other comprehensive income, and defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation, and these consolidated financial statements have been prepared under the historical cost convention.

B. The analysis of expense is classified based on the nature of expenses.

C. The management has to make certain significant accounting estimates based on their professional judgment and decide the accounting policy according to the IFRSs as endorsed by the FSC. Any change in the assumption could result in a significant change in the financial statements. The management of the Bank and subsidiaries believes that the assumptions used in the consolidated statements are appropriate. For highly complicated matters, matters requiring high level of judgments, significant judgments that could have an impact on the consolidated financial statements and estimates and key sources of assumption uncertainty, please refer to Note 5 for further details.

(3) Basis for preparation of consolidated financial statements

A. All subsidiaries are included in the Bank and subsidiaries' consolidated financial statements. Subsidiaries are all entities controlled by the Bank. The Bank controls an entity when the Bank is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Bank obtains control of the subsidiaries and ceases when the Bank loses control of the subsidiaries.

Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Bank and subsidiaries are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Bank.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent. Total comprehensive income is also attributed to the owners of the parent.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiaries	Major business activities	Percentage of holding shares (%) December 31, 2021	Percentage of holding shares (%) December 31, 2020
The Bank	Mega International Commercial Public Co., Ltd. (Thailand)	Commercial Banking	100.00	100.00

C. Subsidiaries not included in the consolidated financial statements:

Name of investor	Name of subsidiaries	Major business activities	Percentage of holding shares (%) December 31, 2021	Percentage of holding shares (%) December 31, 2020
The Bank	Mega Management Consulting Co., Ltd.	Venture capital and management consulting,etc.	100.00	100.00
The Bank	Cathay Investment & Warehousing Co.,S.A.	Real estate investment industry	100.00	100.00
The Bank	Ramlett Finance Holdings Inc.	Real estate investment industry	100.00	100.00
The Bank	Yung-Shing Industries Co.	Packaging, printing and agency of manpower service	99.56	99.56
The Bank	China Products Trading Company	Investments in products businesses, storage businesses and other businesses	68.27	68.27
Yung-Shing Industries Co.	Win Card Co., Ltd	Corporate management consulting, data processing business and general advertising services	100.00	100.00
Yung-Shing Industries Co.	ICBC Assets Management & Consulting Co., Ltd	Investment consulting, corporate management consulting and venture investment management consulting	100.00	100.00

As the individual total assets or operating revenue amounts of the above subsidiaries are immaterial, the accounts of these subsidiaries are not included in the Bank’s consolidated financial statements although the Bank holds more than 50% equity interest in these subsidiaries. The investments of certain subsidiaries are accounted for using equity method.

D. Adjustments for subsidiaries with different balance sheet dates：None.

E. Nature and extent of the restrictions on fund remittance from subsidiaries to the parent company: None.

(4) Foreign currency translations

A. Functional and presentation currency

Items included in the financial statements of each of the Bank and subsidiaries' entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan Dollars, which is the Bank's functional and the Bank and subsidiaries' presentation currency.

B. Transactions and balances

The transactions denominated in foreign currency or to be settled in foreign currency are translated into a functional currency at the spot exchange rate between the functional currency and the underlying foreign currency on the date of the transaction.

Foreign currency monetary items should be reported using the closing rate (market exchange rate) at the date of each balance sheet. When multiple exchange rates are available for use, they should be reported using the rate that would be used to settle the future cash flows of the foreign currency transactions or balances at the measurement date. Foreign currency non-monetary items measured at historical cost should be reported using the exchange rate at the date of the transaction. Foreign currency non-monetary items measured at fair value should be reported at the rate that existed when the fair values were determined.

Exchange differences arising when foreign currency transactions are settled or when monetary items are translated at rates different from those at which they were translated when initially recognized or in previous financial statements are reported in profit or loss in the period.

If a gain or loss on a non-monetary item is recognized in other comprehensive income, any foreign exchange component of that gain or loss is also recognized in other comprehensive income. Conversely, if a gain or loss on a non-monetary item is recognized in profit or loss, any foreign exchange component of that gain or loss is also recognized in profit or loss.

C. Translation of foreign operations

The operating results and financial position of the entire Bank and subsidiaries' entities in the consolidated financial statements that have a functional currency (which is not the currency of a hyperinflationary economy) different from the presentation currency are translated into the presentation currency as follows:

(A) Assets and liabilities presented are translated at the Bank and subsidiaries' closing exchange rate at the date of that balance sheet;

(B) The profit and loss presented is translated by the average exchange rate in the period (except for the situation that the exchange rate on the trade date shall be adopted when the exchange rate fluctuate rapidly); and

(C) All resulting exchange differences are recognized in other comprehensive income.

The translation differences arising from above processes are recognized as 'Exchange differences on translation of foreign financial statements' under equity items.

(5) Cash and cash equivalents

'Cash and cash equivalents' in the consolidated balance sheet includes cash on hand, due from other banks, short-term highly liquid investments that are readily convertible to known amount of cash and subject to an insignificant risk of changes in value. In respect of the consolidated statements of cash flows, cash and cash equivalents include cash and cash equivalents in the consolidated balance sheet, due from the Central Bank and call loans to banks meeting the definition of cash and cash equivalents as stated in IAS No.7 "Cash Flow Statements", and securities purchased under resell agreements meeting the definition of cash and cash equivalents as stated in IAS No. 7 "Cash Flow Statements" as endorsed by the FSC.

(6) Securities sold under repurchase or resell agreements

The transactions of bills and bonds with a condition of repurchase agreement or resell agreement are accounted for under the financing method. The interest expense and interest income are recognized as incurred at the date of sale and purchase and the agreed period of sale and purchase. The repo trade liabilities, bond liabilities, reverse repo trade bills and bond investments are recognized at the date of sale or purchase.

(7) Financial assets or liabilities

A. Financial assets

Financial assets owned by the Bank and subsidiaries are classified based on both the Bank and subsidiaries' business model for managing the financial assets and the contractual cash flow characteristics of the financial assets into 'discounts and loans', 'receivables', 'financial assets at fair value through profit or loss', 'financial assets at fair value through comprehensive income', and 'investments in debt instrument at amortised cost'.

Business model refers to the method by which the Bank and subsidiaries manage the financial assets to generate cash flows, which originates from collecting contractual cash flows, selling financial assets, or both. When determining whether the contractual cash flows of the asset are solely payments of principal and interest on principal amount outstanding, the Bank and subsidiaries assess whether the contractual cash flows are consistent with those required in a basic loan agreement. In other words, the Bank and subsidiaries determine whether interest is solely based on the time value of money, credit risk related to the principal amount outstanding on specified dates, other risks and costs associated with the basic loan agreement, and marginal profits consideration.

(A) A regular way purchase or sale

The Bank and subsidiaries recognise a regular way purchase or sale of financial assets using trade date accounting based on their category and accounting classification.

(B) Discounts and loans

Discounts and loans consist of export bills negotiation, export bills discount, loans, and overdue receivables arising from loans. Discounts and loans are measured at amortised cost using the effective interest rate method. Measurement at initial investment amount is allowed if effect of discounting is immaterial.

If a discount and loan held by the Bank and subsidiaries is renegotiated or has its terms modified due to financial difficulties of the borrower, so that it is required to be derecognised, entirely or partially, in accordance with IFRS 9, the old financial assets is derecognised, and a new financial asset and related gains or losses are recognised.

If a discounts and loans held by the Bank and subsidiaries is renegotiated or has its terms modified due to financial difficulties of the borrower, but is not required to be derecognised, or if renegotiations or modification of terms are for reasons other than financial difficulties, which rarely results in the derecognition of the asset, the carrying amount of the asset is recalculated and resulting gains or losses are recognised in profit or loss.

Interest arising from discounts and loans is recognised as ‘interest income’.

(C) Receivables, net

Receivables include receivables originated and not originated by the Bank and subsidiaries. Receivables originated by the entity arising from a direct provision of money, goods or services to debtors while receivables not originated by the Bank and subsidiaries include otherwise.

Receivables are measured at amortised cost using the effective interest method. However, short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

The Bank and subsidiaries determine whether the receivables that have been discounted or transferred qualify derecognition under IFRS 9 based on how much control over the risks and rewards of the receivables it has retained.

Significant amounts of receivables due from related parties are shown separately.

Interest arising from receivables are recognised as ‘interest income’.

(D) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income. Financial assets at amortised cost or fair value through other comprehensive income are designated as at fair value through profit or loss at initial recognition when they eliminate or significantly reduce a measurement or recognition inconsistency.

At initial recognition, the Bank and subsidiaries measure the financial assets at fair value. All related transaction costs are recognised in profit or loss. The Bank and subsidiaries subsequently measure these financial assets at fair value with any gain or loss recognised in profit or loss.

Dividends are recognised as gain (loss) on financial assets or liabilities at fair value through profit or loss - dividend revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Bank and its subsidiaries and the amount of the dividend can be measured reliably.

(E) Investments in debt instruments at amortised cost

a. Financial assets at amortised cost are those that meet all of the following criteria:

  (a) The objective of the Bank and subsidiaries’ business model is achieved by collecting contractual cash flows.

(b) The assets' contractual cash flows represent solely payments of principal and interest.

b. At initial recognition, the Bank and subsidiaries measure the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognised in derecognition designated as gain (loss) on financial assets at amortised cost when the asset is derecognised or impaired.

(F) Financial assets at fair value through other comprehensive income

a. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Bank and subsidiaries have made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:

(a) The objective of the Bank and subsidiaries' business model is achieved both by collecting contractual cash flows and selling financial assets; and

(b) The assets' contractual cash flows represent solely payments of principal and interest.

b. At initial recognition, the Bank and subsidiaries measure the financial assets at fair value plus transaction costs. The Bank and subsidiaries subsequently measure the financial assets at fair value:

(a) The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as realised gains (losses) on financial assets at fair value through other comprehensive income-dividend revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Bank and subsidiaries and the amount of the dividend can be measured reliably.

(b) Except for the recognition of impairment loss, interest income and gain or loss on foreign exchange which are recognised in profit or loss, the changes in fair value of debt instruments are taken through other comprehensive income. When the financial assets is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

(G) Reclassification of financial assets

When, and only when, the Bank and subsidiaries change its business model for managing financial assets it reclassifies all affected financial assets except for equity instruments and financial assets designated as at fair value through profit or loss. The Bank and subsidiaries apply the reclassification prospectively from the reclassification date and does not restate any previously recognised gains, losses or interest.

B. Financial liabilities

Financial liabilities held by the Bank and subsidiaries comprise financial liabilities at fair value through profit or loss and financial liabilities measured at amortised cost.

(A) Financial liabilities at fair value through profit or loss

Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorised as financial liabilities held for trading unless they are designated as hedges. Or financial liabilities at fair value through profit or loss. Financial liabilities that meet one of the following criteria are designated as at fair value through profit or loss at initial recognition:

a. Hybrid (combined) contracts; or

b. They eliminate or significantly reduce a measurement or recognition inconsistency; or

c. They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management policy.

At initial recognition, the Bank and subsidiaries measure the financial liabilities at fair value. All related transaction costs are recognised in profit or loss. The Bank and subsidiaries subsequently measure these financial liabilities at fair value with any gain or loss recognised in profit or loss.

If the credit risk results in fair value changes in financial liabilities designated as at fair value through profit or loss, they are recognised in other comprehensive income in the circumstances other than avoiding accounting mismatch or recognising in profit or loss for loan commitments or financial guarantee contracts.

(B) Financial liabilities measured at amortized cost

Liabilities not classified as financial liabilities at fair value through profit or loss and financial guarantee contracts are all included in financial liabilities carried at amortised cost.

C. Decision of fair value

Fair value and level information of financial instruments are provided in Note 7.

D. Derecognition of financial instruments

(A) The Bank and subsidiaries derecognize a financial asset when one of the following conditions is met:

a. The contractual rights to receive cash flows from the financial assets expire.

b. The contractual rights to receive cash flows from the financial assets have been transferred and the Bank and subsidiaries have transferred substantially all risks and rewards of ownership of the financial assets.

c. The contractual rights to receive cash flows from the financial assets have been transferred; however, it has not retained control of the financial assets.

(B) A financial liability is derecognized when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(C) In case of securities lending or borrowing by the Bank and subsidiaries or provision of bonds or stocks as security for repo trading, the Bank and subsidiaries do not derecognize the financial assets, because substantially all risks and rewards of ownership of the financial assets are still retained in the Bank and subsidiaries.

(8) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the consolidated balance sheet when (A) there is a legally enforceable right to offset the recognized amounts and (B) there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

(9) Impairment of financial assets

For due from banks and call loans to banks, discounts and loans, receivables, debt instruments measured at fair value through other comprehensive income, financial assets at amortised cost, loan commitments, financial guarantee contracts and other financial assets etc, at each reporting date, the Bank and subsidiaries recognise the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognise the impairment provision for the lifetime expected credit losses (ECLs); if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts.

The Bank and subsidiaries measure expected credit losses in a way that reflects:

A. An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;

B. The time value of money; and

C. Reasonable and supportable information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date.

For loan assets, the Bank and subsidiaries assess the loss allowance at the balance sheet date in accordance with “Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans” as issued by the FSC, “Financial-Supervisory-Banks Letter No. 10300329440” issued on December 4, 2014 relating to the strengthening of domestic banks’ risk endurance to real estate loans, “Financial-Supervisory-Banks Letter No. 10410001840” issued on April 23, 2015 relating to the strengthening of domestic banks’ risk endurance to management of exposures in China as well as IFRS 9 requirements. The loss allowance is provisioned at the higher of the amounts assessed in compliance with the aforementioned domestic regulations and IFRS 9 and then presented at net value.

(10) Non-hedging and embedded derivatives

A. Non-hedging derivatives are initially recognised at fair value on the date a derivative contract is entered into and recorded as financial assets or financial liabilities at fair value through profit or loss. They are subsequently remeasured at fair value and the gains or losses are recognised in profit or loss.

B. Under the financial assets, the hybrid contracts embedded with derivatives are initially recognized as financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets at amortised cost based on the contract terms.

C. Under the non-financial assets, whether the hybrid contracts embedded with derivatives are accounted for separately at initial recognition is based on whether the economic characteristics and risks of an embedded derivatives are closely related in the host contract. When they are closely related, the entire hybrid instrument is accounted for by its nature in accordance with the applicable standard. When they are not closely related, the derivatives is accounted for differently from the host contract as derivatives while the host contract is accounted for by its nature in accordance with the applicable standard. Alternatively, the entire hybrid instrument is designated as a derivative instrument included in financial liabilities at fair value through profit or loss upon initial recognition, and no separate accounting is required.

(11) Leasing arrangements (lessor)－operating leases

Lease income from an operating lease (net of any incentives given to the lessee) is recognised in profit or loss on a straight-line basis over the lease term.

(12) Investments measured by equity method

A. Associates are all entities over which the Bank and subsidiaries have significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using equity method and are initially recognized at cost.

B. The Bank and subsidiaries' share of its associates' post-acquisition profits or losses is recognized in profits or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Bank and subsidiaries' share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Bank and subsidiaries do not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

C. Unrealized gains on transactions between the Bank and subsidiaries and its associates are eliminated to the extent of the Bank and subsidiaries' interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Bank and subsidiaries.

D. When changes in an associate's equity that are not recognized in profit or loss or other comprehensive income of the associates and such changes not affecting the Bank and subsidiaries' ownership percentage of the associate, the Bank and subsidiaries recognized the Bank and subsidiaries' share of change in equity of the associate in 'capital reserve' in proportion to its ownership.

E. When the Bank and subsidiaries dispose its investment in an associate, if it loses significant influence over this associate, the amounts previously recognized as other comprehensive income in relation to the associate are transferred to profit or loss. If it still retains significant influence over this associate, then the amounts previously recognized as other comprehensive income in relation to the associate are transferred to profit or loss proportionately.

(13) Property and equipment

The property and equipment of the Bank and subsidiaries are recognized on the basis of the historical cost less accumulated depreciation. Historical cost includes all costs directly attributable to the acquisition of the assets.

Such assets are subsequently measured using the cost model. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and subsidiaries and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Land is not affected by depreciation. Depreciation for other assets is provided on a straight-line basis over the estimated useful lives of the assets till residual value. If each part of an item of property and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Item	Year
Buildings and accessory equipment	1~60
Machinery and computer equipment	1~20
Transportation equipment	1~10
Other equipment	3~10

(14) Investment property

The properties held by the Bank and subsidiaries, with an intention to obtain long-term rental profit or capital increase or both and not being used by any other enterprises of the consolidated entities, are classified as investment property. Investment property includes the office building and land leased out in a form of operating lease.

Part of the property may be held by the Bank and subsidiaries and the remaining will be used to generate rental income or capital appreciation. If the property held by the Bank and subsidiaries can be sold individually, then the accounting treatment should be made respectively.

When the future economic benefit related to the investment property is highly likely to flow into the Bank and subsidiaries and the costs can be reliably measured, the investment property shall be recognized as assets. When the future economic benefit generated from subsequent costs is highly likely to flow into the entity and the costs can be reliably measured, the subsequent expenses of the assets shall be capitalized. All maintenance cost are recognized as incurred in the consolidated statement of comprehensive income.

An investment property is stated initially at its cost and measured subsequently using the cost model. The depreciation method, remaining useful life and residual value should apply the same rules as applicable for property and equipment.

(15) Leasing arrangements (lessee)－right-of-use assets/ lease liabilities

A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Bank and subsidiaries. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate.

Lease payments are comprised of the following:

(a) Fixed payments, less any lease incentives receivable;

(b) Variable lease payments that depend on an index or a rate;

(c) Amounts expected to be payable by the lessee under residual value guarantees;

(d) The exercise price of a purchase option, if the lessee is reasonably certain to exercise that option; and

(e) Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The Bank and subsidiaries subsequently measure the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

(a) The amount of the initial measurement of lease liability;

(b) Any lease payments made at or before the commencement date;

(c) Any initial direct costs incurred by the lessee; and

(d) An estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

D. For lease modifications that decrease the scope of the lease, the lessee shall decrease the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognise the difference between remeasured lease liability in profit or loss.

(16) <u>Foreclosed properties</u>

Foreclosed properties are stated at the lower of carrying amount or fair value less selling cost on the financial reporting date.

(17) <u>Impairment of non-financial assets</u>

The Bank and subsidiaries assess at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss shall be reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.

(18) Provisions for liabilities, contingent liabilities and contingent assets

When all the following criteria are met, the Bank and subsidiaries shall recognize a provision:

A. A present obligation (legal or constructive) as a result of a past event;

B. It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and

C. The amount of the obligation can be reliably estimated.

If there are several similar obligations, the outflow of economic benefit as a result of settlement is determined based on the overall obligation. Provisions for liabilities should be recognized when the outflow of economic benefits is probable in order to settle the obligation as a whole even if the outflow of economic benefits from any one of the obligation is remote.

Provisions are measured by the present value of expense which is required for settling the anticipated obligation. The pre-tax discount rate is used with timely adjustment that reflects the current market assessments on the time value of money and the risks specific to the obligation.

Contingent liability is a possible obligation that arises from past event, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank and subsidiaries. Or it could be a present obligation as a result of past event but the payment is not probable or the amount cannot be measured reliably. The Bank and subsidiaries did not recognize any contingent liabilities but made appropriate disclosure in compliance with relevant regulations.

Contingent asset is a possible asset that arises from past event, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank and subsidiaries. The Bank and subsidiaries did not recognize any contingent assets and made appropriate disclosure in compliance with relevant regulations when the economic inflow is probable.

(19) Financial guarantee contracts and loan commitments

A financial guarantee contract is a contract that requires the Bank and subsidiaries to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A loan commitment is an agreement to provide credit under predetermined terms and conditions.

The Bank and subsidiaries initially recognize financial guarantee contracts at fair value on the date of issuance. The Bank and subsidiaries charge a service fee when the contract is signed and therefore the service fee income charged is the fair value at the date that the financial guarantee contract is signed. Service fee received in advance is recognized in deferred accounts and amortized through straight-line method during the contract term.

Loss provisions are recognised for financial guarantee contracts and loan commitments, and the amounts of loss allowance are determined by expected credit losses.

Subsequently, the Bank and subsidiaries should measure the financial guarantee contract issued at the higher of:

A. The amount of loss allowance is determined by using an expected-credit-loss model; and

B. The initially recognised amount less the cumulative gains that were recognised under IFRS 15‘Revenue from contracts with customers’.

Loss allowance for the aforementioned reserve for guarantee liabilities is assessed in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans" as issued by the FSC and IFRS 9 requirements. A provision is then recognised at the higher of the amounts assessed in compliance with the aforementioned domestic regulations and IFRS 9.

The Bank and subsidiaries determine loss allowance for the loan commitments based on expected credit loss.

The loss allowance is recognized as provision for loan commitments and financial guarantee contracts. If the financial instrument contains both a loan (i.e. financial assets) and an undrawn commitment (i.e. loan commitment) component and the Bank and subsidiaries are unable to identify the expected credit losses (ECLs) of the financial assets and loan commitment component, the ECLs of loan commitment is recognised together with the loss allowance for financial assets. A provision is recognised for the aggregate ECLs exceeding the carrying amount of the financial assets.

The increase in liabilities due to financial guarantee contracts and loan commitments is recognised in 'bad debts expense, commitment and guarantee liability provision'.

(20) Employee benefits

A. Short-term employee benefits

The Bank and subsidiaries should recognize the undiscounted amount of the short-term benefits expected to be paid in the future as expenses in the period when the employees render service.

B. Employee preferential savings

The Bank provides preferential interest rate for employees, including flat preferential savings for current employees and flat preferential savings for retired employees. The difference gap compared to market interest rate is deemed as employee benefits.

According to Regulation Governing the Preparation of Financial Statements by Public Banks, the preferential monthly interest paid to current employees is calculated based on accrual basis, and the difference between the preferential interest rate and the market interest rate is recognized under "employee benefit expense". According to Article 30 of Regulation Governing the Preparation of Financial Statements by Public Banks, the excessive interest arising from the interest rate upon retirement agreed with the employees in excess of general market interest rate should be recognized in accordance with IAS 19, "Employee Benefits", as endorsed by the FSC. However, various parameters should be in compliance with competent authorities if indicated otherwise.

C. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the decisions of the Bank and subsidiaries to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Bank and subsidiaries recognize expense as it can no longer withdraw an offer of termination benefits or it recognizes relating restructuring costs, whichever is earlier.

Benefits that are expected to be due more than 12 months after balance sheet date shall be discounted to their present value.

D. Post-employment benefit

The pension plan of the Bank and subsidiaries include both Defined Contribution Plan and Defined Benefit Plan. In addition, defined contribution plan is adopted for employees working overseas according to the local regulations.

(A) Defined Contribution Plan

The contributions are recognized as pension expenses when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

(B) Defined Benefit Plan

a. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Bank and subsidiaries in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit net obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in high-quality corporate bonds, the Bank and subsidiaries use interest rates of government bonds (at the balance sheet date) instead.

b. Remeasurement arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.

c. Past service costs are recognized immediately in profit or loss.

E. Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal obligation or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is distributed by shares, the Bank and subsidiaries calculate the number of shares based on the closing price at the previous day of the Board of Directors' resolution day.

(21) Employee share-based payment

For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognized as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-market vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. And ultimately, the amount of compensation cost recognized is based on the number of equity instruments that eventually vest.

(22) Revenue and expense

Income and expense of the Bank and subsidiaries are recognized as incurred. Expenses consist of employee benefit expense, depreciation and amortization expense and other business and administration expenses. Dividend revenues are recognized within 'financial assets and liabilities at fair value through profit or loss' and 'financial assets and liabilities at fair value through other comprehensive income' in the consolidated statement of comprehensive income when the right to receive dividends is assured.

A. Other than those classified as financial assets and liabilities at fair value through profit and loss, all the interest income and interest expense generated from interest-bearing financial assets are calculated by effective interest rate according to relevant regulations and recognized as "interest income" and "interest expense" in the consolidated statement of comprehensive income.

B. Service fee income and expense are recognised upon the completion of services of loans or other services; service fee earned from performing significant items shall be recognised upon the completion of the service, such as syndication loan service fee received from sponsor, service fee income and expense of subsequent services of loans are amortized or included in the calculation of effective interest rate of loans and receivables during the service period.

(23) Income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.

The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Bank and subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the following year after the Board of Directors make resolution in respect of earnings appropriation proposal on behalf of stockholders.

Deferred income tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Bank and subsidiaries and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred income tax assets are reassessed.

Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current income tax assets against current income tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

(24) Share capital and dividends

Dividends on ordinary shares are recognized in the financial statements in the period in which they are approved by the shareholders. Cash dividends are recorded as liabilities. Stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance; they are not recognized and only disclosed as subsequent event in the notes if the dividend declaration date is later than the consolidated balance sheet date.

(25) Operating segments

Information of operating segments of the Bank and subsidiaries is reported in the same method as the internal management report provided to the chief operating decision-maker (CODM). The CODM is the person or group in charge of allocating resources to operating segments and evaluating their performance. The CODM of the Bank and subsidiaries is the Board of Directors.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Bank and subsidiaries' accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors (COVID-19 impact included).
Management's critical judgements in applying the Bank and subsidiaries' accounting policies that have significant impact on the consolidated financial statements are outlined below:

(1) Fair value measurement of investment in unlisted stock

The fair value of unlisted stocks without an active market is determined by using valuation techniques such as market approach and net asset approach. The measurement of fair value may adopt observable information or models of similar financial instruments or use assumptions in an appropriate manner if the observable parameters are unavailable in the market. Observable information is the primary source of reference. When valuation models are used for the measurements, calibration are performed to ensure its accountability in reflecting real information and market price.

In the fair value measurement, the Bank and subsidiaries primarily use reference of the latest updated market multipliers of similar listed stocks in the industry alike and takes into account marketability discount and discount in the specialised risks. Any changes in these judgements and estimates will impact the fair value measurement of these unlisted stocks. Please refer to Note 7 for the financial instruments fair value information.

(2) Expected credit losses

For financial assets at amortised cost and financial assets at fair value through other comprehensive income, the measurement of expected credit losses (ECLs) involves complex model and various assumptions associated with macro-economic projections and borrowers' situation in terms of the probability of default and losses-given-default. Information relating to parameters, assumptions, methods of estimation, ECL's sensitivity analysis corresponding to the aforementioned factors is provided in Note 8(3).

The measurement of ECLs in accordance with the framework of accounting principles involves several significant judgements, such as:

A. Criteria in determining whether there has been a significant increase in credit risk;

B. A selection of appropriate models and assumptions in ECLs measurement;

C. Forward-looking information to be taken into consideration in terms of different products; and

D. Grouping the financial instruments to include financial assets with the same credit risk characteristics into one group.

Please refer to Note 8(3) for the aforementioned judgements and estimates with respect of ECLs.

(3) Post-employment benefit

The present value of post-employment benefit obligations are estimated based on several assumptions. Any changes in those assumptions will affect the carrying amounts of post-employment benefit obligations.

The assumptions used to determine net pension cost (revenue) comprise discount rate. The Bank and subsidiaries determine the appropriate discount rate at the end of each year, and use the discount rate in calculating the present value of future cash outflow of post-employment benefit obligations. The discount rate is chosen by reference to the rate of government bonds where the currency and maturity date of government bonds are in agreement with those of post-employment benefit obligations. Any changes in these assumptions could significantly impact the carrying amount of defined pension obligations.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2021		December 31, 2020
	NT$	US$	NT$
Cash on hand and petty cash	$ 16,005,097	$ 578,909	$ 14,091,565
Checks for clearance	375,969	13,599	547,733
Due from banks	117,363,100	4,245,057	100,471,220
Subtotal	133,744,166	4,837,565	115,110,518
Less: Allowance for bad debt - due from banks	(12)	-	(10)
Total	$ 133,744,154	$ 4,837,565	$ 115,110,508

Information relating to credit risk is provided in Note 8(3).

(2) Due from the Central Bank and call loans to banks

	December 31, 2021	
	NT$	US$
Reserve for deposits - category A	$ 7,975,610	$ 288,480
Reserve for deposits - category B	56,709,890	2,051,213
Reserve for deposits - general	262	9
Reserve for deposits - foreign currency	898,188	32,488
Deposits of overseas branches with foreign Central Banks	207,041,474	7,488,750
Interbank settlement fund of Fund Center	19,931,695	720,935
Call loans to banks and bank overdrafts	150,131,712	5,430,308
Trade financing loans from banks	1,053,937	38,121
Subtotal	443,742,768	16,050,304
Less: Allowance for bad debt – call loans to banks	(12)	-
Less: Allowance for bad debt – due from the Central Bank	(6)	-
Less: Allowance for bad debt – trade financing loans from banks, credit risk is not significantly increased	(555)	(20)
Total	$ 443,742,195	$ 16,050,284

	December 31, 2020
	NT$
Reserve for deposits - category A	$ 18,943,085
Reserve for deposits - category B	46,395,791
Reserve for deposits - general	266
Reserve for deposits - foreign currency	696,177
Deposits of overseas branches with foreign Central Banks	154,718,126
Interbank settlement fund of Fund Center	12,012,994
Call loans to banks and bank overdrafts	144,698,948
Subtotal	377,465,387
Less: Allowance for bad debt – call loans to banks	(153)
Less: Allowance for bad debt – due from the Central Bank	(6)
Total	$ 377,465,228

A. As required by relevant laws, the reserves for deposits are calculated at required reserve ratios based on the monthly average balances of various deposit accounts. Reserve for deposits - category B cannot be used except upon the monthly adjustment of the reserve.

B. As at December 31, 2021 and 2020, due from the Central Bank and call loans to banks of the Bank and subsidiaries that were in accordance to the definition of cash and cash equivalents under IAS 7, which included the total of the above-listed ‘Reserve for deposit - category A’, ‘Reserve for deposit - general’, ‘Call loans to banks and bank overdrafts’, ‘Reserve for deposit- foreign currency’ and a portion of ‘Deposit of overseas branches with foreign Central Banks’ that are highly liquid and readily convertible to cash, amounted to NT$269,217,138 thousand and NT$194,748,505 thousand, respectively.

C. Information relating to credit risk is provided in Note 8(3).

(3) Financial assets at fair value through profit or loss

	December 31, 2021	
	NT$	US$
Financial assets mandatorily measured at fair value through profit or loss		
Listed stocks	$ 10,012,078	$ 362,140
Emerging stocks	1,151,829	41,662
Unlisted stocks	6,070,226	219,562
Asset securitization	9,218	333
Beneficiary certificates	272,635	9,861
Derivatives	3,504,318	126,752
Government bonds	1,161,033	41,995
Corporate bonds	28,503,910	1,030,995
Bank notes	1,298,521	46,968
Subtotal	51,983,768	1,880,268
Valuation adjustment	5,009,256	181,186
Total	$ 56,993,024	$ 2,061,454

	December 31, 2020
	NT$
Financial assets mandatorily measured at fair value through profit or loss	
Listed stocks	$ 8,462,242
Emerging stocks	1,038,136
Unlisted stocks	5,740,712
Asset securitization	11,730
Beneficiary certificates	171,830
Derivatives	4,757,979
Government bonds	1,229,224
Corporate bonds	25,597,258
Bank notes	5,125,537
Subtotal	52,134,648
Valuation adjustment	5,033,213
Total	$ 57,167,861

A. Gain or loss on financial assets mandatorily measured at fair value through profit or loss recognized for the years ended December 31, 2021 and 2020 are provided in Note 6(29).

B. Information relating to credit risk is provided in Note 8(3).

(4) Financial assets at fair value through other comprehensive income

	December 31, 2021		December 31, 2020
	NT$	US$	NT$
Debt instruments			
Corporate bonds	$ 138,834,885	$ 5,021,698	$ 138,571,674
Bank notes	92,085,889	3,330,773	92,452,467
Government bonds	82,182,501	2,972,565	70,464,831
Asset securitization	54,195,837	1,960,279	64,111,460
Bank's certificates of deposit	6,670,307	241,267	9,914,736
Subtotal	373,969,419	13,526,582	375,515,168
Valuation adjustment	(566,338)	(20,484)	2,189,575
Debt instruments, net	373,403,081	13,506,098	377,704,743
Equity instruments			
Listed stocks	17,902,054	647,522	5,590,498
Unlisted stocks	4,565,596	165,139	4,788,006
Other securities	302,258	10,933	302,258
Subtotal	22,769,908	823,594	10,680,762
Valuation adjustment	11,071,122	400,446	8,569,879
Equity instruments, net	33,841,030	1,224,040	19,250,641
Total	$ 407,244,111	$ 14,730,138	$ 396,955,384

A. The Bank and subsidiaries have elected to classify investments that are considered to be strategic investments and with steady dividend income as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to NT$ 33,841,030 thousand and NT$19,250,641 thousand as at December 31, 2021 and 2020, respectively.

B. For the year ended December 31, 2021, the Bank and subsidiaries have losses from disposal in the amount of NT$6,664 thousand due to the liquidation and dissolution of the investees, H&D Venture Capital Investment Corporation and Universal Development & Investment Capital I Co., Ltd. In addition, the investee, H&QAP GCGF, has stopped investing in new investments, started to dispose the assets on account and returned the investment proceeds to the Bank; therefore, gains on disposal has been recognised in the amount of NT$446 thousand. Moreover, in order to respond to the changes in the industry structure, the Bank and subsidiaries adjusted the equity instruments investment position by disposing of equity instruments-listed share investments in the fair value amount of NT$382,777 thousand; the amount of accumulated loss from disposal was NT$21,785 thousand.

C. For the year ended December 31, 2020, the Bank and subsidiaries have losses from disposal in the amount of NT$6,355 thousand due to the liquidation of the investees, BDF II. In addition, the investee, H&QAP GCGF, has stopped investing in new investments, started to dispose the assets on account and returned the investment proceeds to the Bank; therefore, gains on disposal has been recognised in the amount of NT$14,135 thousand. Moreover, because the spread of the Covid-19 pandemic globally has suppressed market demand momentum and the decline in international oil prices has impacted prices of raw materials, the Bank and subsidiaries adjusted the equity instruments investment position by disposing of equity instruments-listed share investments in the fair value amount of NT$1,074,215 thousand; the amount of accumulated loss from disposal was NT$454,440 thousand.

D. Amounts recognised in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	2021		2020
	NT$	US$	NT$
Equity instruments at fair value through other comprehensive income			
Fair value change recognised in other comprehensive income	$ 2,473,230	$ 89,457	$ 1,127,190
Cumulative losses reclassified to retained earnings due to derecognition	$ 28,003	$ 1,013	$ 446,660
Dividend income recognised in profit or loss			
Held at end of year	$ 1,519,644	$ 54,966	$ 613,204
Debt instruments at fair value through other comprehensive income			
Fair value change recognised in other comprehensive income	($ 2,755,326)	($ 99,661)	$ 3,553,519
Cumulative other comprehensive income reclassified to profit or loss			
Reclassified due to impairment recognition (reversal)	($ 2,469)	($ 89)	$ 81,561
Reclassified due to derecognition	11,722	424	(3,672,718)
	$ 9,253	$ 335	($ 3,591,157)
Interest income recognised in profit or loss	$ 3,851,717	$ 139,318	$ 4,940,023

E. As of December 31, 2021 and 2020, the financial assets at fair value through other comprehensive income, amounting to NT$10,190,680 thousand and NT$9,963,413 thousand, were pledged to other parties as collateral for business reserves and guarantees, respectively.

F. As of December 31, 2021 and 2020, the financial assets at fair value through other comprehensive income undertaken for repurchase agreements amounted to NT$18,920,548 thousand and NT$13,745,736 thousand, respectively.

G. Information relating to credit risk is provided in Note 8(3).

(5) Investments in debt instruments at amortised cost

	December 31, 2021		December 31, 2020
	NT$	US$	NT$
Central Bank's certificates of deposit	$ 442,345,069	$ 15,999,749	$ 348,884,420
Short-term notes and bills	154,776,724	5,598,319	136,385,848
Bank's certificates of deposit	7,119,928	257,530	7,403,155
Bank notes	29,049,850	1,050,742	29,865,761
Government bonds	6,456,191	233,522	4,800,842
Corporate bonds	4,047,829	146,411	2,376,996
Treasury bills	-	-	399,310
Subtotal	643,795,591	23,286,273	530,116,332
Less: Accumulated impairment	(64,286)	(2,325)	(32,333)
Total	$ 643,731,305	$ 23,283,948	$ 530,083,999

A. Amounts recognised in profit or loss in relation to financial assets at amortised cost are listed below:

	2021		2020
	NT$	US$	NT$
Interest income	$ 2,202,979	$ 79,682	$ 2,154,704
Losses on disposal	-	-	(35)
Impairment loss	(32,396)	(1,171)	(10,937)
	$ 2,170,583	$ 78,511	$ 2,143,732

B. The Bank and subsidiaries sold investments in debt instruments and recognised a loss of NT$35 thousand regarding that the value of treasury securities was prone to be affected by the market fluctuation for the year ended December 31, 2020.

C. As of December 31, 2021 and 2020, the aforementioned debt investments, amounting to NT$7,286,800 thousand and NT$7,112,429 thousand, were pledged to other parties as collateral for business reserves and guarantees, respectively.

D. Please refer to Note 8(3) for the movement information on accumulated losses for the years ended December 31, 2021 and 2020.

E. Information relating to credit risk is provided in Note 8(3).

(6) Receivables, net

	December 31, 2021		December 31, 2020
	NT$	US$	NT$
Factoring receivable	$ 18,160,261	$ 656,862	$ 17,544,174
Accounts receivable - Credit card	9,128,843	330,193	7,934,806
Acceptances receivable	4,932,522	178,411	6,392,924
Accrued interest	4,119,540	149,005	4,215,380
Accrued income	1,335,619	48,309	1,144,979
Other receivables	2,183,299	78,970	1,761,203
Subtotal	39,860,084	1,441,750	38,993,466
Less: Allowance for bad debts	(984,410)	(35,606)	(1,060,604)
Receivables, net	$ 38,875,674	$ 1,406,144	$ 37,932,862

A. Please refer to Note 8(3) for the movement information on loss allowance for the years ended December 31, 2021 and 2020.

B. Information relating to credit risk is provided in Note 8(3).

(7) Discounts and loans, net

	December 31, 2021		December 31, 2020
	NT$	US$	NT$
Bills and notes discounted	$ 35,577	$ 1,287	$ 47,315
Overdrafts	1,441,971	52,156	232,794
Short-term loans	542,484,781	19,621,832	503,722,431
Medium-term loans	769,260,109	27,824,361	735,803,605
Long-term loans	743,361,713	26,887,609	669,809,653
Export bills negotiated	5,735,487	207,454	5,504,446
Loans transferred to non-accrual loans	5,373,071	194,346	4,003,945
Subtotal	2,067,692,709	74,789,045	1,919,124,189
Less: Allowance for bad debts	(30,337,729)	(1,097,325)	(29,165,967)
Discounts and loans, net	$ 2,037,354,980	$ 73,691,720	$ 1,889,958,222

A. As of December 31, 2021 and 2020, the amounts of reclassified non-performing loans to overdue loans were NT$5,373,071 thousand and NT$4,003,945 thousand, including interest receivable of NT$36,907 thousand and NT$18,311 thousand, respectively.

B. For the years ended December 31 2021 and 2020, the Bank and subsidiaries considered that some creditors' financial structure were weakened and their credit risk were raised due to the pandemic. As the result, the Bank and subsidiaries disposed certain credit assets, and the losses on disposal were NT$39,147 thousand and NT$155,882 thousand, respectively.

C. Please refer to Note 8(3) for the movement information on loss allowance for the years ended December 31, 2021 and 2020.

D. The amount of recovery of write-off for the years ended December 31, 2021 and 2020 was NT$501,604 thousand and NT$497,728 thousand, respectively.

E. Information relating to credit risk is provided in Note 8(3).

(8) Investments measured by equity method, net

Individually Immaterial Associates	December 31, 2021 Carrying amount NT$	December 31, 2021 Carrying amount US$	December 31, 2021 Percentage of Shareholding
Mega Management Consulting Co., Ltd.	$ 76,886	$ 2,781	100.00
Cathay Investment & Warehousing Co., S.A.	29,486	1,066	100.00
Ramlett Finance Holdings Inc.	-	-	100.00
Yung-Shing Industries Co.	696,791	25,203	99.56
China Products Trading Company	27,897	1,009	68.27
Next Commercial Bank Co., Ltd.(Note)	2,169,868	78,485	25.10
An Feng Enterprise Co., Ltd.	12,627	457	25.00
Taiwan Finance Corporation	1,790,154	64,750	24.55
Everstrong Iron & Steel Foundry & Mfg. Corporation	48,538	1,756	22.22
China Real Estate Management Co., Ltd.	188,434	6,816	20.00
Universal Venture Capital Investment Corporation	146,323	5,293	11.84
Mega Growth Venture Capital Co., Ltd.	153,149	5,539	11.81
Total	$ 5,340,153	$ 193,155	

Individually Immaterial Associates	December 31, 2020 Carrying amount NT$	December 31, 2020 Percentage of Shareholding
Mega Management Consulting Co., Ltd.	$ 64,007	100.00
Cathay Investment & Warehousing Co., S.A.	34,119	100.00
Ramlett Finance Holdings Inc.	-	100.00
Yung-Shing Industries Co.	704,125	99.56
China Products Trading Company	27,916	68.27
Next Commercial Bank Co., Ltd.(Note)	2,284,743	25.10
An Feng Enterprise Co., Ltd.	12,034	25.00
Taiwan Finance Corporation	1,776,306	24.55
Everstrong Iron & Steel Foundry & Mfg. Corporation	46,333	22.22
China Real Estate Management Co., Ltd.	180,215	20.00
Universal Venture Capital Investment Corporation	125,335	11.84
Mega Growth Venture Capital Co., Ltd.	153,817	11.81
Total	$ 5,408,950	

Note : In January 2019, the Board of Directors of the Bank and subsidiaries resolved to establish an internet-only bank, NEXT COMMERCIAL BANK Co., LTD. (referred herein as the Next Bank),with Chunghwa Telecom, which has been approved by FSC in July 2019. On January 31, 2020, the registration for establishment was completed and the internet-only bank was reclassified as investment accounted for using the equity method. On December 9, 2021, Next Bank has obtained the business license from FSC and is expected to officially commence operations in March 2022. In addition, the Bank and subsidiaries have provided the necessary financial support letter to Next Bank. Information relating to credit risk is provided in Note 13(3).

For the years ended December 31, 2021 and 2020, the Bank and subsidiaries recognised cumulative investment losses amounting to NT$114,875 thousand and NT$225,257 thousand, respectively, based on Next Bank's unaudited financial statements. As of December 31, 2021 and 2020, from the acquisition date of investments, the accumulated investment losses recognised were NT$340,132 thousand and NT$225,257 thousand, respectively.

A. The carrying amount of the Bank and subsidiaries' interests in all individually immaterial associates and the Bank and subsidiaries' share of the operating results are summarized as follows:

	For the years ended December 31,		
	2021		2020
	NT$	US$	NT$
Profit (loss) for the year	$ 124,263	$ 4,495	($ 22,539)
Other comprehensive (loss) income (after income tax)	(23,690)	(857)	55,980
Total comprehensive income	$ 100,573	$ 3,638	$ 33,441

B. The shares of associates that the Bank and subsidiaries own have no quoted market price available in an active market. There is no significant restriction on fund transfer from the associates to their shareholders, i.e. distribution of cash dividends, repayment of loans or money advanced.

C. The ownership percentage of the Bank and subsidiaries investment in Universal Venture Capital Investment Corporation is 11.84%. However, due to the Bank occupying 2 board seats of Universal Venture Capital Investment Corporation's total 11 board seats, and the Bank being elected as the chairman of the board, the Bank has influence over decision-making. Therefore, the investment is measured by equity method.

D. The Bank's investment in Mega Growth Venture Capital Co., Ltd. accounted for an ownership percentage of 11.81%. However, the combined ownership percentage of the Bank, and the Bank's subsidiaries was over 20%.Therefore, the investment is measured by equity method.

(9) Other financial assets, net

	December 31, 2021		December 31, 2020
	NT$	US$	NT$
Call loan to security brokers	$ 82,941	$ 3,000	$ 78,666
Non-accrual loans transferred from overdue receivables	10,838	392	61,324
Remittance purchased	1,037	37	773
Others(Note)	162,000	5,860	-
Subtotal	256,816	9,289	140,763
Less: Allowance for bad debts - Remittance purchased	(10)	-	(8)
Less: Allowance for bad debts - Non-accrual loans transferred from overdue receivables	(10,838)	(392)	(32,340)
Total	$ 245,968	$ 8,897	$ 108,415

Note: For the year ended December 31, 2021, the Bank's finance guarantee fund remitted to the finance guarantee special account because of the participation of the National Finance Guarantee Mechanism was recognised as restricted assets.

Information relating to credit risk is provided in Note 8(3).

(10) Property and equipment, net

	December 31, 2021			
	Cost	Accumulated Depreciation	Accumulated Impairment	Net Book Value
	(In NT Thousand Dollars)			
Land and land improvements	$ 9,480,028	$ -	$ -	$ 9,480,028
Buildings and auxiliary equipment	10,500,317	(6,642,497)	-	3,857,820
Computers and peripheral equipment	4,454,699	(3,245,711)	-	1,208,988
Transportation and communication equipment	127,344	(98,990)	-	28,354
Miscellaneous equipment	1,593,815	(1,366,243)	-	227,572
	$ 26,156,203	($ 11,353,441)	$ -	$ 14,802,762

	December 31, 2021			
	Cost	Accumulated Depreciation	Accumulated Impairment	Net Book Value
	(In US Thousand Dollars)			
Land and land improvements	$ 342,895	$ -	$ -	$ 342,895
Buildings and auxiliary equipment	379,799	(240,261)	-	139,538
Computers and peripheral equipment	161,128	(117,398)	-	43,730
Transportation and communication equipment	4,606	(3,580)	-	1,026
Miscellaneous equipment	57,649	(49,418)	-	8,231
	$ 946,077	($ 410,657)	$ -	$ 535,420

	December 31, 2020			
	Cost	Accumulated Depreciation	Accumulated Impairment	Net Book Value
	(In NT Thousand Dollars)			
Land and land improvements	$ 9,483,118	$ -	$ -	$ 9,483,118
Buildings and auxiliary equipment	10,471,125	(6,485,007)	-	3,986,118
Computers and peripheral equipment	4,251,880	(3,135,460)	-	1,116,420
Transportation and communication equipment	125,527	(97,815)	-	27,712
Miscellaneous equipment	1,564,257	(1,342,581)	-	221,676
	$ 25,895,907	($ 11,060,863)	$ -	$ 14,835,044

	2021					
	Land and land improvements	Buildings and auxiliary equipment	Computers and peripheral equipment	Transportation and communication equipment	Miscellaneous equipment	Total
	(In NT Thousand Dollars)					
Cost						
Balance at January 1, 2021	$ 9,483,118	$ 10,471,125	$ 4,251,880	$ 125,527	$ 1,564,257	$ 25,895,907
Additions for the year	-	131,541	586,064	11,366	69,597	798,568
Disposals for the year	-	(60,288)	(370,531)	(6,784)	(20,615)	(458,218)
Exchange adjustments and others	(3,090)	(42,061)	(12,714)	(2,765)	(19,424)	(80,054)
Balance at December 31, 2021	9,480,028	10,500,317	4,454,699	127,344	1,593,815	26,156,203
Accumulated depreciation						
Balance at January 1, 2021	-	(6,485,007)	(3,135,460)	(97,815)	(1,342,581)	(11,060,863)
Depreciation for the year	-	(243,684)	(491,083)	(10,283)	(61,117)	(806,167)
Disposals for the year	-	54,656	370,531	6,784	20,615	452,586
Exchange adjustments and others	-	31,538	10,301	2,324	16,840	61,003
Balance at December 31, 2021	-	(6,642,497)	(3,245,711)	(98,990)	(1,366,243)	(11,353,441)
	$ 9,480,028	$ 3,857,820	$ 1,208,988	$ 28,354	$ 227,572	$ 14,802,762

	2021					
	Land and land improvements	Buildings and auxiliary equipment	Computers and peripheral equipment	Transportation and communication equipment	Miscellaneous equipment	Total
	(In US Thousand Dollars)					
Cost						
Balance at January 1, 2021	$ 343,007	$ 378,743	$ 153,792	$ 4,540	$ 56,580	$ 936,662
Additions for the year	-	4,758	21,198	411	2,517	28,884
Disposals for the year	-	(2,180)	(13,402)	(245)	(746)	(16,573)
Exchange adjustments and others	(112)	(1,522)	(460)	(100)	(702)	(2,896)
Balance at December 31, 2021	342,895	379,799	161,128	4,606	57,649	946,077
Accumulated depreciation						
Balance at January 1, 2021	-	(234,565)	(113,410)	(3,538)	(48,562)	(400,075)
Depreciation for the year	-	(8,814)	(17,763)	(371)	(2,211)	(29,159)
Disposals for the year	-	1,977	13,402	245	746	16,370
Exchange adjustments and others	-	1,141	373	84	609	2,207
Balance at December 31, 2021	-	(240,261)	(117,398)	(3,580)	(49,418)	(410,657)
	$ 342,895	$ 139,538	$ 43,730	$ 1,026	$ 8,231	$ 535,420

	2020					
	Land and land improvements	Buildings and auxiliary equipment	Computers and peripheral equipment	Transportation and communication equipment	Miscellaneous equipment	Total
	(In NT Thousand Dollars)					
Cost						
Balance at January 1, 2020	$ 9,486,039	$ 10,473,996	$ 3,913,313	$ 120,669	$ 1,559,295	$ 25,553,312
Additions for the year	-	67,623	492,305	14,563	42,634	617,125
Disposals for the year	-	(20,560)	(151,227)	(7,794)	(18,207)	(197,788)
Exchange adjustments and others	(2,921)	(49,934)	(2,511)	(1,911)	(19,465)	(76,742)
Balance at December 31, 2020	9,483,118	10,471,125	4,251,880	125,527	1,564,257	25,895,907
Accumulated depreciation						
Balance at January 1, 2020	-	(6,312,780)	(2,824,869)	(98,390)	(1,312,377)	(10,548,416)
Depreciation for the year	-	(236,934)	(459,008)	(8,905)	(59,960)	(764,807)
Disposals for the year	-	20,560	151,227	7,772	18,189	197,748
Exchange adjustments and others	-	44,147	(2,810)	1,708	11,567	54,612
Balance at December 31, 2020	-	(6,485,007)	(3,135,460)	(97,815)	(1,342,581)	(11,060,863)
Accumulated impairment						
Balance at January 1, 2020	(42,383)	-	-	-	-	(42,383)
Reversal of impairment	42,383	-	-	-	-	42,383
Balance at December 31, 2020	-	-	-	-	-	-
	$ 9,483,118	$ 3,986,118	$ 1,116,420	$ 27,712	$ 221,676	$ 14,835,044

(11) Leasing arrangements－lessee

A. The Bank and subsidiaries lease various assets including land and land improvements, buildings and auxiliary equipment, machinery and equipment. Lease contracts are typically made for periods of 1 to 30.3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease contracts do not impose covenants, but leased assets may not be used as security for borrowing purposes.

B. Short-term leases with a lease term of 12 months or less comprise assets, such as buildings and equipment. Low-value assets comprise multifunctional printers.

C. The carrying amount of right-of-use assets and the depreciation expense are as follows:

	December 31, 2021		December 31, 2020
	Carrying amount		Carrying amount
	NT$	US$	NT$
Land and land improvements	$ 453,318	$ 16,397	$ 478,105
Buildings and auxiliary equipment	1,252,160	45,291	1,305,963
Machinery and equipment	98,073	3,547	96,186
Others	152	5	590
Total	$ 1,803,703	$ 65,240	$ 1,880,844

	For the years ended December 31,		
	2021		2020
	Depreciation expense		Depreciation expense
	NT$	US$	NT$
Land and land improvements	$ 26,076	$ 943	$ 25,902
Buildings and auxiliary equipment	536,674	19,412	534,417
Machinery and equipment	50,129	1,813	54,858
Others	233	9	749
Total	$ 613,112	$ 22,177	$ 615,926

D. The information on profit and loss accounts and cashflow relating to lease contracts is as follows:

	For the years ended December 31,		
	2021		2020
	NT$	US$	NT$
Items affecting profit or loss			
Interest expense on lease liabilities	$ 24,611	$ 890	$ 27,259
Expense on short-term lease contracts	16,762	606	5,408
Expense on leases of low-value assets	6,500	235	6,915
Other disclosures			
Additions to right-of-use assets	$ 600,495	$ 21,720	$ 594,198
Cash outflow for leases	(639,074)	(23,115)	(477,746)

(12) Leasing arrangements – lessor

A. The Bank and subsidiaries lease various assets including land and land improvements, buildings and auxiliary equipment, machinery and equipment. Lease contracts are typically made for periods of 1 to 20 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. To protect the lessor's ownership rights on the leased assets, leased assets may not be used as security for borrowing purposes, or a residual value guarantee was required.

B. For the years ended December 31, 2021 and 2020, the Bank and subsidiaries recognised rental income in the amounts of NT$153,254 thousand and NT$156,790 thousand based on the operating lease contracts, of which variable lease payments both amounted to NT$0.

C. The maturity analysis of the lease payments under the operating leases is as follows:

	For the years ended December 31,		
	2021		2020
	NT$	US$	NT$
Within 1 year	$ 164,388	$ 5,946	$ 156,596
1-2 years	121,624	4,399	68,258
2-3 years	101,487	3,671	28,979
3-4 years	57,947	2,096	15,211
4-5 years	49,992	1,808	5,325
After 5 years	11,904	431	15,272
Total	$ 507,342	$ 18,351	$ 289,641

(13) Investment property, net

	December 31, 2021			
	Cost	Accumulated Depreciation	Accumulated Impairment	Net Book Value
	(In NT Thousand Dollars)			
Land and land improvements	$ 574,770	$ -	$ -	$ 574,770
Buildings and auxiliary equipment	21,231	(12,804)	-	8,427
	$ 596,001	($ 12,804)	$ -	$ 583,197

	December 31, 2021			
	Cost	Accumulated Depreciation	Accumulated Impairment	Net Book Value
	(In US Thousand Dollars)			
Land and land improvements	$ 20,789	$ -	$ -	$ 20,789
Buildings and auxiliary equipment	768	(463)	-	305
	$ 21,557	($ 463)	$ -	$ 21,094

	December 31, 2020			
	Cost	Accumulated Depreciation	Accumulated Impairment	Net Book Value
	(In NT Thousand Dollars)			
Land and land improvements	$ 574,770	$ -	$ -	$ 574,770
Buildings and auxiliary equipment	21,499	(12,645)	-	8,854
	$ 596,269	($ 12,645)	$ -	$ 583,624

A. The fair value of the investment property held by the Bank and subsidiaries as of December 31, 2021 and 2020 was NT$3,205,380 thousand and NT$3,096,155 thousand, respectively, according to the result of valuation by an independent valuation expert using the comparison method and land development analysis approach, both of which are considered to be ranked at Level 2 within the fair value hierarchy.

B. Rental income from the lease of the investment property for the years ended December 31, 2021 and 2020 was NT$13,629 thousand and NT$14,280 thousand, respectively; direct operating expenses incident to current rental income from investment property were NT$6,431 thousand and NT$6,708 thousand, respectively.

C. For the rental revenue from the lease of the investment property among related parties, please refer to Note 11(3).

	2021		
	Land and land improvements	Buildings and auxiliary equipment	Total
	(In NT Thousand Dollars)		
Original cost			
Balance at January 1, 2021	$ 574,770	$ 21,499	$ 596,269
Exchange adjustments	-	(268)	(268)
Balance at December 31, 2021	574,770	21,231	596,001
Accumulated depreciation			
Balance at January 1, 2021	-	(12,645)	(12,645)
Depreciation for the year	-	(332)	(332)
Exchange adjustments	-	173	173
Balance at December 31, 2021	-	(12,804)	(12,804)
	$ 574,770	$ 8,427	$ 583,197

	2021		
	Land and land improvements	Buildings and auxiliary equipment	Total
	(In US Thousand Dollars)		
Original cost			
Balance at January 1, 2021	$ 20,789	$ 778	$ 21,567
Exchange adjustments	-	(10)	(10)
Balance at December 31, 2021	20,789	768	21,557
Accumulated depreciation			
Balance at January 1, 2021	-	(457)	(457)
Depreciation for the year	-	(12)	(12)
Exchange adjustments	-	6	6
Balance at December 31, 2021	-	(463)	(463)
	$ 20,789	$ 305	$ 21,094

	2020		
	Land and land improvements	Buildings and auxiliary equipment	Total
	(In NT Thousand Dollars)		
Original cost			
Balance at January 1, 2020	$ 574,770	$ 21,540	$ 596,310
Exchange adjustments	-	(41)	(41)
Balance at December 31, 2020	574,770	21,499	596,269
Accumulated depreciation			
Balance at January 1, 2020	-	(12,337)	(12,337)
Depreciation for the year	-	(334)	(334)
Exchange adjustments	-	26	26
Balance at December 31, 2020	-	(12,645)	(12,645)
	$ 574,770	$ 8,854	$ 583,624

(14) Other assets, net

	December 31, 2021		December 31, 2020
	NT$	US$	NT$
Refundable deposits	$ 3,859,196	$ 139,588	$ 6,399,972
Temporary payments	1,692,347	61,213	1,136,585
Computer software	873,973	31,612	829,235
Prepaid expenses	125,157	4,527	133,829
Others	108,228	3,914	132,544
Total	$ 6,658,901	$ 240,854	$ 8,632,165

(15) Deposits from the Central Bank and banks

	December 31, 2021		December 31, 2020
	NT$	US$	NT$
Deposits from the Central Bank	$ 161,436,382	$ 5,839,201	$ 191,071,013
Call loans from the Central Bank and banks	139,419,626	5,042,848	130,019,654
Deposits from banks	65,045,356	2,352,709	67,236,076
Overdrafts on banks	3,972,195	143,675	1,917,837
Deposits transferred from Chunghwa Post Co., Ltd.	25,674	929	39,343
Total	$ 369,899,233	$ 13,379,362	$ 390,283,923

(16) Due to the Central Bank and banks

	December 31, 2021		December 31, 2020
	NT$	US$	NT$
Other dues to the Central Bank	$ 17,177,070	$ 621,300	$ 9,754,140
Due to banks	26,513,473	959,000	7,023,750
Collateral loans transferred to the Central Bank	3,200,153	115,750	3,586,089
Total	$ 46,890,696	$ 1,696,050	$ 20,363,979

(17) Financial liabilities at fair value through profit or loss

	December 31, 2021		December 31, 2020
	NT$	US$	NT$
Financial liabilities held for trading:			
Derivatives	$ 2,264,285	$ 81,900	$ 3,300,350
Financial liabilities designated at fair value through profit or loss:			
Bank notes	15,973,324	577,760	15,570,980
Valuation adjustment	634,414	22,947	1,483,293
Subtotal	16,607,738	600,707	17,054,273
Total	$ 18,872,023	$ 682,607	$ 20,354,623

A. The Bank and subsidiaries' gain (loss) on financial liabilities held for trading and gain (loss) on financial liabilities designated at fair value through profit or loss recognized for the years ended December 31, 2021 and 2020 are provided in Note 6(29).

B. Financial liabilities designated at fair value through profit or loss by the Bank is for the purpose of eliminating recognition inconsistency.

(18) Payables

	December 31, 2021		December 31, 2020
	NT$	US$	NT$
Accounts payable	$ 9,508,091	$ 343,910	$ 15,690,983
Bankers' acceptances	4,975,421	179,962	6,504,180
Dividends and bonus payable	5,679,263	205,421	5,679,263
Accrued expenses	4,201,056	151,953	4,624,528
Accrued interests	1,733,406	62,698	2,061,784
Collections payable for customers	2,379,632	86,072	973,763
Other payables	1,863,198	67,393	1,912,743
Total	$ 30,340,067	$ 1,097,409	$ 37,447,244

(19) Deposits and remittances

	December 31, 2021		December 31, 2020
	NT$	US$	NT$
Time deposits	$ 1,130,978,419	$ 40,907,817	$ 984,771,155
Demand deposits	919,692,351	33,265,539	789,876,419
Demand savings deposits	586,768,790	21,223,597	520,156,920
Time savings deposits	296,391,347	10,720,561	286,782,369
Checking deposits	27,757,107	1,003,982	25,516,435
Remittances	9,141,586	330,654	8,958,765
Negotiable certificates of deposit	1,002,000	36,243	1,401,700
Total	$ 2,971,731,600	$ 107,488,393	$ 2,617,463,763

(20) Bank notes payable

	December 31, 2021		December 31, 2020
	NT$	US$	NT$
General bank debentures	$ 1,000,000	$ 36,170	$ 1,000,000
Subordinated bank debentures	-	-	12,000,000
Total	$ 1,000,000	$ 36,170	$ 13,000,000

Bank notes were as follows:

Name of bond	Issuing period	Interest rate %	Total issued amount	December 31, 2021 NT$	December 31, 2021 US$	Remark
109-1 Development Bank Notes (Note)	2020.03.11-2023.03.11	0.60%	NT$ 1,000,000	$ 1,000,000	$ 36,170	Interest is paid annually. The principal is repaid at maturity.

(Note)It was a general bank debenture.

Name of bond	Issuing period	Interest rate %	Total issued amount		December 31, 2021 US$		Remark
107-1 Bank Notes	2018.03.01-2048.03.01	0.00%	US$	330,000	$	330,000	The principal is repaid at maturity.
107-2 Bank Notes	2018.05.17-2048.05.17	0.00%		164,000		164,000	The principal is repaid at maturity.
107-3 Bank Notes	2018.11.28-2048.11.28	0.00%		45,000		-	The principal is repaid at maturity.
Total					$	494,000	

Name of bond	Issuing period	Interest rate %	Total issued amount		December 31, 2020 NT$		Remark
103-1 Development Bank Notes (Note 1)	2014.03.28-2021.03.28	1.70%	NT$	4,900,000	$	4,900,000	Interest is paid annually. The principal is repaid at maturity.
103-2 Development Bank Notes (Note 1)	2014.06.24-2021.06.24	1.65%		7,100,000		7,100,000	Interest is paid annually. The principal is repaid at maturity.
109-1 Development Bank Notes (Note 2)	2020.03.11-2023.03.11	0.60%		1,000,000		1,000,000	Interest is paid annually. The principal is repaid at maturity.
Total					$	13,000,000	

(Note 1)It was a subordinated bank debenture.

(Note 2)It was a general bank debenture.

Name of bond	Issuing period	Interest rate %	Total issued amount		December 31, 2020 US$		Remark
107-1 Bank Notes	2018.03.01-2048.03.01	0.00%	US$	330,000	$	330,000	The principal is repaid at maturity.
107-2 Bank Notes	2018.05.17-2048.05.17	0.00%		164,000		164,000	The principal is repaid at maturity.
107-3 Bank Notes	2018.11.28-2048.11.28	0.00%		45,000		-	The principal is repaid at maturity.
Total					$	494,000	

As of December 31, 2021 and 2020, the outstanding balances of the above mentioned bank notes amounted to US$494 million, NT$1 billion and NT$13 billion, respectively. In addition, among the above bank notes, the senior bank notes with face value of US$494 million was designated as financial liabilities at fair value through profit or loss and hedged by interest rate swap contracts. As such interest rate swap contracts were valued at fair value with changes in fair value recognized as profit or loss, the aforementioned bank notes were designated as financial liabilities at fair value through profit or loss in order to eliminate recognition inconsistency.

(21) Provisions

	December 31, 2021				December 31, 2020	
	NT$		US$		NT$	
Provisions for employee benefits	$	13,955,439	$	504,772	$	14,098,537
Provisions for guarantee liabilities		2,443,980		88,399		2,595,698
Provisions for loan commitments		157,912		5,712		219,469
Provisions for others		9,317		338		2,952
Total	$	16,566,648	$	599,221	$	16,916,656

Provisions for employee benefits are as follows:

	December 31, 2021		December 31, 2020
	NT$	US$	NT$
Recognized in consolidated balance sheet:			
-Defined benefit plans	$ 7,966,954	$ 288,167	$ 8,911,482
-Employee preferential savings plans	5,988,485	216,605	5,187,055
Total	$ 13,955,439	$ 504,772	$ 14,098,537

A. Defined benefit plans

(A) The Bank has a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Bank contributed monthly an amount equal to 10.822% (the contribution percentage from January 2020 to June 2020 was 12.197%; the contribution percentage from July 2020 to June 2021 was 11.896%; the contribution percentage from July 2021 to December 2021 was 10.822%) of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Bank would assess the balance in the aforementioned labor pension reserve account by the end of December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method, to the employees expected to be qualified for retirement next year, the Bank will make contributions to cover the deficit by the end of next March.

(B) The amounts recognized in the balance sheet are determined as follows:

	December 31, 2021		December 31, 2020
	NT$	US$	NT$
Present value of funded obligations	$ 16,442,440	$ 594,728	$ 17,790,850
Fair value of plan assets	(8,475,486)	(306,561)	(8,879,368)
Net defined benefit liability	$ 7,966,954	$ 288,167	$ 8,911,482

(C) Movements in net defined benefit liabilities are as follows:

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability
		(In NT Thousand Dollars)	
2021			
Balance at January 1	$ 17,790,850	($ 8,879,368)	$ 8,911,482
Current service cost	464,731	-	464,731
Interest expenses (income)	52,607	(26,450)	26,157
	18,308,188	(8,905,818)	9,402,370
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expenses)	-	(131,260)	(131,260)
Change in demographic assumptions	74,484	-	74,484
Change in financial assumptions	(523,905)	-	(523,905)
Experience adjustments	(184,578)	-	(184,578)
	(633,999)	(131,260)	(765,259)
Pension fund contribution	-	(669,094)	(669,094)
Paid Pension	(1,229,654)	1,230,686	1,032
Exchange difference	(2,095)	-	(2,095)
Balance at December 31	$ 16,442,440	($ 8,475,486)	$ 7,966,954

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability
		(In US Thousand Dollars)	
2021			
Balance at January 1	$ 643,500	($ 321,169)	$ 322,331
Current service cost	16,810	-	16,810
Interest expenses (income)	1,903	(957)	946
	662,213	(322,126)	340,087
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expenses)	-	(4,748)	(4,748)
Change in demographic assumptions	2,694	-	2,694
Change in financial assumptions	(18,950)	-	(18,950)
Experience adjustments	(6,676)	-	(6,676)
	(22,932)	(4,748)	(27,680)
Pension fund contribution	-	(24,201)	(24,201)
Paid Pension	(44,477)	44,514	37
Exchange difference	(76)	-	(76)
Balance at December 31	$ 594,728	($ 306,561)	$ 288,167

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability
	(In NT Thousand Dollars)		
2020			
Balance at January 1	$ 17,508,187	($ 9,006,231)	$ 8,501,956
Current service cost	504,279	-	504,279
Interest expenses (income)	119,687	(62,274)	57,413
	18,132,153	(9,068,505)	9,063,648
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expenses)	-	(305,798)	(305,798)
Change in financial assumptions	905,321	-	905,321
Experience adjustments	4,931	-	4,931
	910,252	(305,798)	604,454
Pension fund contribution	-	(756,601)	(756,601)
Paid Pension	(1,251,536)	1,251,536	-
Business combination adjustments	(19)	-	(19)
Balance at December 31	$ 17,790,850	($ 8,879,368)	$ 8,911,482

(D) The Bank of Taiwan is commissioned to manage the Fund of the Bank's defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.), and the performance of fund utilization is supervised by the Labor Funds Supervisory Committee. With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Bank has no right to participate in managing and operating that fund and hence the Bank is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2021 and 2020 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.

(E) The principal actuarial assumptions used are as follows:

	For the years ended December 31,	
	2021	2020
Discount rate	0.45%	0.30%
Rate of future salary increases	3.32%	3.52%

Assumptions regarding future mortality rate are set based on the 6th Chart of Life Span Estimate Used by the Taiwan Life Insurance Enterprises.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Rate of future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
	(In NT Thousand Dollars)			
December 31, 2021				
Effect on present value of defined benefit obligation	($ 369,457)	$ 382,492	$ 370,774	($ 360,223)

	Discount rate		Rate of future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
	(In US Thousand Dollars)			
December 31, 2021				
Effect on present value of defined benefit obligation	($ 13,363)	$ 13,835	$ 13,411	($ 13,029)

	Discount rate		Rate of future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
	(In NT Thousand Dollars)			
December 31, 2020				
Effect on present value of defined benefit obligation	($ 416,059)	$ 431,320	$ 416,643	($ 404,300)

The sensitivity analysis above is based on other conditions that are unchanged but only one assumption is changed. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

(F) Expected contributions to the defined benefit pension plans of the Bank for the year ending December 31, 2022 amount to NT$448,000 thousand.

(G) As of December 31, 2021, the weighted average duration of that pension plan is 9 years.

B. Defined contribution plans

(A) Effective July 1, 2005, the Bank has established a funded defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), applicable to employees of local citizenship. Under the New Plan, the Bank contributes monthly an amount not less than 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The payment of pension benefits is based on the employees' individual pension fund accounts and the cumulative profit in such accounts, and the employees can choose to receive such pension benefits monthly or in a lump sum.

(B) The pension costs under the defined contribution pension plan for the years ended December 31, 2021 and 2020 were NT$173,608 thousand and NT$165,892 thousand, respectively. For local employees of overseas branches and subsidiaries, pension expenses under defined contribution plans following local regulations for the years ended December 31, 2021 and 2020, were NT$23,234 thousand and NT$28,656 thousand, respectively.

C. The Bank's payment obligations of fixed-amount preferential savings of retired employees follow the internal regulation "Rules Governing Pension Preferential Savings of Staff of Mega International Commercial Bank". The excessive interest arising from the interest rate upon retirement agreed with the employees in excess of general market interest rate should be accounted for in accordance with IAS 19, "Employee Benefits".

(A) Adjustment of assets and liabilities recognized in the consolidated balance sheets, present value of defined benefit obligation, and fair value of plan assets is as follows:

	December 31, 2021		December 31, 2020
	NT$	US$	NT$
Present value of defined benefit obligation	$ 5,988,485	$ 216,605	$ 5,187,055
Less: Fair value of plan assets	-	-	-
	$ 5,988,485	$ 216,605	$ 5,187,055

(B) Movements in net defined benefit liabilities are as follows:

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability
	(In NT Thousand Dollars)		
2021			
Balance at January 1	$ 5,187,055	$ -	$ 5,187,055
Interest expenses	197,736	-	197,736
	5,384,791	-	5,384,791
Remeasurements:			
Change in demographic assumptions	1,020,376	-	1,020,376
Experience adjustments	613,438	-	613,438
	1,633,814	-	1,633,814
Pension fund contribution	-	(1,030,120)	(1,030,120)
Paid pension	(1,030,120)	1,030,120	-
Balance at December 31	$ 5,988,485	$ -	$ 5,988,485

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability
	(In US Thousand Dollars)		
2021			
Balance at January 1	$ 187,617	$ -	$ 187,617
Interest expenses	7,152	-	7,152
	194,769	-	194,769
Remeasurements:			
Change in demographic assumptions	36,908	-	36,908
Experience adjustments	22,188	-	22,188
	59,096	-	59,096
Pension fund contribution	-	(37,260)	(37,260)
Paid pension	(37,260)	37,260	-
Balance at December 31	$ 216,605	$ -	$ 216,605

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability
	(In NT Thousand Dollars)		
2020			
Balance at January 1	$ 4,731,579	$ -	$ 4,731,579
Interest expenses	180,439	-	180,439
	4,912,018	-	4,912,018
Remeasurements:			
Change in demographic assumptions	646,947	-	646,947
Experience adjustments	593,480	-	593,480
	1,240,427	-	1,240,427
Pension fund contribution	-	(965,390)	(965,390)
Paid pension	(965,390)	965,390	-
Balance at December 31	$ 5,187,055	$ -	$ 5,187,055

(C) Actuarial assumptions are as follows:

	For the years ended December 31, 2021	2020
Discount rate for employee preferential interest savings	4.00%	4.00%
Return rate on capital deposited	2.00%	2.00%
Annual decreasing ratio for account balance	1.00%	1.00%
Probability of change in preferential savings system in the future	50.00%	50.00%

Because the main actuarial assumption changed, the present value of employee preferential interest savings obligation is affected. The analysis was as follows:

	Discount rate		Rate of deposit cost	
	Increase 0.25%	Decrease 0.25%	Increase 0.05%	Decrease 0.05%
	(In NT Thousand Dollars)			
December 31, 2021				
Effect on present value of defined benefit obligation	($ 128,062)	$ 133,145	($ 27,933)	$ 27,933

	Discount rate		Rate of deposit cost	
	Increase 0.25%	Decrease 0.25%	Increase 0.05%	Decrease 0.05%
	(In US Thousand Dollars)			
December 31, 2021				
Effect on present value of defined benefit obligation	($ 4,632)	$ 4,816	($ 1,010)	$ 1,010

	Discount rate		Rate of deposit cost	
	Increase 0.25%	Decrease 0.25%	Increase 0.05%	Decrease 0.05%
	(In NT Thousand Dollars)			
December 31, 2020				
Effect on present value of defined benefit obligation	($ 103,333)	$ 107,183	($ 24,206)	$ 24,206

(D) The Bank and subsidiaries recognized employee benefit expenses of NT$2,122,538 thousand and NT$1,692,849 thousand for the years ended December 31, 2021 and 2020, respectively.

D. Please refer to Note 8(3) for the movement information on provisions for loan commitments and guarantee liabilities for the years ended December 31, 2021 and 2020.

E. Information relating to credit risk of provisions for loan commitments and guarantee liabilities is provided in Note 8(3).

(22) Other financial liabilities

	December 31, 2021		December 31, 2020
	NT$	US$	NT$
Principal received on structured notes	$ 5,967,267	$ 215,838	$ 7,657,573
Cumulative earnings on appropriated loan fund	372,333	13,467	476,479
Total	$ 6,339,600	$ 229,305	$ 8,134,052

(23) Other liabilities

	December 31, 2021		December 31, 2020
	NT$	US$	NT$
Guarantee deposits received	$ 3,131,397	$ 113,263	$ 4,408,938
Temporary credits	1,326,069	47,964	1,372,911
Advance receipt	1,513,114	54,730	1,371,917
Other liabilities to be settled	397,330	14,372	403,013
Others	184,469	6,672	180,317
Total	$ 6,552,379	$ 237,001	$ 7,737,096

(24) Equity

A. Common stock

As of December 31, 2021 and 2020, the Bank's authorized and paid-in capital were NT$85,362,336 thousand and outstanding shares were 8,536,234 thousand, with a par value of NT$10 per share.

B. Capital surplus

(A) Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Bank has no accumulated deficit. Further, the R.O.C. Securities and

Exchange Law requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(B) As of December 31, 2021 and 2020, the details of the Bank's capital surplus are as follows:

	December 31, 2021		December 31, 2020
	NT$	US$	NT$
Additional paid-in capital	$ 31,495,952	$ 1,139,218	$ 31,495,952
Consolidation surplus arising from share conversion	30,109,277	1,089,061	30,109,277
Changes in additional paid-in capital of investees accounted for using equity method	375,908	13,597	375,908
Share-based payment (Note)	238,403	8,623	238,403
Total	$ 62,219,540	$ 2,250,499	$ 62,219,540

Note: above-mentioned share-based payment includes the subsidiaries.

C. Legal reserve and Special reserve

(A) Legal reserve

Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Bank's paid-in capital. As of December 31, 2021 and 2020, the Bank's legal reserves were NT$106,587,497 thousand and NT$100,792,996 thousand, respectively.

(B) Special reserve

In accordance with Financial-Supervisory-Securities-Corporate No.1090150022 of the FSC dated on March 31, 2021, upon the first-time adoption for IFRSs, equivalent amounts of special reserve with regard to the unrealized revaluation increment under the stockholders' equity and cumulative translation adjustment (gains) transferred to retained earnings should be set aside. For the said special reserve, reversal of distributed earnings shall be based on the proportion of the original ratio of special reserve provision in the subsequent use, disposal or reclassification for the related assets. As of December 31, 2021 and 2020, the special reserve of the Bank were NT$4,218,295 thousand and NT$4,240,967 thousand, respectively.In accordance with the regulations, the Bank shall set aside an equivalent amount of special reserve from earnings after tax of the current year and the undistributed earnings of the prior period based on the net decreased amount of other stockholders' equity in the current period before distributing earnings. If there is any reversal of decrease in other stockholders' equity, the earnings may be distributed based on the reversal proportion.

In accordance with Financial-Supervisory-Banks Letter No. 10510001510, as a response to the development of financial technology, and to ensure the rights of bank practitioners, the Bank shall, upon appropriating the earnings of 2016 to 2018, provision 0.5% to 1% of income after taxes as special reserve. Starting from the 2017 accounting year, public banks may reverse an amount of the aforementioned special reserve commensurate to employee termination or arrangement expenditures resulting from the development of financial technology. Moreover, in pursuant to Financial-Supervisory-Banks Letter No. 10802714560 dated May 15, 2019, public banks are no longer required to set aside the special reserve starting from 2019, and the special reserve set aside in the previous years can be used for the payment of employee termination or arrangement expenditures.

(25) Retained earnings and dividend policies

A. The current year's earnings, if any, shall first be used to pay all taxes and offset prior year's deficit, and the remaining amount should then be set aside as legal reserve and special reserve in accordance with provisions under the applicable laws and regulations. Whether to payout dividends, bonus or keep the remaining earnings plus prior year's accumulated unappropriated earnings are subject to the approval of shareholders' meeting.

B. The legal reserve is to be used exclusively to offset any deficit or to increase capital by issuing new shares or distribute cash dividends to original shareholders in proportion to the number of shares being held by each of them and is not to be used for any other purposes. For the legal reserve to be used for issuing new shares or distributing cash dividends, only the portion of the legal reserve exceeding 25% of paid-in capital may be capitalized or released.

C. The appropriations and distributions for 2020 and 2019 approved by the Bank's Board of Directors on the stockholders' behalf on May 7, 2021 and May 8, 2020, respectively, was as follows:

	For the years ended December 31,	
	2020	2019
	NT$	NT$
Legal reserve	$ 5,794,501	$ 7,393,463
Special reserve (Note)	36,432	34,209
Cash dividends (NT$1.54 and NT$1.92 dollar per share)	13,145,800	16,389,569
	$ 18,976,733	$ 23,817,241

Note: The special reserves were reversed amounting to NT$59,104 thousand and NT$89,350 thousand for the years ended December 31, 2020 and 2019, respectively.

Information on the appropriation of the Bank's earnings as approved by the Board of Directors on behalf of the shareholders' meeting is posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

D. The appropriation of 2021 earnings resolved by the Board of Directors on March 4, 2022 is set forth below:

	For the year ended December 31, 2021	
	NT$	US$
Legal reserve	$ 5,706,456	$ 206,404
Special reserve (Note)	29,011	1,050
Cash dividends (NT$1.50 dollar per share)	12,804,350	463,137
	$ 18,539,817	$ 670,591

Note: The special reserve was reversed amounting to NT$36,821 thousand for the year ended December 31, 2021.

E. For information related to employee compensation, please refer to Note 6 (33).

(26) Other equity

	Exchange differences on translation of foreign financial statements	Gains (losses) on financial assets at fair value through other comprehensive income	Other equity-other	Total
	(In NT Thousand Dollars)			
January 1, 2021	($ 3,984,607)	$ 11,009,915	($ 19,005)	$ 7,006,303
Financial assets at fair value through other comprehensive income				
Evaluation adjustment for the year	-	(282,096)	-	(282,096)
Changed in accumulated impairments in the period	-	(2,469)	-	(2,469)
Realized gain and loss in the period	-	39,636	20,091	59,727
Translation gain and loss on the financial statements of foreign operating entities in the period	(1,141,967)	-	-	(1,141,967)
Share of other comprehensive income of associates and joint ventures accounted for using equity method	5,328	(30,589)	1,571	(23,690)
Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	37,733	-	37,733
December 31, 2021	($ 5,121,246)	$ 10,772,130	$ 2,657	$ 5,653,541

	Exchange differences on translation of foreign financial statements	Gains (losses) on financial assets at fair value through other comprehensive income	Other equity-other	Total
	(In US Thousand Dollars)			
January 1, 2021	($ 144,124)	$ 398,232	($ 687)	$ 253,421
Financial assets at fair value through other comprehensive income				
Evaluation adjustment for the year	-	(10,204)	-	(10,204)
Changed in accumulated impairments in the period	-	(89)	-	(89)
Realized gain and loss in the period	-	1,433	727	2,160
Translation gain and loss on the financial statements of foreign operating entities in the period	(41,306)	-	-	(41,306)
Share of other comprehensive income of associates and joint ventures accounted for using equity method	193	(1,107)	57	(857)
Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	1,365	-	1,365
December 31, 2021	($ 185,237)	$ 389,630	$ 97	$ 204,490

	Exchange differences on translation of foreign financial statements	Gains (losses) on financial assets at fair value through other comprehensive income	Other equity-other	Total
	(In NT Thousand Dollars)			
January 1, 2020	($ 2,382,637)	$ 9,439,013	($ 27,926)	$ 7,028,450
Financial assets at fair value through other comprehensive income				
Evaluation adjustment for the year	-	4,680,709	-	4,680,709
Changed in accumulated impairments in the period	-	81,561	-	81,561
Realized gain and loss in the period	-	(3,222,432)	-	(3,222,432)
Translation gain and loss on the financial statements of foreign operating entities in the period	(1,600,913)	-	-	(1,600,913)
Share of other comprehensive income of associates and joint ventures accounted for using equity method	(1,057)	48,116	8,921	55,980
Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	(17,052)	-	(17,052)
December 31, 2020	($ 3,984,607)	$ 11,009,915	($ 19,005)	$ 7,006,303

(27) Net interest revenue (expense)

	For the years ended December 31,		
	2021		2020
Interest income	NT$	US$	NT$
Interest income, discounts and loans	$ 31,552,821	$ 1,141,275	$ 34,642,500
Interest income, securities investment	6,054,696	219,000	7,094,727
Interest income, due from banks	1,872,184	67,718	4,482,818
Interest income, credit card recurrence	221,962	8,028	178,740
Interest income, accounts receivable factoring	80,293	2,904	168,981
Interest income, others	176,577	6,387	177,892
Subtotal	39,958,533	1,445,312	46,745,658
Interest expenses			
Interest expenses, deposit	(8,449,005)	(305,603)	(13,648,710)
Interest expenses, deposits from the Central Bank and banks	(1,060,080)	(38,344)	(2,581,503)
Interest expenses, bond and bill	(82,428)	(2,981)	(205,283)
Interest expenses, repurchase	(27,102)	(980)	(402,413)
Interest expenses, others	(66,177)	(2,394)	(99,110)
Subtotal	(9,684,792)	(350,302)	(16,937,019)
Total	$ 30,273,741	$ 1,095,010	$ 29,808,639

(28) Net service fee revenue (charge)

	For the years ended December 31,		
	2021		2020
Service fee	NT$	US$	NT$
Service fee, trust	$ 2,283,941	$ 82,611	$ 2,113,342
Service fee, loan	1,325,609	47,947	1,240,802
Service fee, guarantee	842,215	30,463	814,602
Service fee, insurance agency	849,522	30,727	995,649
Service fee, credit cards	684,093	24,744	550,606
Service fee, remittances	622,745	22,525	647,119
Service fee, import and export	439,619	15,901	393,738
Service fee, others (Note)	990,470	35,826	1,039,918
Subtotal	8,038,214	290,744	7,795,776
Service charges			
Service charge, agency	(783,275)	(28,331)	(734,617)
Service charge, custodian	(88,274)	(3,193)	(76,137)
Service charge, others	(415,901)	(15,043)	(404,291)
Subtotal	(1,287,450)	(46,567)	(1,215,045)
Total	$ 6,750,764	$ 244,177	$ 6,580,731

The Bank and subsidiaries provide custody, trust, and investment management and consultation service to the third party, and therefore the Bank and subsidiaries are involved with the exercise of planning, managing and trading decision of financial instruments. In relation to the management and exercise of trust fund and portfolio for brokerage, the Bank and subsidiaries record and prepare the financial statements independently for internal management purposes, which are not included in the financial statements of the Bank and subsidiaries.

Note:

A. In 2021 and 2020, the fee income generated by the Bank and subsidiaries concurrently in electronic payment business were amounted to NT$393 thousand and NT$2,262 thousand, respectively.

B. Due to the Bank and subsidiaries concurrently in electronic payment business, in 2021 and 2020, the interest earned from utilizing funds received from users amounted to NT$2 and NT$7, respectively, based on the calculation required in Article 4 of “Regulations Governing the Organization and Administration of Sinking Fund Established by Electronic Payment Institutions”.

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(29) Gain (loss) on financial assets or liabilities measured at fair value through profit or loss

	For the years ended December 31,		
	2021		2020
	NT$	US$	NT$
Gains (losses) on disposal of financial assets or liabilities measured at fair value through profit or loss			
Bond	$ 105,001	$ 3,798	$ 23,644
Stock	703,770	25,456	(16,959)
Interest rate	(18,771)	(679)	174,076
Exchange rate	2,214,613	80,103	4,424,979
Options	91,279	3,302	56,650
Futures	(686)	(25)	(195)
Asset swap contracts	203,647	7,366	205,297
Credit default swap	17,995	651	271,819
Currency swap	501,014	18,122	426,031
Fund	7,860	284	(23,494)
Others	(736)	(27)	(627)
Subtotal	3,824,986	138,351	5,541,221
Revaluation gains (losses) on financial assets or liabilities measured at fair value through profit or loss			
Bond	(120,691)	(4,366)	103,850
Stock	966,560	34,961	807,572
Interest rate	(98,678)	(3,569)	(235,843)
Exchange rate	80,218	2,901	(570,990)
Options	(51,033)	(1,846)	4,126
Asset swap contracts	437,452	15,823	(35,657)
Credit default swap	4,147	150	(90,722)
Currency swap	(655,687)	(23,716)	413,855
Fund	(186)	(7)	4,983
Others	1,732	62	(5,733)
Subtotal	563,834	20,393	395,441
Dividend income from financial assets measured at fair value through profit or loss	662,600	23,966	625,558
Interest income from financial assets measured at fair value through profit or loss	505,736	18,293	719,562
Interest expenses from financial liabilities measured at fair value through profit or loss	(655,855)	(23,722)	(726,097)
Total	$ 4,901,301	$ 177,281	$ 6,555,685

Net income on the exchange rate instrument includes realized and unrealized gains and losses on forward exchange agreement, FX options, and exchange rate futures.

Interest-linked instruments include interest rate swap contracts, money market instruments, interest linked-options and other interest related instruments.

(30) Realized gains on financial assets at fair value through other comprehensive income

	For the years ended December 31,		
	2021		2020
	NT$	US$	NT$
Dividend income	$ 1,519,644	$ 54,966	$ 613,204
(Losses)gains on disposal			
Bond	(11,722)	(424)	3,672,718
Total	$ 1,507,922	$ 54,542	$ 4,285,922

(31) Impairment losses on assets

	For the years ended December 31,		
	2021		2020
	NT$	US$	NT$
Reversal gain of (impairment losses) on investment in debt instruments measured at fair value through other comprehensive income	$ 2,469	$ 89	($ 81,561)
Impairment losses on investments in debt instruments measured at amortised cost	(32,396)	(1,171)	(10,937)
Reversal gain of impairment gains on property and equipment	-	-	42,383
Total	($ 29,927)	($ 1,082)	($ 50,115)

(32) Net other revenue other than interest income

	For the years ended December 31,		
	2021		2020
	NT$	US$	NT$
Net income from rent	$ 167,104	$ 6,044	$ 191,843
Net gains on sale of non-performing loans	-	-	662
Gains on sale of foreclosed collaterals	-	-	882
Gains on disposal of property and equipment	8,381	303	492
Losses on retirement of assets	(39)	(1)	(8,509)
Other revenue	184,414	6,670	219,988
Total	$ 359,860	$ 13,016	$ 405,358

(33) Employee benefits expenses

	For the years ended December 31,		
	2021		2020
	NT$	US$	NT$
Payroll expenses	$ 10,504,818	$ 379,962	$ 11,398,267
Preferential interest deposit for retired employees	2,122,538	76,773	1,692,849
Pension	687,730	24,876	756,240
Staff insurance	779,737	28,203	777,981
Other staff expenses	1,431,799	51,789	1,249,739
Total	$ 15,526,622	$ 561,603	$ 15,875,076

A. Please refer to Note 1(5) for information on number of employees, the calculating basis agreed with employee benefit expense excluding preferential interest deposit for retired employees.

B. According to the articles, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation. In case there are earnings at the end of each fiscal year, the employees' compensation of the Bank shall be 2~6% of the amount of net profit before income tax and employees' compensation, under the Board's discretion after taking into account the performance indicators and industry benchmark.

C. For the years ended December 31, 2021 and 2020, employees' compensation was accrued at NT$1,079,464 thousand and NT$1,226,521 thousand, respectively. The above-mentioned amounts were recognized in payroll expenses.

D. The actual distributed amount of employees' compensation for 2020 resolved at the Board of Directors' annual meeting was NT$1,226,521 thousand, which agreed with those amounts recognised in the 2020 financial statements.

E. Information about employees' compensation of the Bank as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(34) Depreciation and amortization expenses

	For the years ended December 31,		
	2021		2020
	NT$	US$	NT$
Depreciation expense	$ 1,419,611	$ 51,348	$ 1,381,067
Amortization expense	5,480	198	6,121
Total	$ 1,425,091	$ 51,546	$ 1,387,188

(35) Other general and administrative expenses

	For the years ended December 31,		
	2021		2020
	NT$	US$	NT$
Taxes	$ 1,795,319	$ 64,937	$ 1,775,457
Computer software maintenance fees	967,719	35,003	801,144
Professional expenses	700,101	25,323	1,057,907
Insurance charges	483,938	17,504	448,232
Others	2,046,197	74,012	2,183,730
Total	$ 5,993,274	$ 216,779	$ 6,266,470

(36) Income tax expense

A. Income tax expense

(A) Components of income tax expense:

	For the years ended December 31,		
	2021		2020
	NT$	US$	NT$
Current income tax:			
Current tax on profits for the year	$ 4,123,057	$ 149,132	$ 2,920,499
Prior year income tax over estimation	(626,181)	(22,649)	(32,870)
Total current income tax	3,496,876	126,483	2,887,629
Deferred income tax:			
Origination and reversal of temporary differences	(1,363,190)	(49,307)	240,540
Total deferred tax	(1,363,190)	(49,307)	240,540
Income tax expense	$ 2,133,686	$ 77,176	$ 3,128,169

(B) The income tax relating to components of other comprehensive income is as follows:

	For the years ended December 31,		
	2021		2020
	NT$	US$	NT$
Changes in fair value of financial assets at fair value through other comprehensive income	($ 37,733)	($ 1,365)	$ 17,052
Remeasurement on defined benefit plan	153,052	5,536	(120,891)
	$ 115,319	$ 4,171	($ 103,839)

B. Reconciliation between income tax expense and accounting profit:

	For the years ended December 31,		
	2021		2020
	NT$	US$	NT$
Income tax calculated based on pre-tax income using statutory tax rate enacted in the country where the branch operates	$ 4,313,972	$ 156,038	$ 4,680,744
Effects of items disallowed by tax regulation relevant regulations	2,300	83	(789)
Effect from a alternative minimum tax	-	-	725,070
Prior year income tax over estimation	(626,181)	(22,649)	(32,870)
Adjusted effects on income tax exemption and other adjustments	(1,556,405)	(56,296)	(2,243,986)
Income tax expense	$ 2,133,686	$ 77,176	$ 3,128,169

C. Deferred tax assets or liabilities arising from the temporary differences are as follows:

	2021 (In NT Thousand Dollars)			
Temporary differences:	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Deferred income tax assets				
Allowance for doubtful accounts in excess of limit	$ 1,873,222	$ 138,727	$ -	$ 2,011,949
Reserve of guarantees in excess of limit	234,820	-	-	234,820
Employee benefit liabilities (reserve)	1,937,172	998,872	(153,052)	2,782,992
Unrealized impairment loss	859,376	31,786	-	891,162
Others	292,628	(175,666)	37,733	154,695
	$ 5,197,218	$ 993,719	($ 115,319)	$ 6,075,618
Deferred income tax liabilities				
Land value increment tax	($ 1,053,300)	$ -	$ -	($ 1,053,300)
Unrealized exchange (gains) losses	(549,493)	267,317	-	(282,176)
Investment income accounted for using equity method	(894,549)	(61,119)	-	(955,668)
Others	(257,852)	163,273	-	(94,579)
	($ 2,755,194)	$ 369,471	$ -	($ 2,385,723)

Temporary differences:	2021 (In US Thousand Dollars) January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Deferred income tax assets				
Allowance for doubtful accounts in excess of limit	$ 67,755	$ 5,018	$ -	$ 72,773
Reserve of guarantees in excess of limit	8,494	-	-	8,494
Employee benefit liabilities (reserve)	70,068	36,129	(5,536)	100,661
Unrealized impairment loss	31,084	1,150	-	32,234
Others	10,584	(6,354)	1,365	5,595
	$ 187,985	$ 35,943	($ 4,171)	$ 219,757
Deferred income tax liabilities				
Land value increment tax	($ 38,098)	$ -	$ -	($ 38,098)
Unrealized exchange (gains) losses	(19,875)	9,669	-	(10,206)
Investment income accounted for using equity method	(32,356)	(2,211)	-	(34,567)
Others	(9,327)	5,906	-	(3,421)
	($ 99,656)	$ 13,364	$ -	($ 86,292)

Temporary differences:	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
	2020 (In NT Thousand Dollars)			
Deferred income tax assets				
Allowance for doubtful accounts in excess of limit	$ 2,293,853	($ 420,631)	$ -	$ 1,873,222
Reserve of guarantees in excess of limit	234,820	-	-	234,820
Employee benefit liabilities (reserve)	1,677,417	138,864	120,891	1,937,172
Unrealized impairment loss	867,853	(8,477)	-	859,376
Others	333,060	(23,380)	(17,052)	292,628
	$ 5,407,003	($ 313,624)	$ 103,839	$ 5,197,218
Deferred income tax liabilities				
Land value increment tax	($ 1,053,300)	$ -	$ -	($ 1,053,300)
Unrealized exchange (gains) losses	(614,218)	64,725	-	(549,493)
Investment income accounted for using equity method	(827,869)	(66,680)	-	(894,549)
Others	(332,891)	75,039	-	(257,852)
	($ 2,828,278)	$ 73,084	$ -	($ 2,755,194)

D. The 2016 income tax return of the Bank and subsidiaries has been approved by National Taxation Bureau of Taipei. However, the Bank and subsidiaries disagreed with the results of the 2014 and 2015 income tax returns. As a result, the parent company, Mega Financial Holding Co., Ltd, has appealed for a review. The parent company is still considering whether to appeal for the 2016 income tax assessment.

(37) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing consolidated profit attributable to owners of the parent by the weighted-average number of ordinary shares in issue during the period.

	For the years ended December 31,		
	2021		2020
	NT$	US$	NT$
Weighted-average number of shares outstanding common stock (Unit: Thousand)	8,536,234	-	8,536,234
Profit attributable to ordinary shareholders of the parent	$ 18,457,320	$ 667,606	$ 20,251,877
Profit attributable to former owner of business combination under common control	$ -	$ -	$ 80,204
Basic earnings per share (in dollars)	$ 2.16	$ 0.08	$ 2.37
Earnings per share, attributable to former owner of business combination under common control (in dollars)	$ -	$ -	$ 0.01

(38) Change in liabilities from financing activities

	Bank notes payable	
	NT$	US$
January 1, 2021	$ 13,000,000	$ 470,214
Repayment of bank notes payable	(12,000,000)	(434,043)
December 31, 2021	$ 1,000,000	$ 36,171
January 1, 2020	$ 12,000,000	
Issuance of bank notes payable	1,000,000	
December 31, 2020	$ 13,000,000	

7. FAIR VALUE INFORMATION OF FINANCIAL INSTRUMENTS

(1) Overview

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial instruments are recorded at fair value upon their initial recognition, where often fair value refers to the transaction price; for subsequent measurements, other than a portion of financial instruments being measured at amortized cost, fair value is elected for measurements. The best evidence for fair value is a public quote in an active market. If the market of a financial instrument is not active, the Bank and subsidiaries select valuation techniques or references Bloomberg or the quotes of counterparties to measure the fair value of the financial instrument. In addition, through the valuation process, information on the counterparty’s and the Bank and subsidiaries’ credit risk is also considered.

(2) Fair value information of financial instruments

Except for those listed in the table below, the carrying amount of some of certain financial instruments held by the Bank and subsidiaries (e.g. cash and cash equivalents, due from the Central Bank and call loans to banks, securities purchased under resell agreements, receivables, discounts and loans, investments in debt instruments at amortised cost-Central Bank's certificates of deposit and short-term notes and bills , deposits from the Central Bank and banks, due to the Central Bank and banks, securities sold under repurchase agreements, payables, deposits and remittances, bank notes payable and other financial liabilities) are approximate to their fair value (please refer to Note 7 (5)). The fair value information of financial instruments measured at fair value is provided in Note 7(6).

	NT$	
	Book Value	Fair Value
December 31, 2021		
Investments in debt instruments at amortised cost	$ 39,537,890	$ 39,551,253

	US$	
	Book Value	Fair Value
December 31, 2021		
Investments in debt instruments at amortised cost	$ 1,430,097	$ 1,430,580

	NT$	
	Book Value	Fair Value
December 31, 2020		
Investments in debt instruments at amortised cost	$ 37,033,783	$ 37,295,999

The fair values of the above-mentioned investments in debt instruments at amortised cost are classified as Level 1 and Level 2.

(3) Financial instruments measured at fair value

The quoted market price is used as the fair value when the financial instruments have an active market, such as market prices provided by the Stock Exchange Corporation, Bloomberg and Reuters are all foundation of fair value for listed equity securities and debt instruments with a quoted market price in an active market.

If the market quotation from Stock Exchange Corporation, commission merchants, underwriters or pricing service institutions can be frequently obtained on time, and the price represents the actual and frequent transactions at arm's length, then a financial instrument is deemed to have an active market. If the above condition is not met, the market is deemed inactive. In general, significant price variance between the purchase price and selling price or significantly increasing price variance are both indicators of an inactive market.

In addition to above financial instruments with an active market, other financial instruments at fair value are assessed by evaluation technique with reference to other financial instruments at fair value with similar conditions and characteristics in actual practice, cash flow discounting method and other evaluation technique, including market information obtained by exercising the model at balance sheet date (such as yield curve used in OTC and the Taipei Interbank Offered Rate (Taibor) price curve).

When a financial instrument has no standardized evaluation and with less complexity involved, such as interest rate swap, currency swap and options. The Bank and subsidiaries usually adopt the valuation generally accepted by market users. The inputs used in the valuation method to measure these financial instruments are normally observable in the market. For financial instruments with higher complexity, the fair value is assessed through the valuation model developed by valuation methods and techniques generally accepted by competitors. These kinds of valuation models are usually applicable for derivative instruments, debt instruments with no quoted market price (including debt instrument of embedded derivatives) or other debt instruments with low market liquidity. Certain inputs used in these valuation models are not observable in the market, and the Bank and subsidiaries need to make appropriate estimates based on the assumptions.

The valuation of derivative instruments is based on valuation model widely accepted by market participants, such as present value techniques and option pricing models. Forward exchange contracts are usually valued based on the current forward exchange rate. Structured interest derivative instruments are measured by using appropriate option pricing models.

The output of the evaluation model is an estimate, and the valuation technique may not reflect all the relevant factors of the financial instruments held by the Bank and subsidiaries. As a result, the estimate generated by valuation model will be slightly adjusted based on additional inputs, such as model risk, liquidity risk or credit risk of counterparties. According to the Bank and subsidiaries' valuation model management and other related controlling procedures, the adjustment made is adequate and necessary and the balance sheet is believed to present fairly, in all material aspects, the fair value of financial instruments. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.

A. NTD Central Government Bond: the yield rates across different contract length and one-hundred price bulletined by Over-The-Counter (hereinafter OTC) are used.

B. NTD corporate bonds, financial debentures, government bonds, bond-type beneficiary securities and designated financial debentures issued by the Bank and subsidiaries: the present value of future estimated cash flows is calculated by using the yield curve.

C. NTD short-term bills and NTD bill-type beneficiary securities: the present value of future estimated cash flows of NTD and USD short-term bills is calculated by using quotes of TAIBOR and TAIFX3 central parity rate from Reuters, respectively.

D. Foreign securities: Bloomberg.

E. Listed stock and emerging stock in active market：the closing price listed in exchanges is adopted.

F. Emerging stock not in active markets: The Bank and subsidiaries shall first adopt the 30 days average price or representative trading in the recent half year in accordance with the classifications of transaction volume, amount and turnover rates during the month. The trading price might be the best estimate of stocks' fair value. The Bank and subsidiaries secondly adopt the 30 days average price, net of the discount on liquidity as stocks' fair value, of which the discount on liquidly is calculated based on the market liquidity condition under a 30 days average price basis.

G. Unlisted stock: The sale price in the most recent year or rights offering price is adopted as stock's fair value if they were available for the objective company's stocks and its stock price or operation and industry has no significant change; the average price is adopted for more than one sale price or rights offering price available; otherwise, the fair value is estimated through the market approach or net asset approach under the consideration of life cycle, profitability and asset and liability structure of the objective company. The fair value of stock is measured at equity value that has taken into consideration the discount on liquidity and materialisation adjustments if the market approach is adopted by the objective company or the fair value is equivalent to the book value if the objective company adopted the net asset approach.

H. Funds：net asset value is adopted.

I. Derivatives:

(A) Foreign exchange forward contract, currency swaps, forward rate agreement, interest rate swaps and cross currency swaps: the discounting future cash flow is adopted.

(B) Options: Black-Scholes model is mainly adopted for valuation.

(C) Some structured derivatives are valued by using Reuters.

(D) Some foreign-currency derivatives are valued by using the quoted prices from Bloomberg.

(4) Credit risk value adjustment

A. Credit risk value adjustments can be primarily classified as either credit value adjustments or debit value adjustments. The definitions are as follows:

(A) Credit value adjustments refer to adjustments through fair value, which reflect the possibility that a counterparty may default on repayments and that an entity may not be able to recover, in full, the market value, for transactions in non-centralized markets (i.e. valuation adjustments on derivative contracts traded over-the-counter).

(B) Debit value adjustments refer to adjustments through fair value, which reflect the possibility that the Bank may default on repayments and that the Bank may not be able to pay, in full, the market value, for transactions in non-centralized markets (i.e. valuation adjustments on derivative contracts traded over-the-counter).

B. The Bank and subsidiaries have incorporated credit risk value adjustments in the considerations for calculating the fair value of financial instruments in order to respectively reflect the counterparty's credit risk and the Bank and subsidiaries' credit quality.

(5) Financial instruments not measured at fair value through profit or loss

A. In relation to cash and cash equivalents, securities purchased under resell agreements, due from the Central Bank and call loans to banks, receivables, refundable deposits, deposits from the Central Bank and banks, due to the Central Bank and banks, securities sold under repurchase agreements, payables and guarantee deposits received, the book value of the financial instruments which have a short maturity period will be considered as their fair value. While the maturities are quite closed or the future payment or receipt is closed to the carrying amount, the carrying amount at the consolidated balance sheet date is used to estimate the fair value.

B. Interest rates of the Bank and subsidiaries' discounts and loans (including non-performing loans) are generally based on the benchmark interest rate plus or minus certain adjustment to reflect the market interest rate. Thus, their fair values are based on the book value after adjustments of estimated recoverability. Fair values for long-term loans with fixed interest rates shall be estimated using their discounted values of expected future cash flows. However, as such loans account for only a small portion of all loans, the book value is used to estimate the fair value.

C. When there is a quoted market price available in an active market, the fair value of financial assets measured at amortised cost is determined using the market price. If there is no quoted market price for reference, a valuation technique or quoted price offer by the counterparties will be adopted to measure the fair value.

D. The fair value of deposits and remittances is represented by the book value.

E. The coupon rate of bank notes payable issued by the Bank and subsidiaries is equivalent to market interest rate; therefore, the fair value estimated based on the present value of future cash flows is equivalent to the book value.

F. For other financial assets, such as investments in debt instruments without active market, as they have no quoted price in active market and their valuation results by using different valuation methods are significantly different, their fair value cannot be measured reliably and is not disclosed here.

(6) Level information of financial instrument at fair value

A. Three definitions of the Bank and subsidiaries' financial instruments at fair value

(A) Level 1

Level 1 is quoted prices (unadjusted) in active markets for identical assets or liabilities. An active market refers to a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The Bank and subsidiaries' investment in listed stock, beneficiary certificates, popular Taiwan government bonds and the derivatives with a quoted price in an active market are deemed as Level 1.

(B) Level 2

Level 2 inputs are observable prices other than quoted prices included in Level 1, including observable direct (e.g. prices) or indirect (e.g. those inferred prom prices) inputs in an active market. The Bank and subsidiaries' investments in non-popular government bonds, corporate bonds, bank debentures, convertible bonds, derivatives and corporate bonds issued by the Bank and subsidiaries belong to this category.

(C) Level 3

Level 3 inputs are inputs for assets or liabilities that are unobservable in the market (unobservable inputs, e.g. option pricing model using history volatility rate, because history volatility rate cannot represent the expectation value of market participants for future volatility rate).

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B. Information of fair value hierarchy of financial instruments

(In NT Thousand Dollars)

Recurring fair value measurements	December 31, 2021			
	Total	Level 1	Level 2	Level 3
Non-derivatives				
Assets				
Financial assets at fair value through profit or loss				
Investment in stock	$ 21,187,308	$ 10,726,342	$ 4,222,624	$ 6,238,342
Investment in bonds	32,019,669	1,575,265	30,444,404	-
Beneficiary certificates	281,729	281,729	-	-
Financial assets at fair value through other comprehensive income				
Investment in stock	33,527,847	17,390,064	320,829	15,816,954
Investment in bonds	366,700,593	44,340,262	322,360,331	-
Bank's certificates of deposit and treasury securities	6,702,488	-	6,702,488	-
Other securities	313,183	313,183	-	-
Liabilities				
Financial liabilities at fair value through profit or loss	(16,607,738)	-	(16,607,738)	-
Derivatives				
Assets				
Financial assets mandatorily measured at fair value through profit or loss	3,504,318	-	3,504,318	-
Liabilities				
Financial liabilities held for trading	(2,264,285)	-	(2,264,285)	-
Total	$ 445,365,112	$ 74,626,845	$ 348,682,971	$ 22,055,296

(In US Thousand Dollars)

Recurring fair value measurements	December 31, 2021			
	Total	Level 1	Level 2	Level 3
Non-derivatives				
Assets				
Financial assets at fair value through profit or loss				
Investment in stock	$ 766,351	$ 387,975	$ 152,733	$ 225,643
Investment in bonds	1,158,161	56,978	1,101,183	-
Beneficiary certificates	10,190	10,190	-	-
Financial assets at fair value through other comprehensive income				
Investment in stock	1,212,712	629,004	11,604	572,104
Investment in bonds	13,263,667	1,603,800	11,659,867	-
Bank's certificates of deposit and treasury securities	242,431	-	242,431	-
Other securities	11,328	11,328	-	-
Liabilities				
Financial liabilities at fair value through profit or loss	(600,707)	-	(600,707)	-
Derivatives				
Assets				
Financial assets mandatorily measured at fair value through profit or loss	126,752	-	126,752	-
Liabilities				
Financial liabilities held for trading	(81,900)	-	(81,900)	-
Total	$ 16,108,985	$ 2,699,275	$ 12,611,963	$ 797,747

(In NT Thousand Dollars)

Recurring fair value measurements	December 31, 2020			
	Total	Level 1	Level 2	Level 3
Non-derivatives				
Assets				
Financial assets at fair value through profit or loss				
Investment in stock	$ 18,227,704	$ 8,650,165	$ 3,300,915	$ 6,276,624
Investment in bonds	34,001,069	1,981,455	32,019,614	-
Beneficiary certificates	181,109	181,109	-	-
Financial assets at fair value through other comprehensive income				
Investment in stock	18,932,017	5,595,819	734,744	12,601,454
Investment in bonds	367,724,740	36,084,344	331,640,396	-
Bank's certificates of deposit and treasury securities	9,980,003	-	9,980,003	-
Other securities	318,624	318,624	-	-
Liabilities				
Financial liabilities at fair value through profit or loss	(17,054,273)	-	(17,054,273)	-
Derivatives				
Assets				
Financial assets mandatorily measured at fair value through profit or loss	4,757,979	-	4,757,979	-
Liabilities				
Financial liabilities held for trading	(3,300,350)	-	(3,300,350)	-
Total	$ 433,768,622	$ 52,811,516	$ 362,079,028	$ 18,878,078

C. Transfer between Level 1 and Level 2

On December 31, 2021, the balance of the bank and subsidiaries’ 2020 Fiscal Year Order 9 Category 1 Central Government Construction Bonds was NT$2,212,623 thousand. Due to the bonds becoming inactive securities in the Index, thus the bonds were transferred from Level 1 to Level 2.

On December 31, 2020, the balance of the bank and subsidiaries’ 2019 Fiscal Year Order 9 Category 1 Central Government Construction Bonds was NT$2,623,549 thousand. Due to the bonds becoming inactive securities in the Index, thus the bonds were transferred from Level 1 to Level 2.

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D. Movements of financial instruments classified into Level 3 of fair value are as follows:

(A) Movements of financial assets classified into Level 3 of fair value are as follows:

For the year ended December 31, 2021: (In NT Thousand Dollars)

Items	Beginning Balance	Gain and loss on valuation		Addition		Reduction		Ending balance
		Recognised as gain and loss	Recognised as other comprehensive income	Purchased or issued	Transferred to Level 3	Sold, disposed or settled	Transferred from Level 3	
Financial assets at fair value through profit or loss								
Investment in stock	$ 6,276,624	$ 276,961	$ -	$ 829	$ 110,457	($ 283,701)	($ 142,828)	$ 6,238,342
Financial assets at fair value through other comprehensive income								
Investment in stock	12,601,454	-	2,980,982	-	880,629	(231,355)	(414,756)	15,816,954
Total	$ 18,878,078	$ 276,961	$ 2,980,982	$ 829	$ 991,086	($ 515,056)	($ 557,584)	$ 22,055,296

For the year ended December 31, 2021: (In US Thousand Dollars)

Items	Beginning Balance	Gain and loss on valuation		Addition		Reduction		Ending balance
		Recognised as gain and loss	Recognised as other comprehensive income	Purchased or issued	Transferred to Level 3	Sold, disposed or settled	Transferred from Level 3	
Financial assets at fair value through profit or loss								
Investment in stock	$ 227,027	$ 10,018	$ -	$ 30	$ 3,995	($ 10,261)	($ 5,166)	$ 225,643
Financial assets at fair value through other comprehensive income								
Investment in stock	455,798	-	107,823	-	31,853	(8,368)	(15,002)	572,104
Total	$ 682,825	$ 10,018	$ 107,823	$ 30	$ 35,848	($ 18,629)	($ 20,168)	$ 797,747

The Bank and subsidiaries held unlisted stock amounting to NT$991,086 thousand. Due to the stock valued in market approach or net asset approach, thus the stock was transferred from Level 2 to Level 3.

The Bank and subsidiaries held unlisted stock amounting to NT$557,584 thousand. Due to the stock valued by market price within a year, thus the stock was transferred from Level 3 to Level 2.

For the year ended December 31, 2020: (In NT Thousand Dollars)

Items	Beginning Balance	Gain and loss on valuation: Recognised as gain and loss	Gain and loss on valuation: Recognised as other comprehensive income	Addition: Purchased or issued	Addition: Transferred to Level 3	Reduction: Sold, disposed or settled	Reduction: Transferred from Level 3	Ending balance
Financial assets at fair value through profit or loss								
Investment in stock	$ 4,916,806	$ 784,157	$ -	$ 304,215	$ 615,438	($ 211,865)	($ 132,127)	$ 6,276,624
Financial assets at fair value through other comprehensive income								
Investment in stock	7,010,721	-	8,970	-	6,461,131	(115,165)	(764,203)	12,601,454
Total	$ 11,927,527	$ 784,157	$ 8,970	$ 304,215	$ 7,076,569	($ 327,030)	($ 896,330)	$ 18,878,078

The Bank and subsidiaries held unlisted stock amounting to NT$7,076,569 thousand. Due to the stock valued in market approach or net asset approach, thus the stock was transferred from Level 2 to Level 3.

The Bank and subsidiaries held unlisted stock amounting to NT$896,330 thousand. Due to the stock valued by market price within a year, thus the stock was transferred from Level 3 to Level 2.

(B) Movements of financial liabilities classified into Level 3 of fair value are as follows:

For the year ended December 31, 2021 and 2020: No relevant balance.

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E. Fair value measurement to Level 3, and the sensitivity analysis of the substitutable appropriate assumption made on fair value.

The Bank and subsidiaries' fair value measurement of financial instruments was reasonable. However, if valued using different model or parameters, it would obtain different results. For Level 3, if the parameters of valuation varied up or down by 10%, the effect on profit or loss would be shown as follows:

(In NT Thousand Dollars)

December 31, 2021	Changes in the fair value recognized in the current profit or loss		Changes in the fair value recognized in the comprehensive income or loss	
	Favorable changes	Unfavorable changes	Favorable changes	Unfavorable changes
Financial assets at fair value through profit or loss Investment in stock	$ 623,834	($ 623,834)	$ -	$ -
Financial assets at fair value through other comprehensive income Investment in stock	-	-	1,581,695	(1,581,695)

(In US Thousand Dollars)

December 31, 2021	Changes in the fair value recognized in the current profit or loss		Changes in the fair value recognized in the comprehensive income or loss	
	Favorable changes	Unfavorable changes	Favorable changes	Unfavorable changes
Financial assets at fair value through profit or loss Investment in stock	$ 22,564	($ 22,564)	$ -	$ -
Financial assets at fair value through other comprehensive income Investment in stock	-	-	57,210	(57,210)

(In NT Thousand Dollars)

December 31, 2020	Changes in the fair value recognized in the current profit or loss		Changes in the fair value recognized in the comprehensive income or loss	
	Favorable changes	Unfavorable changes	Favorable changes	Unfavorable changes
Financial assets at fair value through profit or loss				
Investment in stock	$ 627,662	($ 627,662)	$ -	$ -
Financial assets at fair value through other comprehensive income				
Investment in stock	-	-	1,260,145	(1,260,145)

The favorable changes and unfavorable changes meant the fluctuation of fair value, and the fair value was calculated by the unobservable parameters in different levels, if the fair value of financial instrument was affected by one of the above parameters, the favorable changes and unfavorable changes would not consider the correlation and variability in the table.

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F. Quantitative information of fair value measurement of significant unobservable inputs (level 3)

Those measured at fair value belonging to level 3 of the Bank and subsidiaries are mainly for equity investment-unlisted stock.

Investments in equity instruments without active market have compound significant unobservable inputs, but are not correlated with each other because they are independent.

Table below summaries quantitative information of significant unobservable inputs:

December 31, 2021	Fair value (In NT Thousand Dollars)	Fair value (In US Thousand Dollars)	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Financial assets measured at fair value through profit or loss						
Equity investment- unlisted stock	$ 5,302,608	$ 191,797	Market approach	Lack of liquidity discount	15%-30%	The higher liquidity discount, the lower fair value.
				Price-book value ratio multiple	0.89-4.22	The higher price-book value ratio multiple, the higher fair value.
	935,734	33,846	Net asset approach	N/A	N/A	N/A
Financial assets at fair value through other comprehensive income						
Equity investment- unlisted stock	13,091,226	473,514	Market approach	Lack of liquidity discount	10%-30%	The higher liquidity discount, the lower fair value.
				Price-book value ratio multiple	1.08-2.41	The higher price-book value ratio multiple, the higher fair value.
	2,725,728	98,590	Net asset approach	N/A	N/A	N/A

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December 31, 2020	Fair value (In NT Thousand Dollars)	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Financial assets measured at fair value through profit or loss					
Equity investment- unlisted stock	$ 5,395,110	Market approach	Lack of liquidity discount	15%~30%	The higher liquidity discount, the lower fair value.
			Price-book value ratio multiple	0.81~3.24	The higher price-book value ratio multiple, the higher fair value.
	881,514	Net asset approach	N/A	N/A	N/A
Financial assets at fair value through other comprehensive income					
Equity investment- unlisted stock	10,106,712	Market approach	Lack of liquidity discount	10%~30%	The higher liquidity discount, the lower fair value.
			Price-book value ratio multiple	0.87~2.77	The higher price-book value ratio multiple, the higher fair value.
	2,494,742	Net asset approach	N/A	N/A	N/A

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8. MANAGEMENT OBJECTIVE AND POLICY FOR FINANCIAL RISK

(1) Overview

The Bank and subsidiaries earn profits mainly from lending, financial instruments trading and investments. The Bank and subsidiaries are supposed to bear and manage any risks from these business activities. These risks include credit risk, market risk, operating risk and liquidity risk. Among those risks, credit risk, market risk and liquidity risk have greater impact.

The Bank and subsidiaries regard any potential factors that might negatively affect earnings and reputation as risks. To maintain steady profits and good reputation and avoid losses from incidental events, the Bank and subsidiaries' risk management policies focus on prevention and reduction of anticipated business risks and increase of capital in response to future anticipated risks. In order to meet the solid operating requirements by the competent authorities, depositors and other stakeholders for management objectives for risks, business risks are controlled within the tolerable scope.

(2) The organisation framework of risk management

Based on the risk management policies and guidelines of the parent company, Mega Financial Holdings, the Bank and subsidiaries establish risk management organisation, policies, objectives, procedures, internal control operation, risk monitor mechanism and risk limits, and report to the parent company on risk management issues, which could be met to the group's overall risk management structures and reporting system.

The Board of Directors is the highest instruction unit of the risk management organisation structure and is responsible for establishing risk management system, including risk management policies, organisation structure, risk preference, internal control system and management of significant business cases.

Under the Board of Directors, the Risk Management Committee is established. The Risk Management Committee is responsible for review and monitor of risk management. Under the management, several committees and other administrative units are established. They are responsible for assessing and monitoring the related risk of loans, investments, trading of financial products.

The Bank has the Risk Management Center, which is responsible for supervising the establishment of risk management mechanism, risk limits setting, risk monitoring and reporting. Each business management unit is responsible for identifying possible risks that may be generated within their respective jurisdictions, establishing internal control procedures and regulations, periodically measuring risk degrees and adopting response measures for possible negative effects.

Business units follow operating procedures and report to the management units directly. Risk management unit is responsible for monitor of overall risk positions and concentration and reporting to the management or Board of Directors.

Auditing office examines the operations of business and administration units regularly or irregularly to ensure the three risk management defense lines operate normally.

The Bank has assigned personnel to sit on the Board of Directors of each subsidiary to monitor the governance of each subsidiary.

(3) Credit risk

A. The source and definition of credit risk

Credit risk pertains to the risk of loss that the borrowers, issuers or counterparties might default on contracts due to deterioration in their finance or other factors.

The Bank and subsidiaries are exposed to credit risk mainly on businesses of corporate and individual loans, guarantees, trade financing, interbank deposits and call loans and securities investments.

Credit risk is the primary risk of the Bank and subsidiaries' capital charge.

B. Credit risk management policies

The objectives of the Bank and subsidiaries' credit risk management are to maintain stable asset allocation strategy, careful loaning policy and excellent asset quality to secure assets and earnings.

The management mechanism of the Bank and subsidiaries for credit risk includes:

The establishment of Risk Management, Loan and Investment committees which adopt responding measures to market environment, changes in industry, and capital limits, and review relevant regulations and cases of significant lending and investments;

Setting careful prior review procedures for lending and criteria of handling subsequent matters, regular post-lending follow-up, understanding of clients' operation and capital outflows, and increase in the frequency of review on clients with higher risk;

Classifying credit ratings based on clients' probability of default or behavior scoring with management put in practice;

Controlling concentration of credit risk by setting credit limits for individuals, corporate groups, industries, areas, and different types of collaterals;

Setting credit risk limits by reference to external ratings and prospects with attention to changes in market credit spread and risk concentration of counterparties;

Establish an early warning mechanism for credited customers;

Assessing assets quality regularly and setting aside sufficient reserve for losses;

Setting creditor's rights management unit and advisory committee in charge of accelerating collection of non-performing loans.

The procedures for credit risk management of the Bank and subsidiaries and related measurement approaches are outlined below:

(A) Credit extensions

Internal risk ratings and classification of credit assets are as follows:

a. Internal risk rating

Corporate credit risk is measured by using the borrower's default probability model in which financial and non-financial factors are incorporated, which predicts the default probability of borrower within the next year. Besides, the extent of risk is measured by using credit rating table and taking into account the characteristics and scale of business. Lending examination and post management are dealt with based on clients' credit rating. Individual borrowers are grouped into different risk levels and managed by using application scoring and behavior scoring cards. Back-testing is conducted on internal models regularly; those models are subject to adjustments when necessary. Clients' credit ratings are reviewed annually and subject to adjustments when there is significant change in their credit ratings.

b. Classification of credit assets

The internal rating for lending is classified as excellent, satisfactory, fair and weak, and corresponds to the Standard & Poor's rating as follows:

Internal risk rating	Excellent	Satisfactory	Fair	Weak
Corresponding to S&P	AAA~BBB-	BB+~ BB-	B+	B and below

(B) Interbank deposits and call loans

Before trading with other banks, the Bank and subsidiaries must assess the credit of the counterparty,generally referencing external rating agencies, assets and scale of equity of the counterparty, and the credit rating of the counterparty's country of origin in order to set different transaction limits, as well as periodically examining the ratings and changes in stock prices of the counterparty in order to monitor the risks of counterparty.

(C) Bonds and derivatives

The limits of bonds purchased by the Bank and subsidiaries are set by considering the credit rating of bond issuers or guarantors (ex. S&P, Moody's, Fitch, Taiwan ratings or Fitch Taiwan), which is necessary to meet the minimum rating set by the Board of (Managing) Directors, and country risk at the application, changes in CDS quoted prices and market condition.

The Bank and subsidiaries have set trading units and overall total risk limit for non-hedging derivatives, and use positive trading contract evaluation and the potential exposure as the basis for calculating credit risk and add the limit to the total credit risk limit for monitoring.

(D) Asset quality

The Bank and subsidiaries have set the minimum requirements and examination procedures for the quality of financial assets of each type, and controls risk concentration of assets portfolios of each type based on the risk limit of each type. The Bank and subsidiaries also monitor the changes in assets quality regularly during the duration of the assets and takes measures to maintain their quality. According to the policies and regulations, reserve for losses is provided adequately for those assets to actually reflect and safeguard the value of owners' equity.

C. Expected credit losses calculation

In the assessment of impairment and calculation of expected credit losses, the Bank and subsidiaries consider reasonable and supportable information (including forward-looking information that can be obtained without costing excessive costs or inputs) about past events, current conditions and reasonable and supportable forecasts of future economic conditions. The Bank and subsidiaries determine at the reporting date whether there has been a significant increase in credit risk since initial recognition or whether credit impairment has occurred, and recognise expected credit loss according to which stage the asset belongs: no significant increase in credit risk or low credit risk at balance sheet date (Stage 1), significant increase in credit risk (Stage 2), and credit impaired (Stage 3). 12-month expected credit losses are recognised for assets in Stage 1, and lifetime expected credit losses are recognised for assets in Stage 2 and Stage 3.

The definition of each stage and the recognition of expected credit loss are as follows:

Low credit risk (Stage 1)

The Bank and subsidiaries estimate the 12-month expected credit losses if financial assets which has low credit risk at reporting date, or there has not been a significant increase in credit risk since initial recognition.

Significant increase in credit risk (Stage 2)

The Bank and subsidiaries estimate the lifetime expected credit losses if such credit risk has significant increased since initial recognition but not impaired after taking into consideration all reasonable and verifiable information.

Credit-impaired (Stage 3)

The credit is impaired when expected future cash flows of the financial assets have one or more events that occurred with adverse effects, and the Bank and subsidiaries shall estimate the lifetime expected credit losses.

(A) Determination of a significant increase in credit risk after initial recognition

a. Loan business

The Bank and subsidiaries assess the changes in default risk over the lifetime of each category of credit assets at each reporting date to determine whether there has been a significant increase in credit risk. The assessment takes into account reasonable and supportable information including forward-looking information that demonstrates a significant increase in credit risk after initial recognition. The main indicators taken into consideration include:

(a) Quantitative indicators

I. Changes in internal/external credit ratings

The credit risk of the financial instrument is assessed to be significantly increased after initial recognition if its credit rating were lowered over a certain grade and it qualified other conditions at the reporting date. A no-rated financial instrument is determined by default events and qualitative indicators.

II. Default events

The repayment of principal and interest is later 1 to 3 months over when contractually dues, and not included in credit-impaired (Stage 3).

(b) Qualitative indicators:

I. The Bank and subsidiaries, reported a dishonored check issued by debtor.

II. Debtor was notified as a dishonored account by Taiwan clearing house.

III. The pledged collateral of the debtor is seised by another bank.

IV. Debtor’s loans from other financial institutions have been reclassified as overdue loan or written off as bad debt.

V. The independent accountant issues an opinion expressing material uncertainty over the company’s ability to continue as a going concern.

VI. The debtor has other records of bad credit that has affected its capital procurement and normal operation.

The loan assets of the Bank and subsidiaries are assumed to have no significant increase in credit risk since initial recognition if they are of low credit risk at the reporting date.

b. Bond investments and counterparty transactions

The Bank and subsidiaries assess the changes in default risk over the lifetime of bond investments and counterparty transactions at each reporting date to determine whether there has been a significant increase in credit risk. The assessment takes into account reasonable and supportable information including forward-looking information that demonstrates a significant increase in credit risk after initial recognition. The main indicators taken into consideration include:

(a) Quantitative indicators:

I. The repayment including interests is over 30 days past due.

II. The fair value and cost are lower than a certain percentage.

III. A change in internal/external credit ratings.

At the reporting date, if the external credit rating of the financial instrument has decreased by more than certain grades since initial recognition, or if the instrument is not investment grade, it is determined to have significant increase in credit risk. If the financial instrument only has an internal credit rating, the assessment is based on the equivalent external credit rating.

IV. The CDS spread of bond issuer/counterparty is over certain basis points five business days before the reporting date.

V. Fluctuation rate of individual stock price relative to the overall market price.

The fluctuation rate of individual stock price of the bond issuer/ counterparty relative to the overall market price is lower than a certain percentage in consecutive months.

(B) Definition of default and credit impaired financial assets

a. Credit business

The Bank and subsidiaries use the credit-impaired indicators as follows:

(a) Quantitative indicator: Except for the accounts receivable factoring without recourse resulting from a non-financial factor, the repayment of principal and interest is over 90 days past due.

(b) Qualitative indicators:

I. The accounts receivable factoring without recourse has been recorded as non-performing loans.

II. Overdue receivables.

III. The amount cannot be expected to be recovered because of the debtor’s financial difficulties.

IV. A modification of the contractual terms led by the debtor’s financial difficulties, including an extended repayment term of principal and a punctual repayment of interests, extended repayment term of interests, debt negotiations for agreed settlement administered by the Bank Association.

V. The debtor has filed for bankruptcy or is likely to file for bankruptcy.

VI. The debtor entered into reorganisation or is likely to file for reorganisation.

VII. A debtor's credit rating has been downgraded significantly, and its operations or financial condition may have deteriorated, which has been approved by irregular transaction reporting of Head office to be recognized as credit-impaired (Stage 3).

b. Bond investments and counterparty transactions

The Bank and subsidiaries use the credit-impaired indicators as follows:

(a) The repayment is over 90 days past due.

(b) Overdue receivables.

(c) Bad debts.

(d) The issuer or debtor encounters financial difficulties.

(e) A modification of the contractual terms led by the debtor's financial difficulties.

(f) The debtor has filed for bankruptcy or is likely to file for bankruptcy.

(g) The debtor entered into reorganisation or is likely to file for reorganization.

(h) The credit rating at the reporting date is classified as "D".

(i) Reclassified as credit-impaired after the expert's judgement.

(C) Write-off policy

The Bank and subsidiaries write-off the financial assets partially or entirely to the extent of the amount which cannot be reasonably expected to be recovered.

The indicators for reasonably expected to be unrecoverable include:

a. The recourse procedures has ceased.

b. The debtor's assets or income is evaluated to be insufficient to repay outstanding payments.

The Bank and subsidiaries may proceed recourse activities for the written-off financial assets and undergo recourse procedures in accordance with related policies.

(D) Measurement of expected credit loss

The Bank and subsidiaries recognise the impairment provision for 12 months expected credit losses (ECLs) if there has not been a significant increase in credit risk since initial recognition and recognises the impairment provision for the lifetime expected credit losses if such credit risk has increased since initial recognition.

a. Credit business

Expected credit loss are measured based on probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD").

(a)Probability of default ("PD"):

The estimation of PD is based on the rated financial assets and no-rated financial assets of the Bank and subsidiaries, with the 12-month PD and lifetime PD estimated separately.

I. Calculate the actual 12-month PD from historical data, which is adjusted by using forward-looking information, and use it to estimate the future 12-month PD parameter.

II. Lifetime PD: The Bank and subsidiaries adopt Markov Chain to estimate lifetime PD, which is obtained by a matrix multiplication from rating transition matrix.

III. In addition, probability of default of externally rated financial assets is measured by the same method with "Bond investments and counterparty transactions".

(b)Loss given default ("LGD"):

Loans are grouped according to type (corporate or consumer) and whether they are secured with collateral, and the LGD of each group is calculated based on historical recovery experience.

(c)Exposure at default ("EAD"):

I. On balance sheet: calculated from the total book value at the reporting date (including interest receivable).

II. II. Off balance sheet: off balance sheet figures multiplied by the credit conversion factor (CCF). The CCF is estimated according to the rules described in the "Calculation Method of Equity Capital and Risky Assets and Accompanying Forms-Credit Risk Standard Rules."

b. Bond investments and counterparty transactions

(a)PD is calculated based on external credit ratings data, which takes into consideration forward-looking information.

(b)LGD is an average LGD obtained from external credit ratings.

(c)EAD:

I. Stage 1: calculated from total book value (including interest receivable)

II. Stage 2 and Stage 3: calculated from the cash flows of bonds during the duration.

(E) Consideration of forward-looking information

a. Credit business

The Bank and subsidiaries incorporate forecastable information when determining whether there has been a significant increase in credit risk since initial recognition and measuring expected credit losses.

(a) For determining significant increase in credit risk

Clients' financial condition, repayment ability, corporate governance and forward-looking information such as industry's prospects are taken into consideration.

(b) For measuring expected credit losses

Consideration of forward-looking information are reflected by PD and LGD. Consideration of forward-looking information classifies loans into three types: loans I. with internal credit ratings II. with external credit ratings and III. without credit ratings:

I. Loans with internal credit ratings:

To measure the PD of internally rated financial assets, the Bank and subsidiaries assess corporate loan and consumer loan business, refer to academic literatures across countries and employ statistical methods to identify relevant macro-economic factors (including economic growth rate, unemployment rate, consumer price index, interest rate, exchange rate and real estate price index) in order to assess the effects on each rating level while the macro-economic changes, and use it to be the forward-looking information adjustment of future PD. In addition, the Bank and subsidiaries' adjustment of forward-looking information includes the analysis under the different macroeconomic environments, which are appropriated the weight in accordance with its incidence. As a result, the weighted average was calculated based on different economic environments, and it reflects the non-linear system between the incidence of different macroeconomic environments and the existence of credit loss.

II. Loans with external credit ratings: ECLs are measured by the same approach by considering the same forward-looking information adopted for bond investments and counterparty transactions.

III. Loans without credit ratings:

Estimate according to the prosperity of major economic regions.
To measure the LGD of no-rated financial assets, the Bank and subsidiaries consider forward-looking information by complying with the impairment estimation methodology guidelines released by the Bankers Association of the Republic of China. And adjust according to the economic prosperity of major economic regions.

b. Bond investments and counterparty transactions

To measure the forecastable estimation of PD, the PDs under different ratings and limits are obtained by constructing the regression model and combining the result of regression with the assessment of macroeconomic.

(F) At the beginning of 2020, COVID-19 spread globally and affected some enterprises and the economy, which might affect the quality of credit assets or operating performance of the Bank. The degree of the impact depends on the subsequent development of the pandemic and the affected result of each economic activity. The Bank has collected previously and currently available information as well as relevant information of future development, and included related factors into each assumption and parameters used in impairment valuation models and related assessment method (including the latest data which was reflected by the macroeconomic index used in the expected credit loss measurement). The Bank and subsidiaries will continually focus on the subsequent development of COVID-19, carefully assess and actively respond to the impact on the financial position and operating performance of the Bank and subsidiaries as a result of the pandemic.

D. Policies of hedging and mitigation of credit risk

To reduce credit risk, the Bank and subsidiaries adopt the following policies:

(A) Obtaining collaterals and guarantors

The Bank and subsidiaries have established policies on collateral management, mortgage loan line setting, scope of collaterals, collateral valuation, collateral management and disposal. Besides, protection of creditor's right, collateral terms and offsetting terms are all addressed in the credit extension contract in case of any occurrence of credit event, of which the amount may be deductible, loan repayment schedule may be shortened or deemed as matured, or the debtor's deposits can be used to offset its liabilities to mitigate credit risks.

(B) Loan limit control

To avoid extreme credit risk concentration, the Bank and subsidiaries established policies for control of credit risk concentration and set up credit extension limit for a single individual, a single group, a single industry, a single area/country, and single collateral.

(C) Master netting arrangements

The Bank and subsidiaries' transactions predominantly settle at gross amount. A portion of transactions have entered into master netting arrangements with counterparties or upon the event of a default may cease all transactions with the counterparties and settle by net amount in order to further reduce credit risk.

(D) Other credit enhancements

The Bank and subsidiaries have offsetting terms within their credit contracts, which clearly define that all deposits in the Bank and subsidiaries from debtors may be offset against their liabilities upon a credit event, and have guarantees from third parties or financial institutions, in order to decrease credit risk.

E. Maximum credit risk exposure

The maximum credit risk exposure of financial assets within the balance sheets is presented in book values. The maximum credit risk exposure of guarantees and irrevocable commitments off balance sheets is calculated based on their limits. Letters of credit and the guarantee refer to those issued but not used.

(A) The maximum credit risk exposure of financial assets of the Bank and subsidiaries excluding collaterals or other credit enhancement instruments is approximately equal to book value. The related information on credit risk of the financial assets held by the Bank and subsidiaries that have the maximum exposure to credit risk by credit ratings is as follows:

(a) Discounts and loans

Unit: In NT Thousand Dollars

Discounts and loans	December 31, 2021 12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	Total
Credit ratings					
- excellent	$ 962,832,046	$ 661,451	$ -	$ -	$ 963,493,497
- good	531,100,349	26,667,113	-	-	557,767,462
- acceptable	296,315,595	29,434,731	-	-	325,750,326
- weak	104,202,520	12,144,703	8,950,484	-	125,297,707
No rated	91,503,558	841,167	3,038,992	-	95,383,717
Total carrying amount	1,985,954,068	69,749,165	11,989,476	-	2,067,692,709
Allowance for bad debt	(2,679,786)	(579,314)	(2,504,674)	-	(5,763,774)
Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	-	-	-	(24,573,955)	(24,573,955)
Total	$ 1,983,274,282	$ 69,169,851	$ 9,484,802	($ 24,573,955)	$ 2,037,354,980

Unit: In US Thousand Dollars

Discounts and loans	December 31, 2021 12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	Total
Credit ratings					
- excellent	$ 34,825,914	$ 23,925	$ -	$ -	$ 34,849,839
- good	19,210,054	964,557	-	-	20,174,611
- acceptable	10,717,821	1,064,663	-	-	11,782,484
- weak	3,769,035	439,278	323,742	-	4,532,055
No rated	3,309,710	30,425	109,921	-	3,450,056
Total carrying amount	71,832,534	2,522,848	433,663	-	74,789,045
Allowance for bad debt	(96,929)	(20,954)	(90,595)	-	(208,478)
Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	-	-	-	(888,847)	(888,847)
Total	$ 71,735,605	$ 2,501,894	$ 343,068	($ 888,847)	$ 73,691,720

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Unit: In NT Thousand Dollars

	December 31, 2020				
Discounts and loans	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	Total
Credit ratings					
- excellent	$ 853,021,294	$ 143,523	$ -	$ -	$ 853,164,817
- good	482,946,503	30,025,494	-	-	512,971,997
- acceptable	288,875,824	20,756,685	310,450	-	309,942,959
- weak	96,868,501	15,066,021	11,607,873	-	123,542,395
No rated	116,424,827	1,284,970	1,792,224	-	119,502,021
Total carrying amount	1,838,136,949	67,276,693	13,710,547	-	1,919,124,189
Allowance for bad debt	(2,961,164)	(581,822)	(2,109,119)	-	(5,652,105)
Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	-	-	-	(23,513,862)	(23,513,862)
Total	$ 1,835,175,785	$ 66,694,871	$ 11,601,428	($ 23,513,862)	$ 1,889,958,222

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(b) Receivables

Unit: In NT Thousand Dollars

Receivables	December 31, 2021 12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	Total
Credit ratings					
- excellent	$ 24,681,945	$ 497	$ -	$ -	$ 24,682,442
- good	6,037,051	89,154	-	-	6,126,205
- acceptable	4,285,772	447,824	-	-	4,733,596
- weak	328,103	125,143	131,527	-	584,773
No rated	3,145,857	12,136	575,075	-	3,733,068
Total carrying amount	38,478,728	674,754	706,602	-	39,860,084
Allowance for bad debt	(53,025)	(6,704)	(75,028)	-	(134,757)
Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	-	-	-	(849,653)	(849,653)
Total	$ 38,425,703	$ 668,050	$ 631,574	($ 849,653)	$ 38,875,674

Unit: In US Thousand Dollars

Receivables	December 31, 2021 12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	Total
Credit ratings					
- excellent	$ 892,753	$ 18	$ -	$ -	$ 892,771
- good	218,362	3,225	-	-	221,587
- acceptable	155,018	16,198	-	-	171,216
- weak	11,867	4,526	4,757	-	21,150
No rated	113,786	439	20,801	-	135,026
Total carrying amount	1,391,786	24,406	25,558	-	1,441,750
Allowance for bad debt	(1,918)	(242)	(2,714)	-	(4,874)
Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	-	-	-	(30,732)	(30,732)
Total	$ 1,389,868	$ 24,164	$ 22,844	($ 30,732)	$ 1,406,144

Unit: In NT Thousand Dollars

Receivables	December 31, 2020 12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	Total
Credit ratings					
- excellent	$ 20,145,493	$ 685	$ -	$ -	$ 20,146,178
- good	6,405,920	152,484	-	-	6,558,404
- acceptable	7,193,393	422,185	42	-	7,615,620
- weak	199,255	88,946	354,093	-	642,294
No rated	3,415,630	19,988	595,352	-	4,030,970
Total carrying amount	37,359,691	684,288	949,487	-	38,993,466
Allowance for bad debt	(79,318)	(4,672)	(67,478)	-	(151,468)
Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	-	-	-	(909,136)	(909,136)
Total	$ 37,280,373	$ 679,616	$ 882,009	($ 909,136)	$ 37,932,862

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(c) Debt instruments

Unit: In NT Thousand Dollars

Debt instruments	December 31, 2021 12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated)(Stage 3)	Total
Credit ratings				
- excellent	$ 1,011,210,434	$ -	$ -	$ 1,011,210,434
- good	4,928,169	-	-	4,928,169
- acceptable	-	-	-	-
- weak	1,060,069	-	-	1,060,069
No rated	-	-	-	-
Total carrying amount	1,017,198,672	-	-	1,017,198,672
Accumulated impairment	(64,286)	-	-	(64,286)
Other equity	(205,433)	-	-	(205,433)
Total	$ 1,016,928,953	$ -	$ -	$ 1,016,928,953

Unit: In US Thousand Dollars

Debt instruments	December 31, 2021 12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated)(Stage 3)	Total
Credit ratings				
- excellent	$ 36,575,775	$ -	$ -	$ 36,575,775
- good	178,253	-	-	178,253
- acceptable	-	-	-	-
- weak	38,343	-	-	38,343
No rated	-	-	-	-
Total carrying amount	36,792,371	-	-	36,792,371
Accumulated impairment	(2,325)	-	-	(2,325)
Other equity	(7,431)	-	-	(7,431)
Total	$ 36,782,615	$ -	$ -	$ 36,782,615

Unit: In NT Thousand Dollars

Debt instruments	December 31, 2020 12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated)(Stage 3)	Total
Credit ratings				
- excellent	$ 901,872,471	$ -	$ -	$ 901,872,471
- good	4,390,544	453,640	-	4,844,184
- acceptable	-	-	-	-
- weak	1,104,420	-	-	1,104,420
No rated	-	-	-	-
Total carrying amount	907,367,435	453,640	-	907,821,075
Accumulated impairment	(32,333)	-	-	(32,333)
Other equity	(203,263)	(6,091)	-	(209,354)
Total	$ 907,131,839	$ 447,549	$ -	$ 907,579,388

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(B) The related information on credit risk of the financial asset off balance sheet held by the Bank and subsidiaries that have the maximum exposure to credit risk by credit ratings is as follows:

Unit: In NT Thousand Dollars

	December 31, 2021				
Loan commitments and financial guarantee contracts	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	Total
Credit ratings					
- excellent	$ 255,735,202	$ -	$ -	$ -	$ 255,735,202
- good	73,258,382	10,715,931	-	-	83,974,313
- acceptable	38,329,790	7,029,819	-	-	45,359,609
- weak	9,392,304	290,709	2,889	-	9,685,902
No rated	27,430,880	3,000	32,574	-	27,466,454
Exposure at default	$ 404,146,558	$ 18,039,459	$ 35,463	$ -	$ 422,221,480
Provisions	(234,259)	(92,148)	(10,565)	-	(336,972)
Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	-	-	-	(2,264,920)	(2,264,920)
Total	($ 234,259)	($ 92,148)	($ 10,565)	($ 2,264,920)	($ 2,601,892)

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Unit: In US Thousand Dollars

Loan commitments and financial guarantee contracts	December 31, 2021				
	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	Total
Credit ratings					
- excellent	$ 9,250,016	$ -	$ -	$ -	$ 9,250,016
- good	2,649,777	387,598	-	-	3,037,375
- acceptable	1,386,400	254,271	-	-	1,640,671
- weak	339,722	10,515	105	-	350,342
No rated	992,183	108	1,178	-	993,469
Exposure at default	$ 14,618,098	$ 652,492	$ 1,283	$ -	$ 15,271,873
Provisions	(8,473)	(3,333)	(382)	-	(12,188)
Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	-	-	-	(81,923)	(81,923)
Total	($ 8,473)	($ 3,333)	($ 382)	($ 81,923)	($ 94,111)

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Unit: In NT Thousand Dollars

	December 31, 2020				
Loan commitments and financial guarantee contracts	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	Total
Credit ratings					
- excellent	$ 253,345,026	$ -	$ -	$ -	$ 253,345,026
- good	69,205,210	16,751,032	-	-	85,956,242
- acceptable	34,699,018	4,195,944	-	-	38,894,962
- weak	9,243,793	2,191,812	276,209	-	11,711,814
No rated	22,447,898	-	28,015	-	22,475,913
Exposure at default	$ 388,940,945	$ 23,138,788	$ 304,224	$ -	$ 412,383,957
Provisions	(269,137)	(101,055)	(34,650)	-	(404,842)
Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	-	-	-	(2,410,325)	(2,410,325)
Total	($ 269,137)	($ 101,055)	($ 34,650)	($ 2,410,325)	($ 2,815,167)

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(C) The analysis of Bank and subsidiaries’ risk exposure assets by risk exposure counterparty and risk exposure category is as follows:

Unit: In NT Thousand Dollars

	December 31, 2021							
	Cash and cash equivalents、Due from the Central Bank and call loans to banks	Discounts and loans	Receivables, net	Securities purchased under resell agreements and debt instruments	Derivatives	Other on balance sheet items	Loan commitments and financial guarantee contracts	Total
Government institution	$ 308,971,819	$ 6,069,103	$ 538,729	$ 141,478,714	$ 403	$ 162,922	$ 10,600,236	$ 467,821,926
Finance, investment and insurance	268,515,115	151,403,735	2,124,512	697,826,933	3,202,239	82,941	16,707,969	1,139,863,444
Enterprise and commerce	-	1,303,915,382	26,351,415	210,085,829	169,971	10,838	285,032,477	1,825,565,912
Individuals	-	602,989,996	9,586,339	-	18,003	81	98,945,367	711,539,786
Others	-	3,314,493	1,259,089	776,035	113,702	34	10,935,431	16,398,784
Total	577,486,934	2,067,692,709	39,860,084	1,050,167,511	3,504,318	256,816	422,221,480	4,161,189,852
Less：allowance for bad debt、accumulated impairment and provisions for liabilities	(585)	(30,337,729)	(984,410)	(269,719)	-	(10,848)	(2,601,892)	(34,205,183)
Net	$ 577,486,349	$ 2,037,354,980	$ 38,875,674	$ 1,049,897,792	$ 3,504,318	$ 245,968	$ 419,619,588	$ 4,126,984,669

Unit: In US Thousand Dollars

	December 31, 2021							
	Cash and cash equivalents、Due from the Central Bank and call loans to banks	Discounts and loans	Receivables, net	Securities purchased under resell agreements and debt instruments	Derivatives	Other on balance sheet items	Loan commitments and financial guarantee contracts	Total
Government institution	$ 11,175,600	$ 219,521	$ 19,486	$ 5,117,327	$ 14	$ 5,893	$ 383,414	$ 16,921,255
Finance, investment and insurance	9,712,269	5,476,317	76,844	25,240,603	115,826	3,000	604,332	41,229,191
Enterprise and commerce	-	47,162,997	953,138	7,598,865	6,148	392	10,309,707	66,031,247
Individuals	-	21,810,323	346,741	-	651	3	3,578,882	25,736,600
Others	-	119,887	45,541	28,069	4,113	1	395,538	593,149
Total	20,887,869	74,789,045	1,441,750	37,984,864	126,752	9,289	15,271,873	150,511,442
Less：allowance for bad debt、accumulated impairment and provisions for liabilities	(20)	(1,097,325)	(35,606)	(9,756)	-	(392)	(94,111)	(1,237,210)
Net	$ 20,887,849	$ 73,691,720	$ 1,406,144	$ 37,975,108	$ 126,752	$ 8,897	$ 15,177,762	$ 149,274,232

The trade financing for corporates and businesses accounts for 8.88%, equivalent to NT$115,834,627 thousand while the housing loans for individuals accounts for 78.15%, equivalent to NT$471,259,163 thousand.

Unit: In NT Thousand Dollars

	December 31, 2020							
	Cash and cash equivalents、Due from the Central Bank and call loans to banks	Discounts and loans	Receivables, net	Securities purchased under resell agreements and debt instruments	Derivatives	Other on balance sheet items	Loan commitments and financial guarantee contracts	Total
Government institution	$ 247,450,712	$ 6,672,830	$ 538,836	$ 142,470,587	$ -	$ 589	$ 18,118,396	$ 415,251,950
Finance, investment and insurance	245,125,193	155,056,667	1,920,620	606,829,610	4,308,489	78,666	15,197,494	1,028,516,739
Enterprise and commerce	-	1,230,350,092	26,663,683	202,102,616	359,923	61,329	278,587,219	1,738,124,862
Individuals	-	523,590,175	8,298,599	-	15,639	179	97,109,598	629,014,190
Others	-	3,454,425	1,571,728	777,165	73,928	-	3,371,250	9,248,496
Total	492,575,905	1,919,124,189	38,993,466	952,179,978	4,757,979	140,763	412,383,957	3,820,156,237
Less：allowance for bad debt、accumulated impairment and provisions for liabilities	(169)	(29,165,967)	(1,060,604)	(241,687)	-	(32,348)	(2,815,167)	(33,315,942)
Net	$ 492,575,736	$ 1,889,958,222	$ 37,932,862	$ 951,938,291	$ 4,757,979	$ 108,415	$ 409,568,790	$ 3,786,840,295

The trade financing for corporates and businesses accounts for 7.19%, equivalent to NT$88,453,647 thousand while the housing loans for individuals accounts for 77.30%, equivalent to NT$404,729,015 thousand.

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(D) Relevant financial information on effect of the collateral, master netting arrangements, and other credit enhancements of the Bank and subsidiaries' assets exposed to credit risk is as follows:

Unit: In NT Thousand Dollars

December 31, 2021	Collateral	Net settlement master netting arrangements	Other credit enhancements	Total
On-Balance-Sheet Items				
Financial assets at fair value through profit or loss				
- debt instruments	$ -	$ -	$ 1,468,979	$ 1,468,979
- derivatives	1,792,622	261,087	-	2,053,709
Securities purchased under resell agreements	949,170	-	-	949,170
Discounts and loans	1,354,094,621	-	67,632,031	1,421,726,652
Financial assets at fair value through other comprehensive income- debt instruments	-	-	22,651,920	22,651,920
Investments in debt instruments at amortised cost	-	-	70,332,561	70,332,561
Off-Balance-Sheet Items				
Irrevocable commitments	36,648,843	-	237,474	36,886,317
Guarantees and letters of credit	51,576,824	-	2,140,064	53,716,888

Unit: In US Thousand Dollars

December 31, 2021	Collateral	Net settlement master netting arrangements	Other credit enhancements	Total
On-Balance-Sheet Items				
Financial assets at fair value through profit or loss				
- debt instruments	$ -	$ -	$ 53,133	$ 53,133
- derivatives	64,839	9,444	-	74,283
Securities purchased under resell agreements	34,332	-	-	34,332
Discounts and loans	48,977,995	-	2,446,270	51,424,265
Financial assets at fair value through other comprehensive income- debt instrument	-	-	819,327	819,327
Investments in debt instruments at amortised cost	-	-	2,543,949	2,543,949
Off-Balance-Sheet Items				
Irrevocable commitments	1,325,599	-	8,589	1,334,188
Guarantees and letters of credit	1,865,549	-	77,407	1,942,956

Unit: In NT Thousand Dollars

December 31, 2020	Collateral	Net settlement master netting arrangements	Other credit enhancements	Total
On-Balance-Sheet Items				
Financial assets at fair value through profit or loss				
- debt instruments	$ -	$ -	$ 2,618,040	$ 2,618,040
- derivatives	2,978,667	365,769	-	3,344,436
Securities purchased under resell agreements	10,357,834	-	-	10,357,834
Discounts and loans	1,227,852,728	-	104,022,454	1,331,875,182
Financial assets at fair value through other comprehensive income- debt instruments	-	-	26,110,871	26,110,871
Investments in debt instruments at amortised cost	-	-	55,828,088	55,828,088
Off-Balance-Sheet Items				
Irrevocable commitments	32,988,796	-	4,278,984	37,267,780
Guarantees and letters of credit	52,712,924	-	2,022,485	54,735,409

Note 1: Collaterals include property, movable property, certification of authorization, securities, certificates of deposits, letter of credit and rights in property.

(1)Value of collaterals pledged for assets that arise from lending is the lower of collateral value/ market value and maximum exposure amount. If the collateral value cannot be obtained, appraised value may be used.

(2)Value of collaterals pledged for assets that do not arise from lending is the lower of market value and maximum exposure amount.

Note 2: Details master netting arrangements and other credit enhancements are provided in Note 8(3) D. (C) and (D).

(E) The Bank and subsidiaries closely monitor the value of the collateral of financial instruments and consider the credit-impaired financial assets that require impairment recognition. Information on credit-impaired assets and the value of collateral used to offset potential losses is as follows:

Unit: In NT Thousand Dollars

	December 31, 2021			
	Total carrying amount	Allowance for impairment	Total risk exposure (Amortized cost)	Fair value of Collateral／Guarantee
Receivables	$ 706,602	$ 650,300	$ 56,301	$ -
- Credit card business	87,221	70,887	16,334	-
- Others	619,381	579,413	39,967	-
Discounts and loans	11,989,476	2,705,758	9,283,718	7,889,008
Other financial assets	10,838	10,838	-	-
Impaired financial assets on balance sheet	$ 12,706,916	$ 3,366,896	$ 9,340,019	$ 7,889,008
Irrevocable loan commitments	$ -	$ -	$ -	$ -
Guarantees and letters of credit	35,463	33,061	2,402	1,634
Impaired financial assets off balance sheet	$ 35,463	$ 33,061	$ 2,402	$ 1,634

Unit: In US Thousand Dollars

	December 31, 2021			
	Total carrying amount	Allowance for impairment	Total risk exposure (Amortized cost)	Fair value of Collateral／Guarantee
Receivables	$ 25,558	$ 23,522	$ 2,036	$ -
- Credit card business	3,155	2,564	591	-
- Others	22,403	20,958	1,445	-
Discounts and loans	433,663	97,868	335,795	285,348
Other financial assets	392	392	-	-
Impaired financial assets on balance sheet	$ 459,613	$ 121,782	$ 337,831	$ 285,348
Irrevocable loan commitments	$ -	$ -	$ -	$ -
Guarantees and letters of credit	1,283	1,196	87	59
Impaired financial assets off balance sheet	$ 1,283	$ 1,196	$ 87	$ 59

Unit: In NT Thousand Dollars

	December 31, 2020			
	Total carrying amount	Allowance for impairment	Total risk exposure (Amortized cost)	Fair value of Collateral／Guarantee
Receivables	$ 949,487	$ 691,879	$ 257,608	$ -
- Credit card business	65,980	59,183	6,797	-
- Others	883,506	632,696	250,810	-
Discounts and loans	13,710,547	2,400,562	11,309,985	7,279,545
Other financial assets	61,324	32,340	28,983	-
Impaired financial assets on balance sheet	$ 14,721,358	$ 3,124,781	$ 11,596,576	$ 7,279,545
Irrevocable loan commitments	$ 20,179	$ 6,673	$ 13,506	$ 196
Guarantees and letters of credit	284,045	55,419	228,626	166,130
Impaired financial assets off balance sheet	$ 304,224	$ 62,092	$ 242,132	$ 166,326

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F. Movements in allowance for bad debts, accumulated impairment and provisions for financial assets are as follows:

(A) The reconciliation from the beginning balance to ending balance of the allowance for bad debts arising from discounts and loans for the years ended December 31, 2021 and 2020, is shown below:

Unit: In NT Thousand Dollars

For the year ended 2021/12/31

Discounts and loans	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Total impairment recognised under IFRS 9	Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	Total
Balance at the beginning of the period	$ 2,961,164	$ 581,822	$ 2,109,119	$ 5,652,105	$ 23,513,862	$ 29,165,967
Changes from financial instruments recognised at the beginning of the period:						
- Transferred to lifetime expected credit losses	(23,031)	24,920	(1,889)	-	-	-
- Transferred to credit impaired financial asset	(24,306)	(21,696)	46,002	-	-	-
- Transferred to 12-month expected credit losses	159,275	(142,757)	(16,518)	-	-	-
- Derecognised financial assets	(1,277,269)	(153,351)	(88,686)	(1,519,306)	-	(1,519,306)
- Additional provision and reversal	(291,737)	85,898	995,830	789,991	-	789,991
Originated or purchased new financial assets	1,270,386	167,558	77,798	1,515,742	-	1,515,742
Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	-	-	-	-	1,060,093	1,060,093
Write-off of uncollectible amount	-	-	(1,331,972)	(1,331,972)	-	(1,331,972)
Foreign exchange and other changes	(94,696)	36,920	714,990	657,214	-	657,214
Balance at the end of the period	$ 2,679,786	$ 579,314	$ 2,504,674	$ 5,763,774	$ 24,573,955	$ 30,337,729

Unit: In US Thousand Dollars

For the year ended 2021/12/31

Discounts and loans	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Total impairment recognised under IFRS 9	Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	Total
Balance at the beginning of the period	$ 107,106	$ 21,045	$ 76,287	$ 204,438	$ 850,503	$ 1,054,941
Changes from financial instruments recognised at the beginning of the period:				-		
- Transferred to lifetime expected credit losses	(833)	901	(68)	-	-	-
- Transferred to credit impaired financial asset	(879)	(785)	1,664	-	-	-
- Transferred to 12-month expected credit losses	5,761	(5,164)	(597)	-	-	-
- Derecognised financial assets	(46,199)	(5,547)	(3,208)	(54,954)	-	(54,954)
- Additional provision and reversal	(10,552)	3,107	36,020	28,575	-	28,575
Originated or purchased new financial assets	45,950	6,061	2,814	54,825	-	54,825
Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	-	-	-	-	38,344	38,344
Write-off of uncollectible amount	-	-	(48,178)	(48,178)	-	(48,178)
Foreign exchange and other changes	(3,425)	1,336	25,861	23,772	-	23,772
Balance at the end of the period	$ 96,929	$ 20,954	$ 90,595	$ 208,478	$ 888,847	$ 1,097,325

Unit: In NT Thousand Dollars

For the year ended 2020/12/31

Discounts and loans	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Total impairment recognised under IFRS 9	Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	Total
Balance at the beginning of the period	$ 2,736,126	$ 599,373	$ 2,350,961	$ 5,686,460	$ 23,896,971	$ 29,583,431
Changes from financial instruments recognised at the beginning of the period:						
- Transferred to lifetime expected credit losses	(48,288)	56,182	(7,894)	-	-	-
- Transferred to credit impaired financial asset	(76,951)	(19,206)	96,157	-	-	-
- Transferred to 12-month expected credit losses	211,042	(204,858)	(6,184)	-	-	-
- Derecognised financial assets	(1,153,931)	(160,695)	(163,970)	(1,478,596)	-	(1,478,596)
- Additional provision and reversal	(126,753)	167,691	2,334,985	2,375,923	-	2,375,923
Originated or purchased new financial assets	1,372,488	138,744	37,350	1,548,582	-	1,548,582
Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	-	-	-	-	(383,109)	(383,109)
Write-off of uncollectible amount	-	-	(2,584,979)	(2,584,979)	-	(2,584,979)
Foreign exchange and other changes	47,431	4,591	52,693	104,715	-	104,715
Balance at the end of the period	$ 2,961,164	$ 581,822	$ 2,109,119	$ 5,652,105	$ 23,513,862	$ 29,165,967

(B) The reconciliation from the beginning balance to ending balance of the allowance for bad debts arising from receivables for the years ended December 31, 2021 and 2020, is shown below:

Unit: In NT Thousand Dollars

For the year ended 2021/12/31

Receivables	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Total impairment recognised under IFRS 9	Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	Total
Balance at the beginning of the period	$ 79,318	$ 4,672	$ 67,478	$ 151,468	$ 909,136	$ 1,060,604
Changes from financial instruments recognised at the beginning of the period:						
- Transferred to lifetime expected credit losses	(693)	3,279	(2,586)	-	-	-
- Transferred to credit impaired financial asset	(156)	(464)	620	-	-	-
- Transferred to 12-month expected credit losses	3,449	(1,238)	(2,211)	-	-	-
- Derecognised financial assets	(65,130)	(3,959)	(122,427)	(191,516)	-	(191,516)
- Additional provision and reversal	(2,492)	1,584	80,466	79,558	-	79,558
Originated or purchased new financial assets	46,393	18,651	8,102	73,146	-	73,146
Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	-	-	-	-	(59,483)	(59,483)
Write-off of uncollectible amount	(7,679)	(15,835)	(29,236)	(52,750)	-	(52,750)
Foreign exchange and other changes	15	14	74,822	74,851	-	74,851
Balance at the end of the period	$ 53,025	$ 6,704	$ 75,028	$ 134,757	$ 849,653	$ 984,410

Unit: In US Thousand Dollars

For the year ended 2021/12/31

Receivables	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Total impairment recognised under IFRS 9	Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	Total
Balance at the beginning of the period	$ 2,869	$ 169	$ 2,441	$ 5,479	$ 32,884	$ 38,363
Changes from financial instruments recognised at the beginning of the period:						
- Transferred to lifetime expected credit losses	(25)	119	(94)	-	-	-
- Transferred to credit impaired financial asset	(6)	(17)	23	-	-	-
- Transferred to 12-month expected credit losses	125	(45)	(80)	-	-	-
- Derecognised financial assets	(2,356)	(143)	(4,428)	(6,927)	-	(6,927)
- Additional provision and reversal	(90)	57	2,910	2,877	-	2,877
Originated or purchased new financial assets	1,678	675	293	2,646	-	2,646
Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	-	-	-	-	(2,152)	(2,152)
Write-off of uncollectible amount	(278)	(573)	(1,057)	(1,908)	-	(1,908)
Foreign exchange and other changes	1	-	2,706	2,707	-	2,707
Balance at the end of the period	$ 1,918	$ 242	$ 2,714	$ 4,874	$ 30,732	$ 35,606

Unit: In NT Thousand Dollars

For the year ended 2020/12/31

Receivables	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Total impairment recognised under IFRS 9	Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	Total
Balance at the beginning of the period	$ 145,892	$ 3,197	$ 108,528	$ 257,617	$ 1,045,121	$ 1,302,738
Changes from financial instruments recognised at the beginning of the period:						
- Transferred to lifetime expected credit losses	(294)	1,379	(1,085)	-	-	-
- Transferred to credit impaired financial asset	(77)	(272)	349	-	-	-
- Transferred to 12-month expected credit losses	1,010	(311)	(699)	-	-	-
- Derecognised financial assets	(128,613)	(2,251)	(102,796)	(233,660)	-	(233,660)
- Additional provision and reversal	(1,688)	2,465	12,370	13,147	-	13,147
Originated or purchased new financial assets	80,559	17,204	5,492	103,255	-	103,255
Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	-	-	-	-	(135,985)	(135,985)
Write-off of uncollectible amount	(17,477)	(16,739)	(30,259)	(64,475)	-	(64,475)
Foreign exchange and other changes	6	-	75,578	75,584	-	75,584
Balance at the end of the period	$ 79,318	$ 4,672	$ 67,478	$ 151,468	$ 909,136	$ 1,060,604

(C) The reconciliation from the beginning balance to ending balance of the accumulated impairment arising from debt instruments for the years ended December 31, 2021 and 2020, is shown below:

a. Financial assets at fair value through other comprehensive income

Unit: In NT Thousand Dollars

For the year ended 2021/12/31

Financial assets at fair value through other comprehensive income	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Total
Balance at the beginning of the period	$ 203,263	$ 6,091	$ -	$ 209,354
Changes from financial instruments recognised at the beginning of the period:				
- Transferred to lifetime expected credit losses	6,091	(6,091)	-	-
- The impairment allowance for financial assets derecognised in the current period	(55,695)	-	-	(55,695)
- Additional provision and reversal	6,789	-	-	6,789
Originated or purchased new financial assets	53,715	-	-	53,715
Foreign exchange and other changes	(8,730)	-	-	(8,730)
Balance at the end of the period	$ 205,433	$ -	$ -	$ 205,433

Unit: In US Thousand Dollars

For the year ended 2021/12/31				
Financial assets at fair value through other comprehensive income	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Total
Balance at the beginning of the period	$ 7,352	$ 220	$ -	$ 7,572
Changes from financial instruments recognised at the beginning of the period:				
- Transferred to lifetime expected credit losses	$ 220	($ 220)	$ -	$ -
- The impairment allowance for financial assets derecognised in the current period	(2,014)	-	-	(2,014)
- Additional provision and reversal	246	-	-	246
Originated or purchased new financial assets	1,943	-	-	1,943
Foreign exchange and other changes	(316)	-	-	(316)
Balance at the end of the period	$ 7,431	$ -	$ -	$ 7,431

Unit: In NT Thousand Dollars

Financial assets at fair value through other comprehensive income	For the year ended 2020/12/31 12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Total
Balance at the beginning of the period	$ 132,652	$ -	$ -	$ 132,652
Changes from financial instruments recognised at the beginning of the period:				
- Transferred to lifetime expected credit losses	(756)	756	-	-
- The impairment allowance for financial assets derecognised in the current period	(14,265)	-	-	(14,265)
- Additional provision and reversal	19,095	5,335	-	24,430
Originated or purchased new financial assets	67,205	-	-	67,205
Foreign exchange and other changes	(668)	-	-	(668)
Balance at the end of the period	$ 203,263	$ 6,091	$ -	$ 209,354

b. Investments in debt instruments at amortised cost

Unit: In NT Thousand Dollars

For the year ended 2021/12/31

Investments in debt instruments at amortised cost	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Total
Balance at the beginning of the period	$ 32,333	$ -	$ -	$ 32,333
Changes from financial instruments recognised at the beginning of the period:				
- The impairment allowance for financial assets derecognised in the current period	(23,168)	-	-	(23,168)
- Additional provision and reversal	2,421	-	-	2,421
Originated or purchased new financial assets	52,700	-	-	52,700
Balance at the end of the period	$ 64,286	$ -	$ -	$ 64,286

Unit: In US Thousand Dollars

For the year ended 2021/12/31

Investments in debt instruments at amortised cost	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Total
Balance at the beginning of the period	$ 1,169	$ -	$ -	$ 1,169
Changes from financial instruments recognised at the beginning of the period:				
- The impairment allowance for financial assets derecognised in the current period	(838)	-	-	(838)
- Additional provision and reversal	88	-	-	88
Originated or purchased new financial assets	1,906	-	-	1,906
Balance at the end of the period	$ 2,325	$ -	$ -	$ 2,325

Unit: In NT Thousand Dollars

	For the year ended 2020/12/31			
Investments in debt instruments at amortised cost	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Total
Balance at the beginning of the period	$ 21,330	$ -	$ -	$ 21,330
Changes from financial instruments recognised at the beginning of the period:				
- The impairment allowance for financial assets derecognised in the current period	(15,212)	-	-	(15,212)
- Additional provision and reversal	(765)	-	-	(765)
Originated or purchased new financial assets	26,980	-	-	26,980
Balance at the end of the period	$ 32,333	$ -	$ -	$ 32,333

(Blank below)

(D) The reconciliation from the beginning balance to ending balance of the provisions for loan commitments and guarantee liabilities for the years ended December 31, 2021 and 2020, is shown below:

Unit: In NT Thousand Dollars

For the year ended 2021/12/31						
Provisions for loan commitments and guarantee liabilities	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Total impairment recognised under IFRS 9	Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	Total
Balance at the beginning of the period	$ 269,137	$ 101,055	$ 34,650	$ 404,842	$ 2,410,325	$ 2,815,167
Changes from financial instruments recognised at the beginning of the period:						
- Transferred to lifetime expected credit losses	(12,479)	12,479	-	-	-	-
- Transferred to credit impaired financial asset	(26)	(67)	93	-	-	-
- Transferred to 12-month expected credit loss	32,627	(32,627)	-	-	-	-
- Derecognised financial assets	(112,289)	(26,359)	(22,796)	(161,444)	-	(161,444)
- Additional provision and reversal	(41,346)	(4,698)	(889)	(46,933)	-	(46,933)
Originated or purchased new financial assets	109,042	52,313	88	161,443	-	161,443
Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	-	-	-	-	(145,405)	(145,405)
Foreign exchange and other changes	(10,407)	(9,948)	(581)	(20,936)	-	(20,936)
Balance at the end of the period	$ 234,259	$ 92,148	$ 10,565	$ 336,972	$ 2,264,920	$ 2,601,892

Unit: In US Thousand Dollars

Provisions for loan commitments and guarantee liabilities	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Total impairment recognised under IFRS 9	Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	Total
	For the year ended 2021/12/31					
Balance at the beginning of the period	$ 9,735	$ 3,655	$ 1,253	$ 14,643	$ 87,182	$ 101,825
Changes from financial instruments recognised at the beginning of the period:						
- Transferred to lifetime expected credit losses	(451)	451	-	-	-	-
- Transferred to credit impaired financial asset	(1)	(2)	3	-	-	-
- Transferred to 12-month expected credit loss	1,180	(1,180)	-	-	-	-
- Derecognised financial assets	(4,062)	(953)	(824)	(5,839)	-	(5,839)
- Additional provision and reversal	(1,496)	(170)	(32)	(1,698)	-	(1,698)
Originated or purchased new financial assets	3,944	1,892	3	5,839	-	5,839
Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	-	-	-	-	(5,259)	(5,259)
Foreign exchange and other changes	(376)	(360)	(21)	(757)	-	(757)
Balance at the end of the period	$ 8,473	$ 3,333	$ 382	$ 12,188	$ 81,923	$ 94,111

Unit: In NT Thousand Dollars

For the year ended 2020/12/31						
Provisions for loan commitments and guarantee liabilities	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Total impairment recognised under IFRS 9	Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	Total
Balance at the beginning of the period	$ 222,947	$ 50,071	$ 16,295	$ 289,313	$ 2,764,635	$ 3,053,948
Changes from financial instruments recognised at the beginning of the period:						
- Transferred to lifetime expected credit losses	(3,768)	3,768	-	-	-	-
- Transferred to credit impaired financial asset	(23)	(45)	68	-	-	-
- Transferred to 12-month expected credit loss	6,135	(6,135)	-	-	-	-
- Derecognised financial assets	(89,534)	(19,127)	(7,300)	(115,961)	-	(115,961)
- Additional provision and reversal	(2,608)	24,133	486	22,011	-	22,011
Originated or purchased new financial assets	114,634	47,651	21,879	184,164	-	184,164
Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	-	-	-	-	(354,310)	(354,310)
Foreign exchange and other changes	21,354	739	3,222	25,315	-	25,315
Balance at the end of the period	$ 269,137	$ 101,055	$ 34,650	$ 404,842	$ 2,410,325	$ 2,815,167

G. Movements in the total carrying amount of financial assets

(A) The movement in the total carrying amount of discounts and loans of the Bank and subsidiaries for the years ended December 31, 2021 and 2020, is shown below:

Unit: In NT Thousand Dollars

For the year ended 2021/12/31

Discounts and loans	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Total
Balance at the beginning of the period	$ 1,838,136,949	$ 67,276,693	$ 13,710,547	$ 1,919,124,189
Changes from financial instruments recognised at the beginning of the period:				
- Transferred to lifetime expected credit losses	(18,815,928)	18,823,706	(7,778)	-
- Transferred to credit impaired financial asset	(2,052,817)	(1,622,551)	3,675,368	-
- Transferred to 12-month expected credit losses	11,365,568	(11,315,358)	(50,210)	-
- Derecognition(including recovery, write-off bad debt not included)	(662,168,929)	(29,771,479)	(3,986,520)	(695,926,928)
- Increased(decreased)	(68,078,084)	(3,147,738)	(582,877)	(71,808,699)
Originated or purchased new financial assets	894,269,286	29,580,893	585,112	924,435,291
Write-off of uncollectible amount	-	-	(1,331,972)	(1,331,972)
Foreign exchange and other changes	(6,701,977)	(75,001)	(22,194)	(6,799,172)
Balance at the end of the period	$ 1,985,954,068	$ 69,749,165	$ 11,989,476	$ 2,067,692,709

Unit: In US Thousand Dollars

	For the year ended 2021/12/31			
Discounts and loans	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Total
Balance at the beginning of the period	$ 66,485,946	$ 2,433,417	$ 495,914	$ 69,415,277
Changes from financial instruments recognised at the beginning of the period:				
- Transferred to lifetime expected credit losses	(680,578)	680,859	(281)	-
- Transferred to credit impaired financial asset	(74,251)	(58,688)	132,939	-
- Transferred to 12-month expected credit losses	411,096	(409,280)	(1,816)	-
- Derecognition(including recovery, write-off bad debt not included)	(23,950,842)	(1,076,843)	(144,193)	(25,171,878)
- Increased(decreased)	(2,462,404)	(113,854)	(21,083)	(2,597,341)
Originated or purchased new financial assets	32,345,979	1,069,950	21,164	33,437,093
Write-off of uncollectible amount	-	-	(48,178)	(48,178)
Foreign exchange and other changes	(242,412)	(2,713)	(803)	(245,928)
Balance at the end of the period	$ 71,832,534	$ 2,522,848	$ 433,663	$ 74,789,045

Unit: In NT Thousand Dollars

	For the year ended 2020/12/31			
Discounts and loans	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Total
Balance at the beginning of the period	$ 1,826,594,076	$ 66,707,144	$ 9,960,045	$ 1,903,261,265
Changes from financial instruments recognised at the beginning of the period:				
- Transferred to lifetime expected credit losses	(30,945,224)	30,994,907	(49,683)	-
- Transferred to credit impaired financial asset	(6,449,997)	(811,330)	7,261,327	-
- Transferred to 12-month expected credit losses	20,827,902	(20,780,543)	(47,359)	-
- Derecognition(including recovery, write-off bad debt not included)	(705,287,614)	(23,040,828)	(882,074)	(729,210,516)
- Increased(decreased)	(83,212,528)	(3,945,857)	(1,423,627)	(88,582,012)
Originated or purchased new financial assets	822,026,252	18,185,011	1,519,707	841,730,970
Write-off of uncollectible amount	-	-	(2,584,979)	(2,584,979)
Foreign exchange and other changes	(5,415,918)	(31,811)	(42,810)	(5,490,539)
Balance at the end of the period	$ 1,838,136,949	$ 67,276,693	$ 13,710,547	$ 1,919,124,189

(B) The movement in the total carrying amount of receivables of the Bank and subsidiaries for the years ended December 31, 2021 and 2020, is shown below:

Unit: In NT Thousand Dollars

For the year ended 2021/12/31				
Receivables	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Total
Balance at the beginning of the period	$ 37,359,691	$ 684,288	$ 949,487	$ 38,993,466
Changes from financial instruments recognised at the beginning of the period:				
- Transferred to lifetime expected credit losses	(225,000)	225,933	(933)	-
- Transferred to credit impaired financial asset	(45,864)	(25,265)	71,129	-
- Transferred to 12-month expected credit losses	117,027	(115,357)	(1,670)	-
- Derecognition(including recovery, write-off bad debt not included)	(22,794,220)	(356,742)	(176,803)	(23,327,765)
- Increased(decreased)	(601,059)	27,810	(123,750)	(696,999)
Originated or purchased new financial assets	24,659,448	249,924	9,019	24,918,391
Write-off of uncollectible amount	(7,679)	(15,835)	(29,236)	(52,750)
Foreign exchange and other changes	16,384	(2)	9,359	25,741
Balance at the end of the period	$ 38,478,728	$ 674,754	$ 706,602	$ 39,860,084

Unit: In US Thousand Dollars

Receivables	For the year ended 2021/12/31 12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Total
Balance at the beginning of the period	$ 1,351,311	$ 24,751	$ 34,343	$ 1,410,405
Changes from financial instruments recognised at the beginning of the period:				
- Transferred to lifetime expected credit losses	(8,138)	8,172	(34)	-
- Transferred to credit impaired financial asset	(1,659)	(914)	2,573	-
- Transferred to 12-month expected credit losses	4,233	(4,172)	(61)	-
- Derecognition(including recovery, write-off bad debt not included)	(824,473)	(12,904)	(6,395)	(843,772)
- Increased(decreased)	(21,741)	1,006	(4,476)	(25,211)
Originated or purchased new financial assets	891,939	9,040	326	901,305
Write-off of uncollectible amount	(278)	(573)	(1,057)	(1,908)
Foreign exchange and other changes	592	-	339	931
Balance at the end of the period	$ 1,391,786	$ 24,406	$ 25,558	$ 1,441,750

Unit: In NT Thousand Dollars

Receivables	For the year ended 2020/12/31 12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Total
Balance at the beginning of the period	$ 60,539,816	$ 777,032	$ 941,461	$ 62,258,309
Changes from financial instruments recognised at the beginning of the period:				
- Transferred to lifetime expected credit losses	(215,570)	217,143	(1,573)	-
- Transferred to credit impaired financial asset	(41,524)	(19,448)	60,972	-
- Transferred to 12-month expected credit losses	92,481	(91,292)	(1,189)	-
- Derecognition(including recovery, write-off bad debt not included)	(32,271,252)	(460,816)	(225,406)	(32,957,474)
- Increased(decreased)	(13,798,969)	25,849	162,860	(13,610,260)
Originated or purchased new financial assets	23,500,455	252,559	105,600	23,858,614
Write-off of uncollectible amount	(17,477)	(16,739)	(30,259)	(64,475)
Foreign exchange and other changes	(428,269)	-	(62,979)	(491,248)
Balance at the end of the period	$ 37,359,691	$ 684,288	$ 949,487	$ 38,993,466

(C) The movement in the total carrying amount of debt instruments of the Bank and subsidiaries for the years ended December 31, 2021 and 2020, is shown below:

a. Financial assets at fair value through other comprehensive income

Unit: In NT Thousand Dollars

For the year ended 2021/12/31

Financial assets at fair value through other comprehensive income	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Total
Balance at the beginning of the period	$ 377,251,103	$ 453,640	$ -	$ 377,704,743
Changes from financial instruments recognised at the beginning of the period:				
- Transferred to 12-month expected credit losses	450,025	(450,025)	-	-
- Derecognition	(71,747,857)	-	-	(71,747,857)
- Increased(decreased)	(43,845,605)	(13)	-	(43,845,618)
Originated or purchased new financial assets	116,216,619	-	-	116,216,619
Foreign exchange and other changes	(4,921,204)	(3,602)	-	(4,924,806)
Balance at the end of the period	$ 373,403,081	$ -	$ -	$ 373,403,081

Unit: In US Thousand Dollars

For the year ended 2021/12/31

Financial assets at fair value through other comprehensive income	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Total
Balance at the beginning of the period	$ 13,645,282	$ 16,408	$ -	$ 13,661,690
Changes from financial instruments recognised at the beginning of the period:				
- Transferred to 12-month expected credit losses	16,277	(16,277)	-	-
- Derecognition	(2,595,141)	-	-	(2,595,141)
- Increased(decreased)	(1,585,908)	(1)	-	(1,585,909)
Originated or purchased new financial assets	4,203,589	-	-	4,203,589
Foreign exchange and other changes	(178,001)	(130)	-	(178,131)
Balance at the end of the period	$ 13,506,098	$ -	$ -	$ 13,506,098

Unit: In NT Thousand Dollars

For the year ended 2020/12/31

Financial assets at fair value through other comprehensive income	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Total
Balance at the beginning of the period	$ 372,829,016	$ -	$ -	$ 372,829,016
Changes from financial instruments recognised at the beginning of the period:				
- Transferred to lifetime expected losses	(850,071)	850,071	-	-
- Derecognition	(133,319,458)	-	-	(133,319,458)
- Increased(decreased)	(26,267,292)	(400,046)	-	(26,667,338)
Originated or purchased new financial assets	165,010,851	-	-	165,010,851
Foreign exchange and other changes	(151,943)	3,615	-	(148,328)
Balance at the end of the period	$ 377,251,103	$ 453,640	$ -	$ 377,704,743

b. Investments in debt instruments at amortised cost

Unit: In NT Thousand Dollars

December 31, 2021

Investments in debt instruments at amortised cost	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Total
Balance at the beginning of the period	$ 530,116,332	$ -	$ -	$ 530,116,332
Changes from financial instruments recognised at the beginning of the period:				
- Derecognition	(494,302,311)	-	-	(494,302,311)
- Increased(decreased)	(780,110)	-	-	(780,110)
Originated or purchased new financial assets	608,785,806	-	-	608,785,806
Foreign exchange and other changes	(24,126)	-	-	(24,126)
Balance at the end of the period	$ 643,795,591	$ -	$ -	$ 643,795,591

Unit: In US Thousand Dollars

December 31, 2021

Investments in debt instruments at amortised cost	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Total
Balance at the beginning of the period	$ 19,174,461	$ -	$ -	$ 19,174,461
Changes from financial instruments recognised at the beginning of the period:				
- Derecognition	(17,879,058)	-	-	(17,879,058)
- Increased(decreased)	(28,217)	-	-	(28,217)
Originated or purchased new financial assets	22,019,959	-	-	22,019,959
Foreign exchange and other changes	(872)	-	-	(872)
Balance at the end of the period	$ 23,286,273	$ -	$ -	$ 23,286,273

Unit: In NT Thousand Dollars

	December 31, 2020			
Investments in debt instruments at amortised cost	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Total
Balance at the beginning of the period	$ 271,155,425	$ -	$ -	$ 271,155,425
Changes from financial instruments recognised at the beginning of the period:				
- Derecognition	(245,233,249)	-	-	(245,233,249)
- Increased(decreased)	(1,284,339)	-	-	(1,284,339)
Originated or purchased new financial assets	505,482,060	-	-	505,482,060
Foreign exchange and other changes	(3,565)	-	-	(3,565)
Balance at the end of the period	$ 530,116,332	$ -	$ -	$ 530,116,332

(Blank below)

H. Credit risk concentration

Extreme credit risk concentration will enhance risk degree, such as large amount of risk exposure concentrated on single credit product, single client, or a few clients, or a group of clients in the same industry or with similar business or in the same area or with the same risk characteristics. When adverse economic changes occur, financial institutions may incur significant losses.

To avoid extreme credit risk concentration, the Bank and subsidiaries have set credit limit and management rules for single client, single business group and large amount of risk exposure. The subsidiaries have to monitor and control the credit risk concentration not to exceed the limit. Status of credit risk concentration by industry, area/country, collateral and other forms must be analyzed in the risk report regularly.

(A) Loans and credit commitments of the Bank and subsidiaries are shown below by industry:

Unit: In Thousand Dollars, %

		Loans and credit commitments				
		December 31, 2021			December 31, 2020	
		Amount		Percentage(%)	Amount	Percentage(%)
		NT$	US$		NT$	
Individuals	Individuals	$ 701,935,363	$ 25,389,205	28.19%	$ 620,699,773	26.62%
Corporation	Government organization	16,669,339	602,935	0.67%	24,791,226	1.06%
	Financial institution, investment and insurance	168,111,704	6,080,649	6.75%	170,254,161	7.30%
	Enterprise and commerce					
	- Manufacturing	671,273,774	24,280,167	26.96%	583,998,114	25.05%
	- Electricity and gas supply	22,604,928	817,627	0.91%	43,609,789	1.87%
	- Wholesale and retail	176,530,461	6,385,158	7.09%	162,901,566	6.99%
	- Transportation and storage	147,367,042	5,330,309	5.92%	158,265,341	6.79%
	- Real estate	364,901,194	13,198,582	14.66%	351,010,666	15.06%
	- Others	206,270,460	7,460,862	8.28%	209,151,835	8.97%
	Others	14,249,924	515,424	0.57%	6,825,675	0.29%
Total		$ 2,489,914,189	$ 90,060,918	100.00%	$ 2,331,508,146	100.00%

(B) Distribution of loans and credit commitments of the Bank and subsidiaries:

Unit: In Thousand Dollars, %

	Loans and credit commitments				
	December 31, 2021			December 31, 2020	
	Amount		Percentage(%)	Amount	Percentage(%)
	NT$	US$		NT$	
ROC	$ 1,948,218,303	$ 70,467,621	78.24%	$ 1,760,896,541	75.53%
Asia, Pacific	347,362,278	12,564,194	13.95%	364,890,389	15.65%
North America	109,811,768	3,971,924	4.41%	111,881,691	4.80%
Others	84,521,840	3,057,179	3.40%	93,839,525	4.02%
Total	$ 2,489,914,189	$ 90,060,918	100.00%	$ 2,331,508,146	100.00%

(C) Loans and credit commitments of the Bank and subsidiaries are shown below by collaterals:

Unit: In Thousand Dollars, %

	Loans and credit commitments				
	December 31, 2021			December 31, 2020	
	Amount		Percentage(%)	Amount	Percentage(%)
	NT$	US$		NT$	
Unsecured	$ 977,584,332	$ 35,359,509	39.26%	$ 907,629,774	38.93%
Secured					
- Secured by stocks	41,588,503	1,504,268	1.67%	31,789,633	1.36%
- Secured by bonds	99,946,747	3,615,103	4.01%	98,431,407	4.22%
- Secured by real estate	1,157,207,433	41,856,528	46.48%	1,038,579,526	44.55%
- Secured by chattel	89,034,601	3,220,407	3.58%	86,547,641	3.71%
- Secured by letter of guarantee	70,009,569	2,532,267	2.81%	110,323,923	4.73%
- Others	54,543,004	1,972,836	2.19%	58,206,242	2.50%
Total	$ 2,489,914,189	$ 90,060,918	100.00%	$ 2,331,508,146	100.00%

I. Foreclosed properties management policy

As of December 31, 2021 and 2020, foreclosed properties under other assets in the consolidated balance sheet carried book value of NT$24,273 thousand and NT$0 thousand,respectively. According to the R.O.C. Banking Law, foreclosed properties of the Bank shall be sold within four years, except as otherwise approved by the competent authority.

J. Supplementary information in accordance with “Regulations Governing the Preparation of Financial Reports by Public Banks”

(A) Asset quality of non-performing loans and overdue accounts

Unit: In NT Thousand Dollars, %

Month / Year			December 31, 2021				
Business / Items			Amount of non-performing loans (Note 1)	Gross loans	Non-performing loan ratio (Note 2)	Allowance for doubtful accounts	Coverage ratio (Note 3)
Corporate banking	Secured loans		$ 2,489,159	$ 701,082,974	0.36%	$ 10,230,723	411.01%
	Unsecured loans		2,306,723	763,619,739	0.30%	11,554,760	500.92%
Consumer banking	Residential mortgage loans (Note 4)		563,845	471,746,438	0.12%	6,686,126	1185.81%
	Cash card services		-	-	-	-	-
	Small amount of credit loans (Note 5)		26,245	20,865,636	0.13%	314,632	1198.83%
	Others (Note 6)	Secured loans	78,819	110,344,028	0.07%	1,551,016	1967.82%
		Unsecured loans	-	33,894	0.00%	472	-
Gross loan business			$ 5,464,791	$ 2,067,692,709	0.26%	$ 30,337,729	555.15%
			Amount of overdue accounts	Balance of accounts receivable	Overdue account ratio	Allowance for bad debts	Coverage ratio
Credit card services			$ 18,546	$ 9,085,600	0.20%	$ 82,962	447.33%
Without recourse factoring (Note 7)			$ 1,912	$ 18,160,261	0.01%	$ 244,753	12800.89%

Unit: In US Thousand Dollars, %

Month / Year			December 31, 2021				
Business / Items			Amount of non-performing loans (Note 1)	Gross loans	Non-performing loan ratio (Note 2)	Allowance for doubtful accounts	Coverage ratio (Note 3)
Corporate banking	Secured loans		$ 90,034	$ 25,358,374	0.36%	$ 370,048	411.01%
	Unsecured loans		83,435	27,620,347	0.30%	417,939	500.92%
Consumer banking	Residential mortgage loans (Note 4)		20,394	17,063,206	0.12%	241,839	1185.81%
	Cash card services		-	-	-	-	-
	Small amount of credit loans (Note 5)		949	754,716	0.13%	11,381	1198.83%
	Others (Note 6)	Secured loans	2,851	3,991,176	0.07%	56,101	1967.82%
		Unsecured loans	-	1,226	0.00%	17	-
Gross loan business			$ 197,663	$ 74,789,045	0.26%	$ 1,097,325	555.15%
			Amount of overdue accounts	Balance of accounts receivable	Overdue account ratio	Allowance for bad debts	Coverage ratio
Credit card services			$ 671	$ 328,629	0.20%	$ 3,001	447.33%
Without recourse factoring (Note 7)			$ 69	$ 656,862	0.01%	$ 8,853	12800.89%

Unit: In NT Thousand Dollars, %

Month / Year			December 31, 2020				
Business / Items			Amount of non-performing loans (Note 1)	Gross loans	Non-performing loan ratio (Note 2)	Allowance for doubtful accounts	Coverage ratio (Note 3)
Corporate banking	Secured loans		$ 2,308,060	$ 672,359,648	0.34%	$ 9,849,332	426.74%
	Unsecured loans		1,078,301	723,174,366	0.15%	11,736,554	1088.43%
Consumer banking	Residential mortgage loans (Note 4)		713,816	405,299,051	0.18%	5,873,726	822.86%
	Cash card services		-	-	-	-	-
	Small amount of credit loans (Note 5)		27,579	19,046,120	0.14%	291,877	1058.33%
	Others (Note 6)	Secured loans	82,993	99,221,320	0.08%	1,414,145	1703.93%
		Unsecured loans	-	23,684	0.00%	333	-
Gross loan business			$ 4,210,749	$ 1,919,124,189	0.22%	$ 29,165,967	692.66%
			Amount of overdue accounts	Balance of accounts receivable	Overdue account ratio	Allowance for bad debts	Coverage ratio
Credit card services			$ 15,930	$ 7,905,561	0.20%	$ 72,304	453.89%
Without recourse factoring (Note 7)			$ 25,628	$ 17,544,174	0.15%	$ 258,860	1010.07%

Notes:

1. The amount recognized as non-performing loans is in accordance with the “Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans”. The amount included in overdue accounts for credit cards is in accordance with Financial-Supervisory-Banks (4) Letter No.0944000378 dated July 6, 2005.
2. Non-performing loan ratio = non-performing loans/gross loans. Overdue account ratio for credit cards=overdue accounts/balance of accounts receivable.
3. Coverage ratio for loans = allowance for bad debts of loans/non-performing loans. Coverage ratio for accounts receivable of credit cards = allowance for bad debts for accounts receivable of credit cards/overdue accounts.
4. For residential mortgage loans, the borrower provides his/her (or spouses' or minors') house as collateral in full and mortgages it to the financial institution for the purpose of obtaining funds to purchase or add improvements to a house.
5. Small amount of credit loans apply to the norms of the Financial-Supervisory-Banks (4) Letter No. 09440010950 dated December 19, 2005, excluding credit card and cash card services.
6. Consumer banking-Others is specified as secured or unsecured consumer loans other than residential mortgage loans, cash card services and small amount of credit loans, and excluding credit card services.
7. Pursuant to Banking Bureau Letter No. 09850003180 dated August 24, 2009, the amount of without recourse factoring will be recognized as overdue accounts within three months after the factor or insurance company resolves not to compensate the loss.

(B) Non-performing loans and overdue receivables exempted from reporting to the competent authority

Unit: In NT Thousand dollars

	December 31, 2021	
	Total amount of non-performing loans exempted from reporting to the competent authority	Total amount of overdue receivables exempted from reporting to the competent authority
Performing amounts exempted from reporting to the competent authority as debt negotiation (Note 1)	$ -	$ -
Performing amounts in accordance with debt liquidation program and restructuring program (Note 2)	127	1,698
Total	$ 127	$ 1,698

Unit: In US Thousand dollars

	December 31, 2021	
	Total amount of non-performing loans exempted from reporting to the competent authority	Total amount of overdue receivables exempted from reporting to the competent authority
Performing amounts exempted from reporting to the competent authority as debt negotiation (Note 1)	$ -	$ -
Performing amounts in accordance with debt liquidation program and restructuring program (Note 2)	5	61
Total	$ 5	$ 61

Unit: In NT Thousand dollars

	December 31, 2020	
	Total amount of non-performing loans exempted from reporting to the competent authority	Total amount of overdue receivables exempted from reporting to the competent authority
Performing amounts exempted from reporting to the competent authority as debt negotiation (Note 1)	$ -	$ -
Performing amounts in accordance with debt liquidation program and restructuring program (Note 2)	179	1,694
Total	$ 179	$ 1,694

Note 1: The Bank disclosed the total amount of non-performing loans and overdue receivables exempted from reporting to the competent authority as debt negotiation in accordance with Banking Bureau (1) Letter No. 09510001270 dated April 25, 2006.

Note 2: The Bank disclosed the total amount of non-performing loans and overdue receivables exempted from reporting to the competent authority as debt liquidation program and restructuring program in accordance with Banking Bureau (1) Letter No. 09700318940 dated September 15, 2008 and Banking Bureau (1) Letter No. 10500134790 dated September 20, 2016.

(C) The Bank and subsidiaries' credit risk concentration is as follows：

Unit: In Thousand dollars, %

Year	December 31, 2021			
Ranking (Note 1)	Industry of Company/ Enterprise Group (Note 2)	Total outstanding loan amount (Note 3)		Total outstanding loan amount / net worth of the current year (%)
		NT$	US$	
1	A Company - Transport via Railways	$ 43,789,296	$ 1,583,872	14.64%
2	B Group - Other Financial Service Activities Not Elsewhere Classified	38,319,966	1,386,044	12.81%
3	C Group - Chemical Material Manufacturing	37,019,855	1,339,019	12.38%
4	D Group - Manufacture of Liquid Crystal Panel and Components	21,322,946	771,257	7.13%
5	E Group - Ship Transportation	18,924,933	684,520	6.33%
6	F Group - Real Estate Development Activities	15,135,455	547,454	5.06%
7	G Group - Ship Transportation	14,764,514	534,037	4.94%
8	H Group - Semiconductor Package and Test Industry	13,737,258	496,881	4.59%
9	I Group - Computer Manufacturing Industry	13,630,941	493,035	4.56%
10	J Group - Financial Leasing Industry	13,395,632	484,524	4.48%

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Unit: In Thousand dollars, %

Year	December 31, 2020		
Ranking (Note 1)	Industry of Company/ Enterprise Group (Note 2)	Total outstanding loan amount (Note 3)	Total outstanding loan amount / net worth of the current year (%)
		NT$	
1	A Company - Transport via Railways	$ 46,504,072	15.79%
2	B Group - Other Financial Service Activities Not Elsewhere Classified	37,132,762	12.61%
3	C Group - Chemical Material Manufacturing	32,211,469	10.93%
4	D Group - Ship Transportation	23,880,651	8.11%
5	E Group - Real Estate Manufacturing	17,032,558	5.78%
6	F Group - Manufacture of Liquid Crystal Panel and Components	16,142,435	5.48%
7	G Group - Ship Transportation	14,129,855	4.80%
8	H Group - Rolling and Extruding of Iron and Steel	14,045,469	4.77%
9	I Group - Real Estate Development Activities	13,162,180	4.47%
10	J Group - Real Estate Development Activities	12,698,488	4.31%

Note 1: Ranking of the top ten enterprise groups other than government and government enterprise is based on their total outstanding loan amount. Outstanding loan that belongs to an enterprise group, should be categorized and listed in one lump sum, and disclosed by "code" with "industry type" (for example, company (or group) A - Liquid Crystal Panel and Components Manufacturing). If it is an enterprise group, industry type of maximum exposure of the enterprise group would be disclosed. Industry type should be filled in accordance with "Standard Industrial Classification System" of Directorate-General of Budget, Accounting and Statistics, Executive Yuan.

Note 2: Definition of enterprise group is based on Article 6 of Supplementary Provisions to Taiwan Stock Exchange Corporation Rules for Review of Securities Listings.

Note 3: Total outstanding loan amount is the sum of balances of all types of loans (including import negotiation, export negotiation, bills discounted, overdraft, short-term loan, short-term secured loan, margin loans receivable, medium-term unsecured loan, medium-term secured loan, long-term unsecured loan, long-term secured loan and overdue loan), bills purchased, without recourse factoring, acceptance receivable and guarantees.

(4) Liquidity risk

A. Definition and sources of liquidity risk

The Bank and subsidiaries define liquidity risk as the risk of financial loss to the Bank and subsidiaries arising from default by any companies of financial instruments on the payment obligations. For example, the companies are default on payment obligations, such as withdrawals paid to depositors and loans repayment. Or, the company is unable to obtain funds within a certain period at reasonable cost in response to increased demand for assets.

B. Procedures for liquidity risk management and measurement of liquidity risk

The Bank and subsidiaries are mainly engaged in financial services. Therefore, the management for capital liquidity is highly focused by the Bank and subsidiaries. The objectives for liquidity risk management are (a) to meet the liquidity index regulation (b) to maintain reasonable liquidity based on business development plans, to ensure capability of daily payment obligations and to meet business growth requirements with adequate highly-liquid assets and capability of raising funds from others in case of emergency.

The financial department of the Bank and subsidiaries is responsible for daily capital liquidity management. According to the limits authorized by the Board of (Managing) Directors, the Bank and subsidiaries monitor the indexes of liquidity risk, execute capital procurement trading and report the conditions of capital liquidity to the management. The management department reports the liquidity risk control to the Fund Management Committee, Risk Management Committee and the Board of (Managing) Directors regularly, and performs regular liquidity stress-testing to ensure sufficient capital to meet the funding requirements for increase in assets and payment obligations.

The Bank and subsidiaries daily perform intensive control over sources and the period gaps of fund and liquidity risk management. Future cash flows are estimated based on the financial liability contracts due date and expected cash collection date of financial assets. The Bank and subsidiaries also consider the extent of practical utilization of capital in contingent liabilities such as use of loan limits, guarantees and commitments.

Assets used to pay obligations and loan commitments include cash and cash equivalents, due from the Central Bank and call loans to banks, financial assets at fair value through profit or loss, securities purchased under resell agreements, bond investment, receivables, discounts and loans, financial assets at fair value through other comprehensive income, financial assets at amortized cost, and other financial assets held in response to unexpected cash outflows.

The liquidity management policies of the Bank and subsidiaries include:

(A) Maintain the ability to perform all payment obligations immediately.

(B) Maintain solid assets/liabilities structure to ensure medium and long-term liquidity safety.

(C) Diversify fund sources and absorb stable core deposits to avoid depending on certain large-sum deposits.

(D) Avoid risk of unexpected loss which will increase capital cost and capital procurement pressure.

(E) Conduct due date management to ensure that cash inflow is greater than cash outflow in short term.

(F) Keep liquidity ratio required by supervisory authorities.

(G) Own assets of high-quality, and high-liquidity.

(H) Be aware of the liquidity, safety and diversity of financial instruments.

(I) The Bank and subsidiaries have capital emergency plans, which are reviewed regularly.

(J) The overseas branches of the Bank and subsidiaries must obey the regulations of R.O.C. and the local supervisory authorities. Otherwise, they will be penalized for violation of these regulations.

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C. Maturity date analysis for non-derivatives

The table below lists analysis for cash inflow and outflow of the non-derivatives held by the Bank and subsidiaries for liquidity risk management based on the remaining period at the financial reporting date to the contractual maturity date.

The Bank and subsidiaries' analysis for capital maturity gaps

Unit：In NT Thousand Dollars

	December 31, 2021						
	1-30 days	31-90 days	91-180 days	181 days-1 year	1 year-5 years	Over 5 years	Total
Primary funds inflow upon maturity							
Cash and cash equivalents	$ 98,486,778	$ 31,038,790	$ 3,904,294	$ 433,631	$ -	$ -	$ 133,863,493
Due from the Central Bank and call loans to banks	384,799,704	52,243,971	4,617,522	2,196,956	-	-	443,858,153
Financial assets at fair value through profit or loss	15,591,429	873,937	1,632,190	3,540,206	24,859,150	7,818,434	54,315,346
Financial assets at fair value through other comprehensive income	33,934,613	12,068,961	18,122,550	39,257,162	236,196,970	88,417,587	427,997,843
Investment in debt instruments at amortised cost	302,048,349	120,925,737	52,515,666	75,817,768	89,599,427	3,575,445	644,482,392
Securities purchased under resell agreements	949,396	-	-	-	-	-	949,396
Receivables	50,532,409	12,797,680	4,931,678	6,939,836	31,285	666	75,233,554
Discounts and loans	108,636,730	172,910,899	278,562,461	219,212,676	777,103,005	623,588,566	2,180,014,337
Other financial assets	245,076	173	173	605	-	10,838	256,865
Total	995,224,484	402,860,148	364,286,534	347,398,840	1,127,789,837	723,411,536	3,960,971,379
Primary funds outflow upon maturity							
Deposits from the Central Bank and banks	306,269,519	12,326,471	4,225,338	6,965,760	39,282,177	835,791	369,905,056
Due to the Central Bank and banks	46,894,376	-	-	-	-	-	46,894,376
Financial liabilities at fair value through profit or loss	15,973,324	-	-	-	-	-	15,973,324
Securities sold under repurchase agreements	590,739	431,884	30,486	-	15,831,073	-	16,884,182
Payables	49,204,592	3,660,188	1,866,246	4,512,857	907	5,679,282	64,924,072
Deposits and remittances	563,807,322	502,421,001	255,625,669	490,965,892	1,147,557,009	23,895,434	2,984,272,327
Bank notes payable	-	6,000	-	-	1,006,000	-	1,012,000
Other financial liabilities	4,767,655	951,677	43,420	14,351	565,119	-	6,342,222
Lease liabilities	47,989	78,106	123,367	229,604	858,381	575,866	1,913,313
Others	260,950	521,900	521,900	1,826,648	-	-	3,131,398
Total	987,816,466	520,397,227	262,436,426	504,515,112	1,205,100,666	30,986,373	3,511,252,270
Gap	$ 7,408,018	($ 117,537,079)	$ 101,850,108	($ 157,116,272)	($ 77,310,829)	$ 692,425,163	$ 449,719,109

Unit：In US Thousand Dollars

	December 31, 2021						
	1-30 days	31-90 days	91-180 days	181 days-1 year	1 year-5 years	Over 5 years	Total
Primary funds inflow upon maturity							
Cash and cash equivalents	$ 3,562,295	$ 1,122,682	$ 141,219	$ 15,685	$ -	$ -	$ 4,841,881
Due from the Central Bank and call loans to banks	13,918,317	1,889,680	167,017	79,464	-	-	16,054,478
Financial assets at fair value through profit or loss	563,947	31,610	59,037	128,050	899,163	282,795	1,964,602
Financial assets at fair value through other comprehensive income	1,227,425	436,538	655,498	1,419,943	8,543,313	3,198,090	15,480,807
Investment in debt instruments at amortised cost	10,925,176	4,373,919	1,899,507	2,742,351	3,240,837	129,325	23,311,115
Securities purchased under resell agreements	34,340	-	-	-	-	-	34,340
Receivables	1,827,772	462,896	178,380	251,016	1,131	24	2,721,219
Discounts and loans	3,929,422	6,254,237	10,075,685	7,928,986	28,108,041	22,555,379	78,851,750
Other financial assets	8,864	6	6	22	-	392	9,290
Total	35,997,558	14,571,568	13,176,349	12,565,517	40,792,485	26,166,005	143,269,482
Primary funds outflow upon maturity							
Deposits from the Central Bank and banks	11,077,857	445,852	152,832	251,954	1,420,848	30,231	13,379,574
Due to the Central Bank and banks	1,696,183	-	-	-	-	-	1,696,183
Financial liabilities at fair value through profit or loss	577,760	-	-	-	-	-	577,760
Securities sold under repurchase agreements	21,367	15,621	1,103	-	572,615	-	610,706
Payables	1,779,744	132,390	67,503	163,231	33	205,421	2,348,322
Deposits and remittances	20,393,074	18,172,713	9,246,055	17,758,379	41,507,469	864,305	107,941,995
Bank notes payable	-	217	-	-	36,387	-	36,604
Other financial liabilities	172,448	34,422	1,570	519	20,441	-	229,400
Lease liabilities	1,736	2,825	4,462	8,305	31,048	20,829	69,205
Others	9,439	18,877	18,877	66,070	-	-	113,263
Total	35,729,608	18,822,917	9,492,402	18,248,458	43,588,841	1,120,786	127,003,012
Gap	$ 267,950	($ 4,251,349)	$ 3,683,947	($ 5,682,941)	($ 2,796,356)	$ 25,045,219	$ 16,266,470

Unit：In NT Thousand Dollars

	December 31, 2020						
	1-30 days	31-90 days	91-180 days	181 days-1 year	1 year-5 years	Over 5 years	Total
Primary funds inflow upon maturity							
Cash and cash equivalents	$ 86,081,347	$ 11,313,622	$ 8,328,135	$ 9,748,691	$ -	$ -	$ 115,471,795
Due from the Central Bank and call loans to banks	320,242,968	50,124,518	6,500,921	702,375	-	-	377,570,782
Financial assets at fair value through profit or loss	19,322,188	944,081	882,486	3,638,770	22,189,677	5,278,778	52,255,980
Financial assets at fair value through other comprehensive income	21,813,091	13,442,440	15,334,890	28,934,918	171,189,711	162,624,807	413,339,857
Investment in debt instruments at amortised cost	283,694,037	68,212,776	52,143,221	90,700,495	31,084,868	4,750,536	530,585,933
Securities purchased under resell agreements	9,259,894	1,099,796	-	-	-	-	10,359,690
Receivables	145,979,535	13,414,749	4,754,580	7,139,780	27,193	579	171,316,416
Discounts and loans	91,546,523	169,625,294	248,794,088	233,206,139	739,209,458	535,161,003	2,017,542,505
Other financial assets	78,790	129	129	451	-	61,324	140,823
Total	978,018,373	328,177,405	336,738,450	374,071,619	963,700,907	707,877,027	3,688,583,781
Primary funds outflow upon maturity							
Deposits from the Central Bank and banks	315,366,316	19,179,815	3,599,273	7,319,784	43,919,996	908,800	390,293,984
Due to the Central Bank and banks	13,341,996	7,024,184	-	-	-	-	20,366,180
Financial liabilities at fair value through profit or loss	15,570,980	-	-	-	-	-	15,570,980
Securities sold under repurchase agreements	3,867,767	5,114,264	433,214	-	2,866,545	-	12,281,790
Payables	147,420,594	4,098,679	1,586,201	3,848,112	362	5,679,271	162,633,219
Deposits and remittances	498,333,954	434,748,656	249,743,349	423,518,914	1,003,230,568	20,804,618	2,630,380,059
Bank notes payable	-	4,989,300	7,217,150	-	1,012,000	-	13,218,450
Other financial liabilities	6,858,184	955,298	104,544	95,428	123,404	-	8,136,858
Lease liabilities	55,405	91,327	143,080	272,590	860,742	563,073	1,986,217
Others	367,412	734,823	734,823	2,571,880	-	-	4,408,938
Total	1,001,182,608	476,936,346	263,561,634	437,626,708	1,052,013,617	27,955,762	3,259,276,675
Gap	($ 23,164,235)	($ 148,758,941)	$ 73,176,816	($ 63,555,089)	($ 88,312,710)	$ 679,921,265	$ 429,307,106

D. <u>Structure analysis for maturity of derivatives</u>

(A) Derivatives settled on a net basis

Derivatives of the Bank and subsidiaries settled on a net basis include:

a. Foreign exchange derivatives: currency option, non-delivery forward

b. Interest derivatives: forward rate agreement, interest rate swap, assets swap, interest rate option, bond option, interest rate futures

c. Credit derivatives: credit default swaps (CDS)

d. Equity derivatives: stock option

e. Others: combined commodity

Unit：In NT Thousand Dollars

	December 31, 2021						
	1-30 days	31-90 days	91-180 days	181 days-1 year	1 year-5 years	Over 5 years	Total
Foreign exchange derivatives							
Inflow	$ 152,814	$ 11,202	$ 18,754	$ 7,295	$ -	$ -	$ 190,065
Outflow	117,996	16,944	26,917	30,047	-	-	191,904
Interest rate derivatives							
Inflow	33,510	490,514	304,026	323,547	3,228,247	25,443,677	29,823,521
Outflow	22,368	84,727	107,061	259,951	1,064,653	9,265,043	10,803,803
Credit derivatives							
Inflow	-	20,267	21,777	41,701	314,986	-	398,731
Outflow	-	-	-	-	-	-	-
Total inflows	$ 186,324	$ 521,983	$ 344,557	$ 372,543	$ 3,543,233	$ 25,443,677	$ 30,412,317
Total outflows	$ 140,364	$ 101,671	$ 133,978	$ 289,998	$ 1,064,653	$ 9,265,043	$ 10,995,707

Unit：In US Thousand Dollars

	December 31, 2021						
	1-30 days	31-90 days	91-180 days	181 days-1 year	1 year-5 years	Over 5 years	Total
Foreign exchange derivatives							
Inflow	$ 5,527	$ 405	$ 678	$ 264	$ -	$ -	$ 6,874
Outflow	4,268	613	974	1,086	-	-	6,941
Interest rate derivatives							
Inflow	1,212	17,742	10,997	11,703	116,767	920,305	1,078,726
Outflow	809	3,065	3,872	9,403	38,509	335,119	390,777
Credit derivatives							
Inflow	-	733	788	1,508	11,393	-	14,422
Outflow	-	-	-	-	-	-	-
Total inflows	$ 6,739	$ 18,880	$ 12,463	$ 13,475	$ 128,160	$ 920,305	$ 1,100,022
Total outflows	$ 5,077	$ 3,678	$ 4,846	$ 10,489	$ 38,509	$ 335,119	$ 397,718

Unit：In NT Thousand Dollars

	December 31, 2020						
	1-30 days	31-90 days	91-180 days	181 days-1 year	1 year-5 years	Over 5 years	Total
Foreign exchange derivatives							
Inflow	$ 89,056	$ 20,178	$ 20,646	$ 22,354	$ 25	$ -	$ 152,259
Outflow	98,348	16,454	19,072	18,649	-	-	152,523
Interest rate derivatives							
Inflow	9,531	468,607	282,404	131,833	3,168,505	14,536,424	18,597,304
Outflow	116,324	111,231	99,905	304,749	976,389	4,995,413	6,604,011
Credit derivatives							
Inflow	-	18,110	25,459	28,407	265,335	-	337,311
Outflow	-	-	-	-	-	-	-
Total inflows	$ 98,587	$ 506,895	$ 328,509	$ 182,594	$ 3,433,865	$ 14,536,424	$ 19,086,874
Total outflows	$ 214,672	$ 127,685	$ 118,977	$ 323,398	$ 976,389	$ 4,995,413	$ 6,756,534

(B) Derivatives settled on a gross basis

Derivatives of the Bank and subsidiaries settled on a gross basis include:

a. Foreign exchange derivatives: forward exchange

b. Interest derivatives: cross currency swaps and currency swaps

Unit：In NT Thousand Dollars

	December 31, 2021						
	1-30 days	31-90 days	91-180 days	181 days-1 year	1 year-5 years	Over 5 years	Total
Foreign exchange derivatives							
Inflow	$ 6,118,898	$ 9,524,087	$ 6,728,049	$ 2,026,094	$ -	$ -	$ 24,397,128
Outflow	6,086,430	9,481,729	6,694,797	2,019,969	-	-	24,282,925
Interest rate derivatives							
Inflow	354,843,021	142,180,835	138,620,791	255,140,605	1,700,181	-	892,485,433
Outflow	355,392,359	142,611,018	138,730,894	255,330,102	1,694,431	-	893,758,804
Total inflows	$ 360,961,919	$ 151,704,922	$ 145,348,840	$ 257,166,699	$ 1,700,181	$ -	$ 916,882,561
Total outflows	$ 361,478,789	$ 152,092,747	$ 145,425,691	$ 257,350,071	$ 1,694,431	$ -	$ 918,041,729

Unit：In US Thousand Dollars

	December 31, 2021						
	1-30 days	31-90 days	91-180 days	181 days-1 year	1 year-5 years	Over 5 years	Total
Foreign exchange derivatives							
Inflow	$ 221,322	$ 344,489	$ 243,356	$ 73,284	$ -	$ -	$ 882,451
Outflow	220,148	342,957	242,153	73,063	-	-	878,321
Interest rate derivatives							
Inflow	12,834,775	5,142,722	5,013,954	9,228,510	61,496	-	32,281,457
Outflow	12,854,644	5,158,282	5,017,936	9,235,364	61,288	-	32,327,514
Total inflows	$ 13,056,097	$ 5,487,211	$ 5,257,310	$ 9,301,794	$ 61,496	$ -	$ 33,163,908
Total outflows	$ 13,074,792	$ 5,501,239	$ 5,260,089	$ 9,308,427	$ 61,288	$ -	$ 33,205,835

Unit：In NT Thousand Dollars

	December 31, 2020						
	1-30 days	31-90 days	91-180 days	181 days-1 year	1 year-5 years	Over 5 years	Total
Foreign exchange derivatives							
Inflow	$ 4,433,835	$ 8,508,368	$ 5,637,054	$ 1,804,144	$ -	$ -	$ 20,383,401
Outflow	4,382,351	8,423,913	5,675,465	1,802,305	-	-	20,284,034
Interest rate derivatives							
Inflow	487,558,404	163,920,240	120,661,921	114,396,829	38,138	-	886,575,532
Outflow	489,384,788	166,804,994	122,086,273	115,992,664	37,928	-	894,306,647
Total inflows	$ 491,992,239	$ 172,428,608	$ 126,298,975	$ 116,200,973	$ 38,138	$ -	$ 906,958,933
Total outflows	$ 493,767,139	$ 175,228,907	$ 127,761,738	$ 117,794,969	$ 37,928	$ -	$ 914,590,681

E. Analysis for off-balance sheet contractual commitments

Unit：In NT Thousand Dollars

	December 31, 2021						
	1-30 days	31-90 days	91-180 days	181 days-1 year	1 year-5 years	Over 5 years	Total
Irrevocable commitments	$ 5,372,427	$ 1,938,739	$ 103,364,096	$ 15,116,373	$ 99,355,909	$ 8,239,566	$ 233,387,110
Financial guarantee contracts	55,060,405	60,712,195	17,886,264	32,493,231	22,272,629	409,646	188,834,370
Total	$ 60,432,832	$ 62,650,934	$ 121,250,360	$ 47,609,604	$ 121,628,538	$ 8,649,212	$ 422,221,480

Unit：In US Thousand Dollars

	December 31, 2021						
	1-30 days	31-90 days	91-180 days	181 days-1 year	1 year-5 years	Over 5 years	Total
Irrevocable commitments	$ 194,322	$ 70,125	$ 3,738,709	$ 546,764	$ 3,593,732	$ 298,027	$ 8,441,679
Financial guarantee contracts	1,991,551	2,195,978	646,951	1,175,290	805,607	14,817	6,830,194
Total	$ 2,185,873	$ 2,266,103	$ 4,385,660	$ 1,722,054	$ 4,399,339	$ 312,844	$ 15,271,873

Unit：In NT Thousand Dollars

	December 31, 2020						
	1-30 days	31-90 days	91-180 days	181 days-1 year	1 year-5 years	Over 5 years	Total
Irrevocable commitments	$ 7,735,432	$ 1,803,458	$ 101,531,410	$ 26,483,638	$ 73,812,411	$ 13,164,114	$ 224,530,463
Financial guarantee contracts	38,470,602	59,970,706	27,593,885	43,809,804	17,605,880	402,617	187,853,494
Total	$ 46,206,034	$ 61,774,164	$ 129,125,295	$ 70,293,442	$ 91,418,291	$ 13,566,731	$ 412,383,957

a. Off-balance sheet items include irrevocable commitments and financial guarantee contracts.

b. Irrevocable commitments include irrevocable arranged financing limit and credit card line commitments.

c. Financial guarantee contracts refer to guarantees and letters of credit issued.

(Blank below)

F. Disclosure requirements in the "Regulations Governing the Preparation of Financial Reports by Public Banks"

(A) NTD maturity analysis of the Bank

Unit: In NT Thousand Dollars

	December 31, 2021						
	Total	0-10 days	11-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year
Primary funds inflow upon maturity	$ 2,608,442,833	$ 295,911,282	$ 301,670,734	$ 259,224,343	$ 273,389,872	$ 252,660,491	$ 1,225,586,111
Primary funds outflow upon maturity	$ 3,302,335,570	128,910,679	256,766,139	482,254,510	373,925,411	759,645,310	1,300,833,521
Gap	($ 693,892,737)	$ 167,000,603	$ 44,904,595	($ 223,030,167)	($ 100,535,539)	($ 506,984,819)	($ 75,247,410)

Unit: In US Thousand Dollars

	December 31, 2021						
	Total	0-10 days	11-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year
Primary funds inflow upon maturity	$ 94,348,133	$ 10,703,197	$ 10,911,518	$ 9,376,219	$ 9,888,591	$ 9,138,803	$ 44,329,805
Primary funds outflow upon maturity	$ 119,446,434	4,662,737	9,287,306	17,443,285	13,524,990	27,476,591	47,051,525
Gap	($ 25,098,301)	$ 6,040,460	$ 1,624,212	($ 8,067,066)	($ 3,636,399)	($ 18,337,788)	($ 2,721,720)

Unit: In NT Thousand Dollars

	December 31, 2020						
	Total	0-10 days	11-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year
Primary funds inflow upon maturity	$ 2,308,429,403	$ 294,658,563	$ 281,497,169	$ 232,299,595	$ 242,988,126	$ 256,322,086	$ 1,000,663,864
Primary funds outflow upon maturity	$ 2,957,087,728	134,211,344	263,033,791	414,495,988	328,055,568	520,191,450	1,297,099,587
Gap	($ 648,658,325)	$ 160,447,219	$ 18,463,378	($ 182,196,393)	($ 85,067,442)	($ 263,869,364)	($ 296,435,723)

(B) USD maturity analysis of the Bank

Unit: In US Thousand Dollars

	December 31, 2021					
	Total	0-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year
Primary funds inflow upon maturity	$ 62,102,993	$ 22,727,143	$ 8,522,989	$ 6,316,107	$ 9,138,768	$ 15,397,986
Primary funds outflow upon maturity	$ 70,999,550	27,903,024	7,993,207	6,939,535	9,204,965	18,958,819
Gap	($ 8,896,557)	($ 5,175,881)	$ 529,782	($ 623,428)	($ 66,197)	($ 3,560,833)

Unit: In US Thousand Dollars

	December 31, 2020					
	Total	0-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year
Primary funds inflow upon maturity	$ 58,740,880	$ 25,993,208	$ 7,329,903	$ 5,747,349	$ 5,573,377	$ 14,097,043
Primary funds outflow upon maturity	$ 67,082,625	27,759,140	9,476,152	6,449,578	7,695,810	15,701,945
Gap	($ 8,341,745)	($ 1,765,932)	($ 2,146,249)	($ 702,229)	($ 2,122,433)	($ 1,604,902)

Note 1: The funds denominated in US dollars means the amount of all US dollars of the Bank.

Note 2: If overseas assets exceed 10% of total assets of the Bank, supplementary information shall be disclosed.

(C) USD maturity analysis of foreign branches

Unit: In US Thousand Dollars

	December 31, 2021					
	Total	0-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year
Primary funds inflow upon maturity	$ 19,015,582	$ 8,902,041	$ 2,272,457	$ 755,368	$ 1,007,486	$ 6,078,230
Primary funds outflow upon maturity	$ 20,424,670	10,809,314	1,307,396	990,236	1,108,520	6,209,204
Gap	($ 1,409,088)	($ 1,907,273)	$ 965,061	($ 234,868)	($ 101,034)	($ 130,974)

Unit: In US Thousand Dollars

	December 31, 2020					
	Total	0-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year
Primary funds inflow upon maturity	$ 18,272,277	$ 8,437,601	$ 1,886,839	$ 691,696	$ 1,203,907	$ 6,052,234
Primary funds outflow upon maturity	$ 19,850,415	11,485,495	1,724,870	1,180,507	1,089,376	4,370,167
Gap	($ 1,578,138)	($ 3,047,894)	$ 161,969	($ 488,811)	$ 114,531	$ 1,682,067

(5) Market risk

A. Definition of market risk

Market risk refers to the potential loss of the Bank and subsidiaries' on-balance-sheet and off-balance-sheet positions due to the Bank and subsidiaries enduring fluctuations of market prices (for example: fluctuations of market interest, exchange rates, stock prices and price of products).

B. Objective of market risk management

The objective of the Bank and subsidiaries' market risk management is to confine risks within a tolerable scope to avoid the fluctuations of financial product prices impacting future returns and the value of assets and liabilities.

C. Market risk management policies and procedures

The Board of (Managing) Directors decided the degree of risk tolerance, position limits, and loss limits. Market risk management comprises trading book control and banking book control. Trading book operation is mainly for trading purposes and hedges against trading book position Policies for financial instrument trading of bank are based on back-to-back operation principle. Banking book is based on held-to-maturity principle and adopts hedging measures.

D. Procedures for market risk management

(A) The Bank and subsidiaries' objectives of market risk management are respectively proposed by Treasury Department and Risk Management Department, and then Risk Management Department summarizes and reports these objectives to Risk Management Committee of Mega Financial Holdings and the Bank's Board of Directors for approval.

(B) Risk Management Department not only daily prepares statement of market risk position and profit and loss of various financial instruments but regularly compiles securities investment performance evaluation and reports to the Board of (Managing) Directors for the Board's to grasp the Bank and subsidiaries' risk control over securities investment and derivatives. Risk Management Department summarizes and analyzes various financial instrument position, profit and risk-sensitive factors. Also, it conducts stress testing and examines stress testing limits for senior management to grasp the Bank's market risk exposure.

E. Market risk measurement and control principle

(A) The Bank and subsidiaries' market risk report contains interest rate, exchange rate, positions of equity securities, credit default swap (CDS) and profit and loss assessment. Every transaction has limit and stop-loss provisions, which shall be submitted to approval management in accordance with the Bank and subsidiaries' regulations. Stop-loss limit shall be implemented as soon as a transaction reaches the threshold. If no stop-loss limit will be implemented, trading units shall immediately make statement about reasons to not implement stop-loss limit and coping plan, which shall be submitted to senior management for approval and reported to the Board of (Managing) Directors regularly.

(B) Non-hedging trading positions of derivatives are daily assessed based on the market value, whereas hedging trading positions of futures are daily assessed and others are assessed twice a month.

(C) SUMMIT information system and DW information system for market risk provides functions in relation to risk management such as real-time limits, profit and loss assessment, analysis on risk-sensitive factors, stress testing, etc.

F. Policies and procedures of trading-book risk management

The Bank and subsidiaries daily monitor trading-book positions, changes in risk exposures, and various risk limits, including trading rooms, traders and product line risk limits.

If trading-book financial instruments have market price, the valuation of those instruments is conducted at least one time daily using the independent source and available information. If using mathematical model valuation, the assumptions and parameters used in the model are reviewed regularly.

The method of risk measurement is sensitivity analysis.

The Bank conducts stress test on the positions of its interest rate, equity securities, foreign exchange rate products and credit default swap (CDS) on the assumptions of the monthly change in interest rate, securities market index, foreign exchange rate and CDS by +1%, -15%, +3% and +100 basis points, respectively, and periodically reports to the Risk Management Committee.

G. Trading-book interest rate risk management

Trading-book interest rate risk refers to the financial loss of the decline in values of interest rate products held due to unfavorable changes in interest rates, including securities and derivatives with interest.

The Bank and subsidiaries interest rate products are traded mainly for hedging.

The trading group screens the credits and financial positions of issuers and selects investment objectives by judging interest rate trend and a variety of country risks and based on the authorized minimum investment criteria. The Bank and subsidiaries set trading-book trading limits and stop-loss limits (including trading rooms, traders, trading products, counterparties, and daily and overnight limits) based on business strategies and market conditions, and measure monthly the extent of impact of interest rate risk on investment portfolios using DV01 value.

H. Banking book interest rate risk management

Banking book interest rate risk mainly comes from the unmatched maturity dates of assets and liabilities or price resetting dates, and inconsistent changes in base interest rates for assets and liabilities. The Bank and subsidiaries' interest rate risk mainly comes from the unmatched periods of interest-rate sensitive assets and liabilities of the Bank and subsidiaries.

As the Bank and subsidiaries have interest-rate sensitive gaps, market interest rate fluctuations have good or bad impacts on the Bank and subsidiaries' earnings and economic values.

The Bank and subsidiaries' measure the effect of interest fluctuations on the Bank and subsidiaries' earnings and economic value through on/off balance sheets assets and liabilities of banking book with the support of model parameters. The Bank and subsidiaries document the model building and verification procedure, methodology of change of interest rate, and the assumptions and parameters used in the models, and examine the reasonableness of assumptions and parameters periodically.

The Bank and subsidiaries periodically analyze and monitor interest rate risk management indexes. If the limit is exceeded, the Bank and subsidiaries will adopt responding measures and report the analysis and monitoring results to the Fund Management Committee, the Risk Management Committee and the Board of Directors.

I. Foreign exchange risk management

Foreign exchange risk refers to the losses caused by the exchange of two different currencies at different times. The Bank and subsidiaries' foreign exchange risk mainly comes from its derivatives business such as spot foreign exchange, forward foreign exchange and foreign exchange options. The foreign exchange trading of the Bank and subsidiaries is mainly for offsetting customers' positions on the same day; therefore, foreign exchange risk is relatively low.

To control trading-book foreign exchange risk, the Bank and subsidiaries have set trading limits and stop-loss limits for trading rooms and traders and also set the annual maximum loss limits to control the losses within the tolerable scopes.

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J. The Bank and subsidiaries' foreign exchange risk gaps

Unit: In NT Thousand Dollars

	December 31, 2021				
	USD	AUD	RMB	EUR	JPY
Assets					
Cash and cash equivalents	$ 83,538,383	$ 4,061,443	$ 8,402,010	$ 3,585,669	$ 16,164,880
Due from the Central Bank and call loans to banks	243,104,443	1,418,102	4,633,194	4,541,782	58,487,503
Financial assets at fair value through profit or loss	30,847,917	910,312	274	6,141	515
Financial assets at fair value through other comprehensive income	123,704,476	64,116,876	23,971,136	2,035,552	3,161,612
Investment in debt instruments at amortised cost	37,916,123	503,369	6,002,543	312,872	959,055
Receivables	15,612,470	5,202,800	942,093	438,866	1,644,995
Discounts and loans	412,897,452	64,374,801	22,240,192	26,494,696	28,469,364
Other assets	4,112,894	64,366	154,059	482,801	147,695
Total assets	951,734,158	140,652,069	66,345,501	37,898,379	109,035,619
Liabilities					
Deposits from the Central Bank and banks	$ 303,358,516	$ 3,709,394	$ 5,317,124	$ 734,913	$ 29,751,685
Due to the Central Bank and banks	29,713,626	-	-	-	-
Financial liabilities at fair value through profit or loss	17,793,561	3,475	241	3,733	378
Securities sold under repurchase agreements	-	16,714,953	-	-	-
Payables	10,826,920	578,533	772,431	467,923	1,325,621
Deposits and remittances	974,574,449	31,370,368	95,747,929	36,049,588	33,938,919
Other liabilities	3,700,510	2,120,615	1,931,671	2,010,689	597,881
Total liabilities	1,339,967,582	54,497,338	103,769,396	39,266,846	65,614,484
On-balance sheet foreign exchange gap	($ 388,233,424)	$ 86,154,731	($ 37,423,895)	($ 1,368,467)	$ 43,421,135
Off-balance sheet commitments	$ 85,251,510	$ 1,509,660	$ 11,001,837	$ 12,482,210	$ 3,555,316
NTD exchange rate	27.6470	20.0911	4.3420	31.3683	0.2403

Unit: In NT Thousand Dollars

	December 31, 2020				
	USD	AUD	RMB	EUR	JPY
Assets					
Cash and cash equivalents	$ 61,596,113	$ 1,360,623	$ 18,852,568	$ 1,898,738	$ 17,693,882
Due from the Central Bank and call loans to banks	241,782,705	1,465,549	5,854,730	570,020	22,967,796
Financial assets at fair value through profit or loss	31,882,091	1,565,293	1,191	6,690	1,540
Financial assets at fair value through other comprehensive income	133,515,555	72,258,455	21,232,609	2,034,996	7,216,857
Investment in debt instruments at amortised cost	37,740,129	544,070	4,014,252	345,288	545,355
Receivables	15,100,123	7,658,215	1,175,875	628,382	2,220,524
Discounts and loans	409,115,672	72,859,761	18,011,683	33,493,559	31,355,772
Other assets	5,882,005	77,666	84,461	1,322,016	86,609
Total assets	936,614,393	157,789,632	69,227,369	40,299,689	82,088,335
Liabilities					
Deposits from the Central Bank and banks	$ 326,167,813	$ 4,766,128	$ 5,598,908	$ 2,556,223	$ 34,400,847
Due to the Central Bank and banks	10,609,839	-	-	-	-
Financial liabilities at fair value through profit or loss	18,213,683	3,023	1,197	2,440	1,417
Securities sold under repurchase agreements	-	12,138,684	-	-	-
Payables	14,886,935	223,218	1,069,279	462,395	2,163,864
Deposits and remittances	878,064,833	36,901,607	94,594,146	27,704,130	25,513,443
Other liabilities	8,214,771	2,972,700	1,368,298	729,516	394,725
Total liabilities	1,256,157,874	57,005,360	102,631,828	31,454,704	62,474,296
On-balance sheet foreign exchange gap	($ 319,543,481)	$ 100,784,272	($ 33,404,459)	$ 8,844,985	$ 19,614,039
Off-balance sheet commitments	$ 78,197,927	$ 1,083,087	$ 5,374,052	$ 12,654,674	$ 4,922,544
NTD exchange rate	28.0950	21.6472	4.3190	34.5709	0.2724

K. Risk management for equity securities

Due to the needs of proprietary, make market and tactic, etc., the Bank and subsidiaries held equity securities within the regulations of the law. The market risk comprises the risk of individual equity security arising from the security's market price changes and the general market risk arising from overall equity securities market price changes.

The investment operating group mainly selects blue chip stocks which have high liquidity and sets the investment price according to fundamentals and market transactions. After the investment has been approved by the Investment Deliberation Committee, the operational personnel purchase the stock within the maximum percentage of the approved price, as the case may be.

Daily trading records, details of investment portfolios and overview of profit or loss shall be reported to the management and measurement of the extent of the impact of systematic risk on investment portfolios using β value monthly. The Bank and subsidiaries generally set a stop loss, stop interest, pre-warning and exception handling requirements, and limit control to held individual stock and industry concentration.

L. Sensitivity analysis

Sensitivity analysis of the Bank and subsidiaries' financial instruments (including trading book and non-trading book):

December 31, 2021 Unit：In NT Thousand Dollars

Risks	Extent of Variation	Effect on Profit or Loss	Effect on Equity
Foreign exchange risk	Exchange rate of NTD to USD, to JPY, to EUR and to each of other currencies appreciated by 1%	($ 42,864)	$ -
Foreign exchange risk	Exchange rate of NTD to USD, to JPY, to EUR and to each of other currencies depreciated by 1%	42,864	-
Interest rate risk	Increases in major interest rates by 1BPS	34,923	(80,400)
Interest rate risk	Declines in major interest rates by 1BPS	(34,923)	80,400
Equity securities risk	TAIEX declined by 1%	(56,629)	(157,202)
Equity securities risk	TAIEX increased by 1%	56,629	157,202

December 31, 2021

Unit：In US Thousand Dollars

Risks	Extent of Variation	Effect on Profit or Loss	Effect on Equity
Foreign exchange risk	Exchange rate of NTD to USD, to JPY, to EUR and to each of other currencies appreciated by 1%	($ 1,550)	$ -
Foreign exchange risk	Exchange rate of NTD to USD, to JPY, to EUR and to each of other currencies depreciated by 1%	1,550	-
Interest rate risk	Increases in major interest rates by 1BPS	1,263	(2,908)
Interest rate risk	Declines in major interest rates by 1BPS	(1,263)	2,908
Equity securities risk	TAIEX declined by 1%	(2,048)	(5,686)
Equity securities risk	TAIEX increased by 1%	2,048	5,686

December 31, 2020

Unit：In NT Thousand Dollars

Risks	Extent of Variation	Effect on Profit or Loss	Effect on Equity
Foreign exchange risk	Exchange rate of NTD to USD, to JPY, to EUR and to each of other currencies appreciated by 1.32%	($ 84,477)	$ -
Foreign exchange risk	Exchange rate of NTD to USD, to JPY, to EUR and to each of other currencies depreciated by 1.32%	84,477	-
Interest rate risk	Increases in major interest rates by 1BPS	8,218	(86,185)
Interest rate risk	Declines in major interest rates by 1BPS	(8,218)	86,185
Equity securities risk	TAIEX declined by 1%	(36,790)	(65,541)
Equity securities risk	TAIEX increased by 1%	36,790	65,541

M. Disclosure requirements in the "Regulations Governing the Preparation of Financial Reports by Public Banks"

Interest rate sensitivity analysis on assets and liabilities (NT Dollars)

December 31, 2021

Unit: In NT Thousand Dollars, %

Item	1-90 days	91-180 days	181 days to 1 year	Over 1 year	Total
Interest rate sensitive assets	$ 956,495,866	$ 1,020,603,440	$ 77,911,357	$ 215,872,927	$ 2,270,883,590
Interest rate sensitive liabilities	500,647,591	995,559,484	238,135,421	22,652,797	1,756,995,293
Interest rate sensitive gap	$ 455,848,275	$ 25,043,956	($ 160,224,064)	$ 193,220,130	$ 513,888,297
Net worth					$ 290,985,826
Ratio of interest rate sensitive assets to interest rate sensitive liabilities					129.25%
Ratio of interest rate sensitivity gap to net worth					176.60%

Interest rate sensitivity analysis on assets and liabilities (US Dollars)

December 31, 2021

Unit: In US Thousand Dollars, %

Item	1-90 days	91-180 days	181 days to 1 year	Over 1 year	Total
Interest rate sensitive assets	$ 34,596,733	$ 36,915,522	$ 2,818,076	$ 7,808,186	$ 82,138,517
Interest rate sensitive liabilities	18,108,568	36,009,675	8,613,427	819,358	63,551,028
Interest rate sensitive gap	$ 16,488,165	$ 905,847	($ 5,795,351)	$ 6,988,828	$ 18,587,489
Net worth					$ 10,525,042
Ratio of interest rate sensitive assets to interest rate sensitive liabilities					129.25%
Ratio of interest rate sensitivity gap to net worth					176.60%

Interest rate sensitivity analysis on assets and liabilities (NT Dollars)

December 31, 2020

Unit: In NT Thousand Dollars, %

Item	1-90 days	91-180 days	181 days to 1 year	Over 1 year	Total
Interest rate sensitive assets	$ 796,396,316	$ 942,391,694	$ 92,156,355	$ 137,990,275	$ 1,968,934,640
Interest rate sensitive liabilities	610,349,253	844,287,606	55,429,074	9,522,032	1,519,587,965
Interest rate sensitive gap	$ 186,047,063	$ 98,104,088	$ 36,727,281	$ 128,468,243	$ 449,346,675
Net worth					$ 282,209,651
Ratio of interest rate sensitive assets to interest rate sensitive liabilities					129.57%
Ratio of interest rate sensitivity gap to net worth					159.22%

Notes:

1. The above amounts included only New Taiwan dollar amounts by the Bank and its domestic and foreign branches (i.e. excluding foreign currency).
2. Interest rate sensitive assets and liabilities refer to the interest-earning assets and interest-bearing liabilities of which the income or costs are affected by the fluctuations in interest rates.
3. Interest rate sensitivity gap = Interest rate sensitive assets - Interest rate sensitive liabilities

4. Ratio of interest rate sensitive assets to interest rate sensitive liabilities = Interest rate sensitive assets ÷ Interest rate sensitive liabilities

Interest rate sensitivity analysis on assets and liabilities (US Dollars)

December 31, 2021

Unit: In US Thousand Dollars, %

	1-90 days	91-180 days	181 days to 1 year	Over 1 year	Total
Interest rate sensitive assets	$ 31,315,186	$ 744,486	$ 450,284	$ 812,877	$ 33,322,833
Interest rate sensitive liabilities	23,239,712	21,634,945	2,089,192	126	46,963,975
Interest rate sensitive gap	$ 8,075,474	($ 20,890,459)	($ 1,638,908)	$ 812,751	($ 13,641,142)
Net worth					$ 557,193
Ratio of interest rate sensitive assets to interest rate sensitive liabilities					70.95%
Ratio of interest rate sensitivity gap to net worth					(2,448.19%)

Interest rate sensitivity analysis on assets and liabilities (US Dollars)

December 31, 2020

Unit: In US Thousand Dollars, %

	1-90 days	91-180 days	181 days to 1 year	Over 1 year	Total
Interest rate sensitive assets	$ 30,413,504	$ 783,232	$ 398,409	$ 671,968	$ 32,267,113
Interest rate sensitive liabilities	37,787,700	3,079,796	2,078,458	-	42,945,954
Interest rate sensitive gap	($ 7,374,196)	($ 2,296,564)	($ 1,680,049)	$ 671,968	($ 10,678,841)
Net worth					$ 537,724
Ratio of interest rate sensitive assets to interest rate sensitive liabilities					75.13%
Ratio of interest rate sensitivity gap to net worth					(1,985.93%)

Note:

1. The above amounts included only US dollars denominated assets and liabilities of head office, domestic and foreign branches, and the OBU branch. Contingent assets and liabilities are excluded.
2. Interest rate sensitivity gap = Interest rate sensitive assets - Interest rate sensitive liabilities.
3. Ratio of interest rate sensitive assets to interest rate sensitive liabilities = Interest rate sensitive assets ÷ Interest rate sensitive liabilities

(6) Transfer of financial assets

Transferred financial assets that are not derecognised in their entirety

The Bank and subsidiaries’ transferred financial assets that do not meet derecognition conditions are mainly debt instruments that are used as collaterals by counterparties repurchase agreements These transactions are fundamentally pledged loans, and reflects the fact that related liabilities of transferred financial assets that will be repurchased at a fixed price in the future. The Bank and subsidiaries may not use, sell or pledge the transferred financial assets during the valid period of the transaction, but the Bank and subsidiaries are still exposed to interest rate risk and credit risk. Financial assets that do not meet the derecognition conditions and related financial liabilities are analyzed as follows:

Unit: In NT Thousand Dollars		
December 31, 2021		
Financial assets category	Carrying amount of financial assets transferred	Carrying amount of associated financial liabilities
Financial assets at fair value through other comprehensive income Repurchase agreement	$ 18,809,824	$ 16,714,953

Unit: In US Thousand Dollars		
December 31, 2021		
Financial assets category	Carrying amount of financial assets transferred	Carrying amount of associated financial liabilities
Financial assets at fair value through other comprehensive income Repurchase agreement	$ 680,357	$ 604,585

Unit: In NT Thousand Dollars		
December 31, 2020		
Financial assets category	Carrying amount of financial assets transferred	Carrying amount of associated financial liabilities
Financial assets at fair value through other comprehensive income Repurchase agreement	$ 13,622,680	$ 12,138,684

(7) Offsetting financial assets and financial liabilities

The Bank and subsidiaries have engaged in financial instrument transactions that apply the offsetting requirements in Paragraph 42 of IAS 32 as endorsed by the FSC. Financial assets and financial liabilities related to these transactions are reported at net amount on the balance sheet.

The Bank and subsidiaries have also engaged in offsetting terms that do not conform to the IFRSs. However, they have entered into enforceable master netting arrangements or similar agreements with counterparties. For example: global master repurchase agreements or similar repurchase or reverse repurchase agreements. When the above-mentioned enforceable master netting arrangements or similar agreements are elected by both parties to be settled by net amount, settlements may be made by using the net amount after the offsetting of financial assets and financial liabilities. Conversely if no such arrangements are made, settlements are made using the gross amount. However, upon the event of a default of a party, the counterparty may choose settle by net amount.

The following table lists information related to the above-mentioned offsetting of financial assets and financial liabilities:

December 31, 2021

Financial assets that are offset, or can be settled under agreements of master netting arrangements or similar arrangements

Unit: In NT Thousand Dollars

Description	Gross amounts of recognized financial assets (a)	Gross amounts of recognized financial liabilities offset in the balance sheet (b)	Net amounts of financial assets presented in the balance sheet (c) = (a) - (b)	Not offset in the balance sheet (d)		Net amount (e) = (c) - (d)
				Financial instruments (Note)	Cash collateral received	
Derivatives	$ 3,504,318	$ -	$ 3,504,318	$ 2,000,921	$ 52,788	$ 1,450,609

Financial liabilities that are offset, or can be settled under agreements of master netting arrangements or similar arrangements

Description	Gross amounts of recognized financial liabilities (a)	Gross amounts of recognized financial assets offset in the balance sheet (b)	Net amounts of financial liabilities presented in the balance sheet (c) = (a) - (b)	Not offset in the balance sheet (d)		Net amount (e) = (c) - (d)
				Financial instruments (Note)	Cash collateral pledged	
Derivatives	$ 2,264,285	$ -	$ 2,264,285	$ 261,087	$ 3,846	$ 1,999,352
Repurchase agreement	16,714,953	-	16,714,953	16,714,953	-	-
Total	$ 18,979,238	$ -	$ 18,979,238	$ 16,976,040	$ 3,846	$ 1,999,352

December 31, 2021

Financial assets that are offset, or can be settled under agreements of master netting arrangements or similar arrangements

Unit: In US Thousand Dollars

Description	Gross amounts of recognized financial assets (a)	Gross amounts of recognized financial liabilities offset in the balance sheet (b)	Net amounts of financial assets presented in the balance sheet (c) = (a) - (b)	Not offset in the balance sheet (d)		Net amount (e) = (c) - (d)
				Financial instruments (Note)	Cash collateral received	
Derivatives	$ 126,752	$ -	$ 126,752	$ 72,374	$ 1,909	$ 52,469

Financial liabilities that are offset, or can be settled under agreements of master netting arrangements or similar arrangements

Description	Gross amounts of recognized financial liabilities (a)	Gross amounts of recognized financial assets offset in the balance sheet (b)	Net amounts of financial liabilities presented in the balance sheet (c) = (a) - (b)	Not offset in the balance sheet (d)		Net amount (e) = (c) - (d)
				Financial instruments (Note)	Cash collateral pledged	
Derivatives	$ 81,900	$ -	$ 81,900	$ 9,444	$ 139	$ 72,317
Repurchase agreement	604,585	-	604,585	604,585	-	-
Total	$ 686,485	$ -	$ 686,485	$ 614,029	$ 139	$ 72,317

December 31, 2020

Financial assets that are offset, or can be settled under agreements of master netting arrangements or similar arrangements

Unit: In NT Thousand Dollars

Description	Gross amounts of recognized financial assets (a)	Gross amounts of recognized financial liabilities offset in the balance sheet (b)	Net amounts of financial assets presented in the balance sheet (c) = (a) - (b)	Not offset in the balance sheet (d)		Net amount (e) = (c) - (d)
				Financial instruments (Note)	Cash collateral received	
Derivatives	$ 4,757,979	$ -	$ 4,757,979	$ 3,282,887	$ 61,549	$ 1,413,543

Financial liabilities that are offset, or can be settled under agreements of master netting arrangements or similar arrangements

Description	Gross amounts of recognized financial liabilities (a)	Gross amounts of recognized financial assets offset in the balance sheet (b)	Net amounts of financial liabilities presented in the balance sheet (c) = (a) - (b)	Not offset in the balance sheet (d)		Net amount (e) = (c) - (d)
				Financial instruments (Note)	Cash collateral pledged	
Derivatives	$ 3,300,350	$ -	$ 3,300,350	$ 365,769	$ 11,693	$ 2,922,888
Repurchase agreement	12,138,684	-	12,138,684	12,093,030	45,654	-
Total	$ 15,439,034	$ -	$ 15,439,034	$ 12,458,799	$ 57,347	$ 2,922,888

(Note) Including master netting arrangements and non-cash collaterals.

(8) Interest rate benchmark reform

In order to respond to the interest rate benchmark reform, the Bank and subsidiaries set up a LIBOR transition working group who would quarterly report the responsive plan and subsequent execution progress of the retirement of LIBOR to the Board of Directors. The Bank and subsidiaries' discounts and loans, debt instrument investments and derivative instruments which are linked with LIBOR are affected by the interest rate benchmark reform. The risk of interest rate benchmark reform arose from the exposure to the uncertainty of interest rate due to the Bank and subsidiaries not being able to negotiate with transaction counterparty to modify the contract before the retirement of LIBOR. In order to effectively control the risk from the interest rate benchmark reform, the Bank and subsidiaries have completed the transition plan for interest rate benchmark reform. In addition, the modification of contract, communication with customers, assessment of financial and business effects, amendment of internal control, changes of system and procedures, risk management and adjustments of valuation model will be completed before the retirement of LIBOR.

As of December 31, 2021, the Bank and subsidiaries' exposure amount of discounts and loans, bonds, derivative instruments and negotiable certificates of deposit are NT$379.649 billion, NT$39.452 billion, NT$51.147 billion and NT$276 million, respectively.

9. CAPITAL MANAGEMENT

(1) Objective of capital management

A. The Bank and subsidiaries' qualifying self-owned capital should meet the regulatory requirements and meet the minimum regulated capital adequacy ratio. This is the basic objective of capital management of the Bank and subsidiaries. The calculation and provision of qualifying self-owned capital and regulated capital shall follow the regulations of the competent authority.

B. In order to have adequate capital to take various risks, the Bank and subsidiaries shall assess the required capital with consideration of the risk portfolio it faces and the risk characteristics, and manages risk through capital allocation to realize optimum utilization of capital allocation.

(2) Capital management procedures

A. Following the "Regulations Governing the Capital Adequacy Ratio of Banks" of the Financial Supervisory Commission, the Bank calculates capital adequacy ratio on a consolidated basis and reports this information regularly.

B. The calculation of capital adequacy ratio of subsidiaries shall follow the regulations of regulatory authorities; if without regulations, capital adequacy ratio is computed as net of qualifying self-own capital divided by regulated capital.

(3) Capital adequacy ratio

Capital adequacy shown in the following table was calculated in accordance with "Regulations Governing the Capital Adequacy Ratio of Banks" effective on December 31, 2021 and 2020.

Unit: In NT Thousand Dollars, %

Items \ Annual			December 31, 2021	December 31, 2020
Self-owned capital	Capital of Common equity		$ 288,441,523	$ 276,182,111
	Other Tier 1 Capital		-	-
	Tier 2 Capital, net		28,522,606	31,640,197
	Self-owned capital, net		316,964,129	307,822,308
Total risk -weighted assets (Note 1)	Credit risk	Standardized Approach	2,089,047,956	2,035,086,854
		Internal Ratings-Based Approach	-	-
		Asset securitization	10,815,134	12,893,858
	Operation risk	Basic Indicator Approach	90,982,350	94,724,225
		Standardized Approach / Alternative Standardized Approach	-	-
		Advanced Measurement Approaches	-	-
	Market risk	Standardized Approach	35,516,725	33,465,838
		Internal Models Approach	-	-
	Total risk-weighted assets		2,226,362,165	2,176,170,775
Capital adequacy ratio (Note 2)			14.24%	14.15%
Common equity to total risk assets, net Ratio			12.96%	12.69%
Tier 1 Capital to total risk assets, net Ratio			12.96%	12.69%
Leverage ratio			7.07%	7.41%

Note 1: The self-owned capital, risk-weighted assets and exposures amount in the table above should be filled in accordance with“Regulations Governing the Capital Adequacy Ratio of Banks”and“calculation method and table of self-owned capital and risk-weighted assets”.

Note 2: Current and prior year's capital adequacy ratio should be disclosed in the annual reports. In addition to current and prior year's capital adequacy, capital adequacy ratio at the end of prior year should be disclosed in the semi-annual reports.

Note 3: The relevant formulas are as follows:

1. Self-owned capital = Tier 1 Capital of Common equity, net + Other Tier 1 Capital, net ＋ Tier 2 Capital, net
2. Total risk-weighted assets = credit risk-weighted assets + (operation risk charge+ market risk charge) * 12.5
3. Capital adequacy ratio = Self-owned capital / Total risk-weighted assets
4. Common equity to total risk assets, net Ratio = Common equity / Total risk-weighted assets
5. Tier 1 Capital to total risk assets, net Ratio = (Common equity + Other Tier 1 Capital,) / Total risk-weighted assets
6. Leverage ratio = Tier 1 capital/Risk exposure amount

Note 4: For the first-quarter and third-quarter financial reports, the table of capital adequacy ratio is not required to be disclosed.

10. OPERATING SEGMENTS INFORMATION

(1) General information

The Bank and subsidiaries use reported information to the Chief Operating Decision-Maker (CODM) to identify segments and geographic information. The Bank and subsidiaries mainly focus on the businesses in Taiwan, Asia and North America. The disclosed operating segment by the Bank and subsidiaries is stipulated in Article 3 of the Banking Law, and the generated income is the main source of income.

(2) Information of segment profit or loss, assets and liabilities

The Bank and subsidiaries' management mainly focuses on the operating results of the whole bank, which is consistent with that of the consolidated statements of comprehensive income. Please refer to the consolidated statements of comprehensive income.

(3) Information of major customers

The Bank and subsidiaries' source of income is not concentrated on transactions with a single customer or single counterparty.

(4) Information by products and services

All operating segments' operating results of the Bank and subsidiaries mainly come from interest income from external clients and is measured on a consistent basis compared with the statement of comprehensive income. The segmental income also consist of internal profit and loss appropriated by the terms agreed amongst segments other than external revenue. Please refer to the information by geography for relevant components of income balances.

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(5) Financial Information By Geographic Area

	For the year ended December 31, 2021 (Unit: In NT Thousand Dollars)					
	Domestic Department	Asia (Note)	North America	Other Overseas Operating Department	Adjustment and Write-off	Total
Revenue from customers outside the Bank	$ 36,801,610	$ 4,875,075	$ 2,034,343	$ 1,927,997	($ 320,626)	$ 45,318,399
Revenue from departments within the Bank	290,072	(132,692)	(29,258)	(126,805)	(1,317)	-
Total revenue	$ 37,091,682	$ 4,742,383	$ 2,005,085	$ 1,801,192	($ 321,943)	$ 45,318,399
Profit or loss	$ 15,706,013	$ 3,234,410	$ 624,283	$ 1,343,420	($ 317,120)	$ 20,591,006
Assets attributable to specific departments	$ 3,189,339,867	$ 267,856,034	$ 245,203,628	$ 102,560,105	($ 6,812,333)	$ 3,798,147,301

	For the year ended December 31, 2021 (Unit: In US Thousand Dollars)					
	Domestic Department	Asia (Note)	North America	Other Overseas Operating Department	Adjustment and Write-off	Total
Revenue from customers outside the Bank	$ 1,331,125	$ 176,333	$ 73,583	$ 69,736	($ 11,597)	$ 1,639,180
Revenue from departments within the Bank	10,492	(4,799)	(1,058)	(4,587)	(48)	-
Total revenue	$ 1,341,617	$ 171,534	$ 72,525	$ 65,149	($ 11,645)	$ 1,639,180
Profit or loss	$ 568,091	$ 116,989	$ 22,580	$ 48,592	($ 11,470)	$ 744,782
Assets attributable to specific departments	$ 115,359,347	$ 9,688,430	$ 8,869,086	$ 3,709,629	($ 246,404)	$ 137,380,088

	For the year ended December 31, 2020					
	(Unit: In NT Thousand Dollars)					
	Domestic Department	Asia (Note)	North America	Other Overseas Operating Department	Adjustment and Write-off	Total
Revenue from customers outside the Bank	$ 38,956,691	$ 5,653,719	$ 2,396,582	$ 2,090,341	($ 191,281)	$ 48,906,052
Revenue from departments within the Bank	800,458	(220,565)	(114,705)	(453,119)	(12,069)	-
Total revenue	$ 39,757,149	$ 5,433,154	$ 2,281,877	$ 1,637,222	($ 203,350)	$ 48,906,052
Profit or loss	$ 20,520,668	$ 3,334,200	($ 399,007)	$ 201,554	($ 197,165)	$ 23,460,250
Assets attributable to specific departments	$ 2,835,728,488	$ 252,548,941	$ 267,409,258	$ 106,712,176	($ 10,720,643)	$ 3,451,678,220

Note: Amounts in Asia do not include those originating from the Republic of China.

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11. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party

The Bank and subsidiaries are controlled by Mega Financial Holding Co., Ltd, which owns 100% of the Bank’s shares. The ultimate controlling party of the Bank and subsidiaries is Mega Financial Holding Co., Ltd.

(2) Names of the related parties and their relationship with the Bank

Names of related parties	Short name of related parties	Relationship with the Bank
Mega Bills Finance Co., Ltd.	Mega Bills	Jointly controlled by Mega Financial Holdings
Mega Securities Co., Ltd.	Mega Securities	Jointly controlled by Mega Financial Holdings
Mega Investment Trust Co., Ltd.	Mega Investment Trust	Jointly controlled by Mega Financial Holdings
Chung Kuo Insurance Co., Ltd.	Chung Kuo Insurance	Jointly controlled by Mega Financial Holdings
Mega Asset Management Co., Ltd.	Mega Asset	Jointly controlled by Mega Financial Holdings
Mega CTB Venture Capital Co., Ltd.	Mega Venture	Jointly controlled by Mega Financial Holdings
Mega International Investment Service Corp.	Mega International Investment Service	Jointly controlled by Mega Financial Holdings
Mega Futures Co., Ltd.	Mega Futures	Jointly controlled by Mega Financial Holdings
Chunghwa Post Corporation Limited	Chungwha Post	Director of Mega Financial Holdings
Bank of Taiwan Corp.	Bank of Taiwan	Director of Mega Financial Holdings
Yung-Shing Industries Co.	Yung-Shing Industries	Subsidiary of the Bank
China Products Trading Company	China Products	Subsidiary of the Bank
Mega Management Consulting Co., Ltd.	Mega Management Consulting	Subsidiary of the Bank
Cathay Investment & Warehousing Co., S.A.	Cathay Investment & Warehousing (Panama)	Subsidiary of the Bank
Win Card Co., Ltd.	Win Card	Indirect subsidiary of the Bank
ICBC Assets Management & Consulting Co., Ltd.	ICBC Consulting	Indirect subsidiary of the Bank
Everstrong Iron & Steel Foundry & Mfg Corp.	Everstrong Iron Steel	Equity investees
China Real Estate Management Co., Ltd.	China Real Estate	Equity investees

Names of related parties	Short name of related parties	Relationship with the Bank
Taiwan Finance Co., Ltd.	Taiwan Finance	Equity investees
An Feng Enterprise Co., Ltd.	An Fang	Equity investees
Ramlett Finance Holdings Inc.	Ramlett	Equity investees
Mega Growth Venture Capital Co., Ltd.	Mega Growth Venture Capital	Equity investees
Universal Venture Capital Investment Corporation	Universal Venture Capital	Equity investees
Next Commercial Bank Co., Ltd.	Next bank	Equity investees
Others		The Bank and the parent company's directors, supervisors, managers, their relatives, associated companies and related parties in substance

(Blank below)

(3) Major transactions and balances with related parties

A. Due from and due to banks

	For the year ended December 31, 2021			
	Balance as of December 31	Highest Outstanding Balance	Interest Rate (%)	Total Interest Income (Expense)
	(In NT Thousand Dollars)			
Due from banks				
Fellow subsidiary:				
Mega Bills	$ 2,200,000	$ 8,985,000	0.19%~0.42%	$ 8,420
Other related parties:				
Bank of Taiwan	21,265,666	47,710,008	(0.65%)~3.42%	21,588
Due to banks				
Other related parties:				
Chunghwa Post	$ 25,674	$ 65,017	0.81%	($ 267)
Bank of Taiwan	5,668,858	70,181,211	0.01%~4.00%	(206)

	For the year ended December 31, 2021			
	Balance as of December 31	Highest Outstanding Balance	Interest Rate (%)	Total Interest Income (Expense)
	(In US Thousand Dollars)			
Due from banks				
Fellow subsidiary:				
Mega Bills	$ 79,575	$ 324,990	0.19%~0.42%	$ 305
Other related parties:				
Bank of Taiwan	769,185	1,725,685	(0.65%)~3.42%	781
Due to banks				
Other related parties:				
Chunghwa Post	$ 929	$ 2,352	0.81%	($ 10)
Bank of Taiwan	205,044	2,538,475	0.01%~4.00%	(7)

	For the year ended December 31, 2020			
	Balance as of December 31	Highest Outstanding Balance	Interest Rate (%)	Total Interest Income (Expense)
	(In NT Thousand Dollars)			
Due from banks				
Fellow subsidiary:				
Mega Bills	$ 2,000,000	$ 7,770,108	0.20%~2.94%	$ 15,267
Other related parties:				
Bank of Taiwan	18,853,149	41,530,071	0.06%~3.42%	7,271
Due to banks				
Other related parties:				
Chunghwa Post	$ 39,343	$ 71,410	0.81%~1.06%	($ 499)
Bank of Taiwan	4,457,199	18,920,218	0.05%~3.40%	(2,922)

B. Loans and deposits

	Item	Counterparty	December 31, 2021		% of Total	Interest Rate (%)	Total Interest Income (Expense)		% of Total
			NT$	US$			NT$	US$	
For the year ended December 31, 2021	Deposits	Next bank	$ 6,953,028	$251,493	0.23%	0.02%~0.53%	($ 19,284)	($ 698)	0.20%
	Deposits	All related parties (Note)	13,537,208	489,645	0.46%	0.00%~13.00%	(9,054)	(327)	0.09%
	Loans	All related parties	239,781	8,673	0.01%	1.00%~2.49%	12,924	467	0.03%

(Note) Next bank excluded.

	Item	Counterparty	December 31, 2020	% of Total	Interest Rate (%)	Total Interest Income (Expense)	% of Total
			NT$			NT$	
For the year ended December 31, 2020	Deposits	Next bank	$ 7,812,142	0.30%	0.02%~0.78%	($ 28,620)	0.17%
	Deposits	All related parties (Note)	5,374,520	0.21%	0.00%~13.00%	(38,473)	0.23%
	Loans	All related parties	2,214,123	0.12%	0.88%~2.49%	13,566	0.03%

(Note) Next bank excluded.

The interest rates shown above are similar, or approximate, to those offered to third parties. But the interest rates for savings deposits of Bank managers within the prescribed amounts are the same as for savings deposits of employees.

In compliance with the Articles 32 and 33 of Banking Law, except for consumer loans and government loans, credits extended by the Bank to any related party shall be fully secured, and the terms of such extended credit shall not be more favorable than those terms offered to other customers of the same genre..

The Bank presents its transactions or account balances with related parties, in aggregate, except for those which add up to over 10% of the account balance.

C. Lease agreements

Lessor

For the year ended December 31, 2021

Related Party	Lease Period	Lease Receipt Method	Rental Revenue (NT$)	Rental Revenue (US$)
The parent:				
Mega Financial Holdings	2018.08-2022.11	Monthly	$ 408	$ 15
Fellow subsidiary:				
Mega Securities	2017.11-2026.02	Monthly	21,030	761
Mega Bills	2019.01-2021.12	Monthly	30,644	1,108
Chung Kuo Insurance	2019.09-2026.04	Monthly/Quarterly/ Semi-Annually	3,414	123
Mega Asset	2019.01-2021.12	Monthly	6,695	242
The subsidiary:				
Yung-Shing Industries	2020.07-2024.09	Quarterly/Annually	2,782	101
Mega Management Consulting	2019.01-2021.12	Monthly	1,525	55
The indirect subsidiary:				
Win Card	2020.06-2023.05	Quarterly	4,533	164
ICBC Consulting	2020.07-2023.06	Annually	15	1

For the year ended December 31, 2020

Related Party	Lease Period	Lease Receipt Method	Rental Revenue (NT$)
The parent:			
Mega Financial Holdings	2018.08-2022.11	Monthly	$ 408
Fellow subsidiary:			
Mega Securities	2016.02-2025.05	Monthly	20,493
Mega Bills	2019.01-2021.12	Monthly	30,644
Chung Kuo Insurance	2018.05-2025.10	Monthly/Quarterly/ Semi-Annually	1,499
Mega Asset	2019.01-2021.12	Monthly	6,695
The subsidiary:			
Yung-Shing Industries	2018.10-2023.06	Quarterly/Annually	2,822
Mega Management Consulting	2019.01-2021.12	Monthly	1,525
The indirect subsidiary:			
Win Card	2019.01-2023.05	Quarterly	4,559
ICBC Consulting	2020.07-2023.06	Annually	15

Lessee

For the year ended December 31, 2021

Related Party	Lease Period	Lease Payment Method	Right-of-use assets	Lease liabilities	Interest expenses
			(NT$)		
The parent:					
Mega Financial Holdings	2019.01-2023.12	Monthly	$ 35,615	$ 16,587	$ 164
Fellow subsidiary:					
Mega Bills	2019.01-2021.12	Monthly	-	-	303
Chung Kuo Insurance	2003.12-2022.07	Monthly	102,553	38,695	412
Subsidiary:					
Yung-Shing Industries	2014.12-2044.11	Monthly	502,626	449,947	3,891

For the year ended December 31, 2021

Related Party	Lease Period	Lease Payment Method	Right-of-use assets	Lease liabilities	Interest expenses
			(US$)		
The parent:					
Mega Financial Holdings	2019.01-2023.12	Monthly	$ 1,288	$ 600	$ 6
Fellow subsidiary:					
Mega Bills	2019.01-2021.12	Monthly	-	-	11
Chung Kuo Insurance	2003.12-2022.07	Monthly	3,709	1,400	15
Subsidiary:					
Yung-Shing Industries	2014.12-2044.11	Monthly	18,180	16,275	141

For the year ended December 31, 2020

Related Party	Lease Period	Lease Payment Method	Right-of-use assets	Lease liabilities	Interest expenses
			(NT$)		
The parent:					
Mega Financial Holdings	2019.01-2023.12	Monthly	$ 35,771	$ 36,331	$ 306
Fellow subsidiary:					
Mega Bills	2019.01-2021.12	Monthly	84,775	85,431	962
Chung Kuo Insurance	2003.12-2022.07	Monthly	59,656	60,161	594
Subsidiary:					
Yung-Shing Industries	2014.12-2044.11	Monthly	463,838	467,656	4,041

D. Securities purchased under resell agreements

	For the year ended December 31, 2021 NT$		
	Amount	Ending balance	Interest revenue
Fellow subsidiary:			
Mega Bills	$ 42,033,422	$ -	$ 7,444
Mega Securities	100,000	-	13
	$ 42,133,422	$ -	$ 7,457

	For the year ended December 31, 2021 US$		
	Amount	Ending balance	Interest revenue
Fellow subsidiary:			
Mega Bills	$ 1,520,361	$ -	$ 269
Mega Securities	3,617	-	-
	$ 1,523,978	$ -	$ 269

	For the year ended December 31, 2020 NT$		
	Amount	Ending balance	Interest revenue
Fellow subsidiary:			
Mega Bills	$ 90,991,001	$ 9,207,613	$ 23,337
Mega Securities	60,412,344	200,084	6,138
	$ 151,403,345	$ 9,407,697	$ 29,475

E. Current income tax liabilities

	December 31, 2021		December 31, 2020
	NT$ Amount	US$ Amount	NT$ Amount
Parent company:			
Mega Financial Holdings (Note)	$ 1,276,116	$ 46,157	$ 1,724,725

Note: Consolidated tax payable to the parent company.

F. Service fees revenues

	For the years ended December 31,					
	2021				2020	
	NT$		US$		NT$	
Fellow subsidiary:						
Mega Investment Trust (Note 1)	$	7,266	$	263	$	22,081
Chung Kuo Insurance (Note 2)		20,967		758		18,606
	$	28,233	$	1,021	$	40,687

Note 1: The above amount represents service fee of sale funds revenues earned from Mega Investment Trust.

Note 2: The above amount represents service fee of revenues earned from acting as an agent for Chung Kuo Insurance.

G. Insurance expense

	For the years ended December 31,					
	2021				2020	
	NT$		US$		NT$	
Fellow subsidiary:						
Chung Kuo Insurance	$	27,716	$	1,002	$	28,878

H. The Bank's processes of printing, packaging documents and labor outsourcing have been outsourced to Yung-Shing Industries Co. Under this arrangement, the Bank paid operating expenses and labor outsourcing of NT$153,624 thousand and NT$161,540 thousand for the years ended December 31, 2021 and 2020, respectively.

I. Starting 2001, a portion of the Bank's credit card business and car loan collection business have been commissioned to its indirect subsidiary, Win Card Co., Ltd, for operation. For the years ended December 31, 2021 and 2020, operating expenses payable in accordance with agreements was NT$116,998 thousand and NT$162,554 thousand, respectively.

J. Loans

December 31, 2021

(Unit: In NT Thousand dollars)

Type	Number of accounts or names of related party	Highest balance	Ending balance	Default possibility		Collateral	Whether terms and conditions of the related party transactions are different from those of transactions with third parties.
				Normal loans	Overdue accounts		
Consumer loans for employees	7	$ 5,870	$ 5,413	V		None	None
Home mortgage loans	106	877,049	757,929	V		Real estate	None
Other loans	4	396,455	85,979	V		Real estate	None

December 31, 2021

(Unit: In US Thousand dollars)

Type	Number of accounts or names of related party	Highest balance	Ending balance	Default possibility		Collateral	Whether terms and conditions of the related party transactions are different from those of transactions with third parties.
				Normal loans	Overdue accounts		
Consumer loans for employees	7	$ 212	$ 196	V		None	None
Home mortgage loans	106	31,723	27,415	V		Real estate	None
Other loans	4	14,340	3,110	V		Real estate	None

December 31, 2020

(Unit: In NT Thousand dollars)

Type	Number of accounts or names of related party	Highest balance	Ending balance	Default possibility		Collateral	Whether terms and conditions of the related party transactions are different from those of transactions with third parties.
				Normal loans	Overdue accounts		
Consumer loans for employees	9	$ 5,037	$ 2,487	V		None	None
Home mortgage loans	94	804,823	677,395	V		Real estate	None
Other loans	6	2,127,021	2,091,760	V		Real estate/ The Bank's time deposits/ Credit insurance fund	None

K. Financial guarantees for related parties:

(Unit: In NT Thousand dollars)

Date	Names of related party	Highest balance	Ending balance	Provision for guarantee reserve	Rate	Collateral
December 31, 2021	Chung Kuo Insurance	$ 8,498	$ 8,243	$ 105	1%	The bank's deposits

(Unit: In US Thousand dollars)

Date	Names of related party	Highest balance	Ending balance	Provision for guarantee reserve	Rate	Collateral
December 31, 2021	Chung Kuo Insurance	$ 307	$ 298	$ 4	1%	The bank's deposits

(Unit: In NT Thousand dollars)

Date	Names of related party	Highest balance	Ending balance	Provision for guarantee reserve	Rate	Collateral
December 31, 2020	Chung Kuo Insurance	$ 9,004	$ 8,377	$ 113	1%	The bank's deposits

L. Information on remunerations to the Bank's directors, supervisors, general managers and vice general manager:

	For the years ended December 31,		
	2021		2020
	NT$	US$	NT$
Salaries and other short-term employee benefits	$ 76,554	$ 2,769	$ 82,680
Post-employment benefits	1,537	56	2,183
Total	$ 78,091	$ 2,825	$ 84,863

12. PLEDGED ASSETS

The details for assets of the Bank and subsidiaries pledged as collateral as of December 31, 2021 and 2020, are provided in the Notes 6(4), (5), and (9).

13. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) Significant commitments

A. The New York State Department of Financial Services (NYDFS) fined the Bank and Mega New York Branch for failing to comply with Bank Secrecy Act (BSA) anti-money laundering laws (AML). The 180 million US dollar fine was part of a consent order entered into with the NYDFS on August 19, 2016, pursuant to which the Bank and Mega New York Branch shall take immediate steps to correct the non-compliance. According to the consent order, the Bank and Mega New York Branch shall engage an independent compliance consultant of NYDFS' selection for six months to immediately consult about, oversee and address deficiencies in Mega New York Branch’s compliance function, including compliance with BSA/AML requirements. In addition, the Bank and Mega New York Branch shall retain an independent monitor to conduct a comprehensive review of the effectiveness of the Branch's program for compliance with BSA/AML requirements, laws and regulations and prepare a written report of findings, conclusions, and recommendations and conduct a review of Mega New York Branch’s U.S. dollar clearing transaction activity from January 1, 2012 through December 31, 2014, to determine whether the Mega New York Branch’s suspicious transaction activity can be recognized appropriately and be declared in accordance with relevant reporting regulations, and transactions are inconsistent with or in violation of the Office of Foreign Asset Control Regulations.

As of reporting date, the Bank and Mega New York Branch have completed various supervision and consultation on the abovementioned issues and have positively strengthened, improved and complied with various suggestions, and ensure that each improvement measure is effectively and continuously executed. A retrospective review on Mega New York Branch’s U.S. dollar clearing transaction activity was conducted by the independent third party, which was completed in the end of February 2020. All the results identified during the review period have been reported to the Board of Directors and related competent authorities. After the review, the competent authority has also notified the close of the case.

B. Following the examination of the Mega New York Branch, the Mega Chicago Branch and the Mega Silicon Valley Branch (collectively, the “Branches”) of June 30, 2016, December 31, 2016, and September 30,2016, the supervisory authorities disclosed deficiencies relating to the Branches’ risk management and compliance with the BSA/AML requirements. Therefore, on January 17, 2018, the Bank, the Branches, the Board of Governors of the Federal Reserve System (FED) and the Illinois Department of Financial and Professional Regulation (IDFPR), Division of Banking entered into a Consent Order to Cease and Desist and Order of Assessment of a Civil Money Penalty (C&D). The Bank and the Branches were imposed a fine amounting to $29 million and shall jointly submit an individual written plan as well as retain an independent third party to conduct a review of Mega New York Branch’s U.S. dollar clearing transaction activity from January 1, 2015 through June 30, 2015.

As of reporting date, except certain items of the New York Branch that needed continuous improvements and to ensure that each improvement measure is effectively and continuously executed, the Chicago Branch and the Silicon Valley Branch have completed improvements on the abovementioned issues. Those written action plans were seasonally reported to the Board of Directors and submitted to the Federal Reserve Bank and the Illinois Department of Financial and Professional Regulation. A retrospective investigation on Mega New York Branch’s U.S. dollar clearing transaction activity was conducted by the independent third party during the abovementioned period, which was completed in the end of February 2020. All the results identified during the review period have been reported to the Board of Directors and related competent authorities. After the review, the competent authority has also notified the close of the case.

(2) As of December 31, 2021 and 2020, the Bank and subsidiaries had the following commitments

	December 31, 2021		December 31, 2020
	NT$	US$	NT$
Irrevocable loan commitments	$ 134,727,684	$ 4,873,139	$ 129,021,778
Securities sold under repurchase agreement	16,884,182	610,706	12,281,790
Securities purchased under resell agreement	949,396	34,340	10,359,690
Credit card line commitments	98,659,426	3,568,540	95,508,685
Guarantees issued	133,804,193	4,839,736	137,972,817
Letters of credit	55,030,177	1,990,458	49,880,677
Customers' securities under custody	301,061,286	10,889,474	266,554,468
Properties under custody	2,571,303	93,005	2,341,529
Guarantee effects	113,558,588	4,107,447	111,217,213
Collections for customers	82,342,135	2,978,339	73,816,145
Agency loans payable	243,997	8,825	349,396
Trustee sales license	673	24	846
Payables on consignments-in	1,554	56	1,612
Agent for government bonds	80,549,400	2,913,495	115,577,800
Short-dated securities under custody	105,556,195	3,817,998	113,993,056
Trust liability	648,883,055	23,470,288	595,586,435
Certified notes paid	3,513,487	127,084	3,869,744

(3) The Bank promises to provide Next Bank with necessary financial support under certain circumstances in accordance with relevant laws and regulations in the future. Unless the law and regulations are changed or any other bank or financial holding company is willing to take over the bank shares and the shareholding ratio exceeds 25%, the Bank will continue to hold more than 25% of the Next Bank equity.

14. SIGNIFICANT DISASTER LOSS

None.

15. SIGNIFICANT SUBSEQUENT EVENT

A. On February 22, 2022, the Bank issued 5-year unsecured regular sustainability bond 2022 with a face value of NT$1.5 billion and 0.7% coupon rate per annum for the loans of green investment projects and social investment projects.

B. In 2019, the Bank participated in a syndication loan to Marelli Holdings Co., Ltd. led by Mizuho Bank, Ltd. amounted to EUR$5.504 billion. As of December 31, 2021, the remaining participation balance of the Bank was approximately EUR$79,901 thousand. Marelli Holdings Co., Ltd. (referred herein as the borrower) was established in Japan, and the group which it belongs to is one of the global top 10 automobile component suppliers. Due to the impact of the Covid-19 pandemic and the semiconductor chip shortage, the borrower had deficits in 2020 and is expected to remain in deficits in 2021. The borrower paid principal and interests on the syndicated loans in due course as of the end of 2021. The borrower assessed there will be a capital shortage in March 2022 resulting from continuous chip supply-chain shortage; therefore, the borrower applied for an Alternative Dispute Resolution (ADR) under local legal procedures on March 1, 2022, and will negotiate the debt adjustment plan with financial institution debtors. The financial impact on the Bank's claim can only be assessed after the borrower provides the debt adjustment plan, updates financial and collateral information and completes the ADR procedures.

16. OTHERS

(1) Information on financial assets transfers and liabilities extinguishing

None.

(2) Significant adjustment in the organisation and significant changes in the management system

A. The Bank merged with Mega Life Insurance Agency Co., Ltd. ("Mega Life Insurance Agency") on May 12, 2020 and applied the related interpretations issued in R.O.C. since there are no definite rules for business combination under common control in IFRS 'Business combinations' as explained in the IFRS Q&A 'Explanations to IFRS 3 Business Combinations under Common Control' issued by Accounting Research and Development Foundation. When the Bank merged with Mega Life Insurance Agency, the book value of all assets and liabilities of Mega Life Insurance Agency was recorded by the Bank. The net assets of Mega Life Insurance Agency that were consolidated by the Bank amounted to NT$141,187 thousand. The consolidated balance sheet was prepared based on the aforementioned amount, and when preparing the comparative financial statements, the comparative financial statements of prior years were restated as if the combining entities had always been merged.

The financial performance of Mega Life Insurance Agency as of May 11, 2020 was recognised in the Bank's statement of comprehensive income for the year ended December 31, 2020, resulting in an increase in earnings after tax of NT$80,204 thousand.

B. Effective July 1, 2021, to enhance the management of each branch and increase the value of the channels, the Bank established the "Operation Management Administration Group" under the Head Office and transferred Business Administration Department, Foreign Exchange Business Management Department and Operation Department from the Corporate Banking Business Group to Operation Management Administration Group in order to improve its management efficiency and business competitiveness of all branches. Also, the Bank established the "Appraisal Center" in response to the implementation of the new policy on the LTV (loan to value), and to ensure a fair and objective valuation on collateral held by the Bank. In addition, the Bank placed the "Regional Credit Management Group" under Credit

Control Department, Credit Analysis Department, and Overdue Loan & Control Department and renamed it to "Regional Credit Management Center Division" to ensure the efficiency of hierarchical authorization management. As for business management, the Bank enhanced the business and personnel management of the governance units at the Head Office on each branch through designing dual reporting lines in order to carry out the managerial control of Business Groups.

(3) Significant impact arising from changes in government laws and regulations

None.

(4) Information for Company's share held by subsidiaries

None.

(5) Information for private placement securities

None.

(6) Information for discontinued operations

None.

(7) Major operating assets or liabilities transferred from (or to) other financial institutions

None.

(8) Profitability of the Bank and subsidiaries

Units：%

Item		December 31, 2021	December 31, 2020
Return on total assets (%)	Before tax	0.57	0.69
	After tax	0.51	0.60
Return on stockholders' equity (%)	Before tax	6.94	8.00
	After tax	6.22	6.93
Net profit margin ratio (%)		40.73	41.57

Note 1: Return on total assets = Income before (after) income tax/average total assets.

Note 2: Return on stockholders' equity = Income before (after) income tax / average stockholders' equity.

Note 3: Net profit margin ratio = Income after income tax / total operating income.

Note 4: The term "Income before (after) income tax" represents net income accrued from January 1 to the balance sheet date of the reporting period.

(9) <u>In accordance with Article 17 of the Trust Law, the disclosures of the trust balance sheet, trust income statement and trust property list are as follows:</u>

A. Trust Balance Sheet

(In NT Thousand Dollars)

Trust Balance Sheet

December 31, 2021

Trust assets			Trust liabilities		
Bank deposits	$	13,044,216	Capital borrowed	$	4,500,525
Receivables		6,971	Payables		12,258
Bonds		16,382,913	Account collected in		
Stocks		42,278,358	advance		20,808
Mutual funds		141,842,536	Tax payable		28,605
Structured products		15,786,318	Accounts withholding		-
Properties, net		44,942	Customers' securities under		
Real estate			custody		290,272,654
Land		98,854,429	Other liabilities		1,586,367
Buildings and Structures, net		13,134,616	Trust capital		
Construction in Process		12,670,476	Accumulated profit or loss		347,809,108
Customers' securities under			for reserves		
custody		290,272,654	Net income for current		
			period		3,322,113
Other assets		4,564,626	Accumulated profit		1,330,617
Total trust assets	$	648,883,055		$	648,883,055

(Blank below)

(In US Thousand Dollars)

Trust Balance Sheet

December 31, 2021

Trust assets			Trust liabilities		
Bank deposits	$	471,813	Capital borrowed	$	162,785
Receivables		252	Payables		443
Bonds		592,575	Account collected in		
Stocks		1,529,220	advance		753
Mutual funds		5,130,486	Tax payable		1,035
Structured products		570,996	Accounts withholding		-
Properties, net		1,625	Customers' securities under		
Real estate			custody		10,499,246
Land		3,575,593	Other liabilities		57,379
Buildings and Structures, net		475,083	Trust capital		12,580,356
Construction in Process		458,295	Accumulated profit or loss		
Customers' securities under			for reserves		
custody		10,499,246	Net income for current		
			period		120,162
Other assets		165,104	Accumulated profit		48,129
Total trust assets	$	23,470,288		$	23,470,288

(In NT Thousand Dollars)

Trust Balance Sheet

December 31, 2020

Trust assets			Trust liabilities		
Bank deposits	$	11,805,684	Capital borrowed	$	4,500,525
Receivables		3,910	Payables		13,082
Bonds		15,922,140	Account collected in		
Stocks		48,596,573	advance		28,947
Mutual funds		136,976,273	Tax payable		29,017
Structured products		14,331,102	Accounts withholding		137
Properties, net		54,598	Customers' securities under		
Real estate			custody		242,365,585
Land		97,176,372	Other liabilities		1,510,126
Buildings and Structures, net		13,921,767	Trust capital		341,511,549
Construction in Process		9,868,083	Accumulated profit or loss		
Customers' securities under			for reserves		
custody		242,365,585	Net income for current		
			period		1,861,245
Other assets		4,564,348	Accumulated profit		3,766,222
Total trust assets	$	595,586,435		$	595,586,435

B. Trust Income Statement

	For the years ended December 31,		
	2021		2020
Trust income:	(NT$)	(US$)	(NT$)
Interest income	$ 38,968	$ 1,409	$ 31,739
Rental income	1,757,373	63,565	1,186,180
Dividend income	2,010,058	72,704	1,176,852
Realized capital gain-Stock	153	6	10,499
Realized capital gain-Funds	7,767	281	9,097
Other income	289,607	10,475	45,771
Total trust income	4,103,926	148,440	2,460,138
Trust expenses:			
Management expense	(157,947)	(5,713)	(91,369)
Repairing expense	(74,022)	(2,677)	(48,531)
Insurance	(20,704)	(749)	(13,674)
Depreciation expense	(15,708)	(568)	(8,425)
Land and housing tax	(204,901)	(7,411)	(137,802)
Interest expense	(76,861)	(2,780)	(57,154)
Service charge abstract	(17,550)	(635)	(10,110)
Accountant fees	(2,911)	(105)	(1,014)
Lawyer fees	(2,363)	(86)	(1,360)
Realized capital loss-Stock	(78,518)	(2,840)	(129,146)
Realized capital loss-Funds	(49)	(2)	-
Losses on disposal of property	(8,492)	(307)	(49)
Other expenses	(121,787)	(4,405)	(100,259)
Total trust expenses	(781,813)	(28,278)	(598,893)
Net income before income tax (Net investment income)	3,322,113	120,162	1,861,245
Income tax expense	-	-	-
Net income after income tax	$ 3,322,113	$ 120,162	$ 1,861,245

C. Trust Property List

	December 31, 2021 (NT$)	December 31, 2021 (US$)	December 31, 2020 (NT$)
Bank deposits	$ 13,044,216	$ 471,813	$ 11,805,684
Bonds	16,382,913	592,575	15,922,140
Stock	42,278,358	1,529,220	48,596,573
Mutual funds	141,842,536	5,130,486	136,976,273
Structured products	15,786,318	570,996	14,331,102
Properties, net	44,942	1,625	54,598
Real estate			
Land	98,854,429	3,575,593	97,176,372
Buildings and structures, net	13,134,616	475,083	13,921,767
Construction in process	12,670,476	458,295	9,868,083
Customers' securities under custody	290,272,654	10,499,246	242,365,585
Other assets	4,564,626	165,104	4,564,348
Total	$ 648,876,084	$ 23,470,036	$ 595,582,525

Note: The amount of Non-discretionary Money Trust Investments in Foreign Securities of OBU branch was NT$25,967,101 thousand and NT$25,912,527 thousand as of December 31, 2021 and 2020, respectively.

(10) Information for cross-selling

A. Businesses and transactions: Please refer to Note 11.

B. Joint promotion of businesses:

In order to create synergies within the Group of Mega Financial Holding and provide customers financial services in all aspects, the Bank has continuously established other financial consulting service centers (including banking services, securities trading services, and insurance services) in its and the parent company's subsidiaries' branches and simultaneously promoted service business in banking, securities and insurance areas.

C. Sharing of information or operating facilities or premises

Under the Financial Holding Company Act, Personal Data Protection Law, and the related regulations stipulated by MOF, when customers' information of a financial holding company's subsidiary is disclosed to other subsidiaries under the Bank and subsidiaries or exchanged between the subsidiaries for the purpose of cross selling of products, the subsidiaries receiving, utilizing, managing or maintaining the information are restricted to use the information for the joint promotion purposes only. In addition, the Bank is required to disclose its "Measures for Protection of Customers' Information" in its website. Customers also reserve the right to have their information withdrawn from the information sharing mechanism.

17. SUPPLEMENTARY DISCLOSURES

(1) Related information on material transaction items of the Bank and subsidiaries:

A. Information regarding stock of short-term equity investment for which the purchase or sale amount for the period exceeded NT$300 million or 10% of the Bank's paid-in capital:

Unit: In NT Thousand Dollars

Investor	Marketable securities	General ledger account	Counterparty	Relationship	Balance as of January 1, 2021		Addition		Disposal			Balance as of December 31, 2021	
					Number of shares(in thousands)	Amount	Number of shares(in thousands)	Amount	Number of shares(in thousands)	Amount	Gain (loss) on disposal	Number of shares(in thousands)	Amount
The Bank	Chang Hwa Commercial Bank	Financial assets at fair value through profit or loss, net	-	-	188,965	$ 3,722,942	1,300	$ 21,778	62,981	$ 1,074,056	($ 161,268)	127,284	$ 2,509,396
"	Cathay Financial Holdings Co., Ltd.	"	-	-	1,700	69,970	5,449	291,108	2,329	128,623	20,598	4,820	253,053
"	Taiwan Semiconductor Manufacturing Company	"	-	-	1,540	436,104	925	559,348	1,295	768,898	261,351	1,170	487,905
"	Quanta Computer lnc.	"	-	-	830	49,945	2,082	183,134	2,132	181,610	12,885	780	64,354
"	Taiwan Cement Corp.	"	-	-	400	15,808	5,500	278,014	5,900	301,671	7,849	-	-
"	Accton Technology Corp.	"	-	-	390	65,606	799	218,929	1,189	325,146	40,611	-	-
"	Elan Microelectronics Corp.	"	-	-	200	17,327	2,112	391,222	2,182	397,549	10,527	130	21,527
"	Yuanta Taiwan Top 50 ETF	"	-	-	-	-	7,811	1,052,887	7,811	1,047,747	(5,140)	-	-
"	Yuanta Taiwan Dividend Plus ETF.	"	-	-	-	-	14,389	476,903	11,289	387,981	12,720	3,100	101,642
"	Asia Cement Corp.	"	-	-	-	-	1,200	60,290	1,200	62,885	2,595	-	-
"	Formosa Plastics Corporation	"	-	-	-	-	6,850	707,368	5,720	582,974	(6,499)	1,130	117,895
"	Nan Ya Plastics Corp.	"	-	-	-	-	6,818	551,417	6,118	509,169	18,318	700	60,566
"	Far Eastern New Century Corp.	"	-	-	-	-	5,030	152,772	3,380	105,707	1,738	1,650	48,803

Investor	Marketable securities	General ledger account	Counterparty	Relationship	Balance as of January 1, 2021		Addition		Disposal			Balance as of December 31, 2021	
					Number of shares(in thousands)	Amount	Number of shares(in thousands)	Amount	Number of shares(in thousands)	Amount	Gain (loss) on disposal	Number of shares(in thousands)	Amount
The Bank	Eclat Textile Co., Ltd.	Financial assets at fair value through profit or loss, net	-	-	-	$ -	602	$ 336,471	557	$ 319,574	$ 5,845	45	$ 22,742
"	Makalot Industrial Co., Ltd.	"	-	-	-	-	1,533	371,041	1,413	348,977	6,698	120	28,762
"	China Steel Corporation	"	-	-	-	-	11,303	365,196	7,873	266,106	5,127	3,430	104,217
"	United Microelectronics Corp.	"	-	-	-	-	8,489	459,756	7,239	385,981	2,285	1,250	76,060
"	Foxconn Technology Group	"	-	-	-	-	6,260	728,864	6,160	712,580	(5,854)	100	10,430
"	Inventec Corp.	"	-	-	-	-	4,100	106,256	4,100	106,250	(6)	-	-
"	Asustek Computer Inc.	"	-	-	-	-	425	144,557	345	127,516	12,833	80	29,874
"	MediaTek Inc.	"	-	-	-	-	371	347,207	286	265,539	(1,495)	85	80,173
"	Catcher Technology Co., LTD.	"	-	-	-	-	270	54,782	270	54,118	(664)	-	-
"	Evergreen Marline Corp.	"	-	-	-	-	11,900	775,367	8,625	540,635	126,728	3,275	361,460
"	Fubon Financial Holding Co., Ltd.	"	-	-	-	-	3,293	247,640	733	58,410	5,830	2,560	195,060
"	WPG Electronics Ltd.	"	-	-	-	-	1,810	84,560	1,810	94,851	10,291	-	-
"	ASE Technology Holding Co., Ltd	"	-	-	-	-	5,140	546,898	4,740	508,666	1,912	400	40,144
"	Radiant Opto-Electronics Corp.	"	-	-	-	-	867	103,193	867	105,020	1,827	-	-
"	Formosa Laboratories, Inc.	"	-	-	-	-	3,010	320,596	3,010	307,900	(12,696)	-	-
"	Taiwania Capital Buffalo III Ventures, LP	"	-	-	-	-	-	55,000	-	-	-	-	55,000
"	Innotech Logistics Co., Ltd.	"	-	-	-	-	5,000	50,000	-	-	-	5,000	50,000
"	Chang Hwa Commercial Bank	Financial assets at fair value through other comprehensive income	-	-	28,756	569,268	4,075	68,117	-	-	-	32,831	637,385
"	Far Eastern New Century Corp.	"	-	-	17,500	485,538	5,150	150,343	150	4,761	592	22,500	631,712

Investor	Marketable securities	General ledger account	Counterparty	Relationship	Balance as of January 1, 2021		Addition		Disposal			Balance as of December 31, 2021	
					Number of shares(in thousands)	Amount	Number of shares(in thousands)	Amount	Number of shares(in thousands)	Amount	Gain (loss) on disposal	Number of shares(in thousands)	Amount
The Bank	Taiwan Cement Corp.	Financial assets at fair value through other comprehensive income	-	-	12,195	$ 493,412	48,705	$ 2,490,614	-	$ -	$ -	60,900	$ 2,984,026
"	Asia Cement Corp.	"	-	-	10,490	456,555	49,010	2,536,464	-	-	-	59,500	2,993,019
"	Quanta Computer lnc.	"	-	-	3,600	275,127	4,701	416,597	-	-	-	8,301	691,724
"	Taiwan Semiconductor Manufacturing Company	"	-	-	380	109,938	-	-	45	29,681	16,662	335	96,919
"	Inventec Corp.	"	-	-	-	-	56,016	1,522,575	-	-	-	56,016	1,522,575
"	Asustek Computer Inc.	"	-	-	-	-	1,460	545,974	-	-	-	1,460	545,974
"	Catcher Technology Co., LTD.	"	-	-	-	-	8,000	1,498,701	-	-	-	8,000	1,498,701
"	Fubon Financial Holding Co., Ltd.	"	-	-	-	-	8,473	613,301	-	-	-	8,473	613,301
"	Cathay Financial Holdings Co., Ltd.	"	-	-	-	-	3,778	204,430	-	-	-	3,778	204,430
"	WPG Electronics Ltd.	"	-	-	-	-	7,650	416,744	-	-	-	7,650	416,744
"	Radiant Opto-Electronics Corp.	"	-	-	-	-	10,500	1,332,235	-	-	-	10,500	1,332,235

B. Information on the acquisition of real estate for which the purchase amount exceeded NT$300 million or 10% of the Bank's paid-in capital: None.

C. Information on the disposal of real estate for which the sale amount exceeded NT$300 million or 10% of the Bank's paid-in capital: None.

D. Information regarding discounted processing fees on transactions with related parties for which the amount exceeded NT$5 million: None.

E. Information regarding receivables from related parties for which the amount exceeded NT$300 million or 10% of the Bank's paid-in capital: None.

F. Information regarding selling non-performing loans: None.

G. Information on and categories of securitized assets which are approved by the authority pursuant to Financial Asset Securitization Act or the Real Estate Securitization Act: None.

H. Other material transaction items which were significant to the users of the financial statements: None.

(2) Supplementary disclosure regarding investee companies:

A. Supplementary disclosure regarding investee companies as of December 31, 2021:

(In NT Thousand Dollars)

						Share-holdings of the Bank and related enterprises				
								Total		
Investee companies	Address	Main service	Percentage of ownership(%)	Book value	Investment income (loss)	Share(in thousands)	Proforma information on number of stock held	Share(in thousands)	Percentage of ownership(%)	Note
Cathay Investment & Warehousing Co., S.A.	Calle 16 Colon Free Zone Local NO.4 Edificio NO.49 P. O. Box 4036 Colon Free Zone,Colon,Republic of Panama	Real estate investment industry	100.00%	$ 29,486	($ 4,134)	1	None	1	100.00%	
Mega Management Consulting Co., Ltd.	7F., No.91, Hengyang Rd., Taipei City	Venture capital and management consulting etc.	100.00%	76,886	48,879	1,000	None	1,000	100.00%	
Ramlett Finance Holdings Inc.	Calle 50 y Esquina Margarita A de Vallarino Entrada Nuevo Campo Alegre Edificio ICBC, Panama	Real estate investment industry	100.00%	-	(5,827)	2	None	2	100.00%	
Yung-Shing Industries Co.	7F., No.100, Jilin Rd., Taipei City	Packaging, printing and agency of manpower service.	99.56%	696,791	38,900	299	None	299	99.56%	
China Products Trading Company	7F., No.100, Jilin Rd., Taipei City	Investments in products businesses, storage businesses and other businesses	68.27%	27,897	793	68	None	68	68.27%	
Next Commercial Bank Co., Ltd.	6F., No.95, Sec. 2, Dunhua Rd., Taipei City	Internet-only bank	25.10%	2,169,868	(114,875)	251,000	None	251,000	25.10%	

(In NT Thousand Dollars)

Investee companies	Address	Main service	Percentage of ownership(%)	Book value	Investment income (loss)	Share-holdings of the Bank and related enterprises: Share(in thousands)	Proforma information on number of stock held	Total: Share(in thousands)	Total: Percentage of ownership(%)	Note
An Feng Enterprise Co., Ltd.	3F., No.139, Jhengjhou Rd., Taipei City	Automatic Teller Machine rental, configure and maintain	25.00%	$ 12,627	$ 1,456	900	None	900	30.00%	
Taiwan Finance Co., Ltd	3F., No.123, Sec. 2, Nanjing E. Rd., Taipei City	Brokerage underwriting attestation guarantee and endorsement of commercial papers, proprietary trading of government bonds and corporate bonds	24.55%	1,790,154	122,998	126,714	None	126,714	24.55%	
Everstrong Iron & Steel Foundry & Mfg Corp	NO.1 Shiquan Rd., Xiaogang Dist., Kaohsiung City	Iron and steel making	22.22%	48,538	5,549	1,760	None	1,760	22.22%	
China Real Estate Management Co., Ltd	11F., No.35, Guangfu S. Rd., Taipei City	Real estate and property selling	20.00%	188,434	8,310	9,990	None	9,990	20.00%	
Universal Venture Capital Investment Corporation	7F., No.91, Hengyang Rd., Taipei City	Venture capital	11.84%	146,323	20,988	14,250	None	14,250	11.84%	
Mega Growth Venture Capital Co., Ltd.	7F., No.91, Hengyang Rd., Taipei City	Venture capital	11.81%	153,149	1,226	25,500	None	25,500	20.08%	
Win Card Co., Ltd.	4-6F., No.99, Sec. 3, Chongyang Rd., Sanchong Dist., New Taipei City	Corporate management consulting, data processing business and general advertising services	100.00%	41,548	7,455	200	None	200	100.00%	Indirect subsidiary of the Bank
ICBC Assets Management & Consulting Co., Ltd	8F, No.100, Jilin Rd., Taipei City	Investment consulting, corporate management consulting and venture investment management consulting	100.00%	21,318	(79)	2,000	None	2,000	100.00%	Indirect subsidiary of the Bank

B. For those investee companies that the Bank has direct or indirect control interest over, further disclosures are as follows:

(A) Information on the acquisition of real estate for which the purchase amount exceeded NT$300 million or 10% of the Bank's paid-in capital: None.

(B) Information on the disposal of the real estate for which the sale amount exceeded NT$300 million or 10% of the Bank's paid-in capital: None.

(C) Information regarding discounted processing fees on transactions with related parties for which the amount exceeded NT$5 million: None.

(D) Information regarding receivables from related parties for which the amount exceeded NT$300 million or 10% of the Bank's paid-in capital: None.

(E) Information regarding selling non-performing loans: None.

(F) Information on and categories of securitized assets which are approved by the authority pursuant to the Financial Asset Securitization Act or the Real Estate Securitization Act: None.

(G) Lending to other parties: None.

(H) Guarantees and endorsements for other parties: None.

(I) Information regarding securities held as of December 31, 2021:

(Expressed in NT Thousand dollars)

Name of Holding Company	Type and Name of Marketable Securities	Relationship with the Securities Issuer	At year-end: Account	Share / Units (in thousands)	Book value	Ownership Percentage (%)	Fair value (note)	Note
Yung-Shing Industries Co.	Stocks							
"	Hi-Scene World Enterprise Co., Ltd.	None	Investments measured by cost method	2,370	$ 5,272	1.54%	$ 5,272	
"	Hua-sheng Venture Capital Investment Corp.	"	"	3	26	1.67%	26	
"	Win Card Co., Ltd.	Equity investees	Investments measured by equity method	200	41,548	100.00%	41,548	
"	ICBC Assets Management & Consulting Co., Ltd.	"	"	2,000	21,318	100.00%	21,318	
"	An Feng Enterprise Co., Ltd.	"	"	150	2,432	5.00%	2,432	
	Total				$ 70,596			

Note: It is not traded in the active market and has no accurate market price.

(J) Information regarding securities for which the purchase or sale amount for the period exceeded NT$300 million or 10% of the Bank's paid-in capital: None.

(K) Information regarding trading in derivatives: None.

(L) Other material transaction items which were significant to the users of the financial statements: None.

(3) Investments in People's Republic of China:

Unit：In NT Thousand Dollars

Name of Investee Company in Mainland China	Main Business	Paid-in Capital	Investment method	Accumulated amount of investment as of January 1, 2021	For the year ended December 31, 2021		Accumulated amount of investments as of December 31, 2021	Net income of investee as of December 31, 2021	The Company's Direct/ Indirect Percentage of Ownership (%)	Investment Income (Loss) for the period (Note 2)	Carrying amount of investment as of December 31, 2021	Investment income remitted as of December 31, 2021
					Reinvestment	Withdrawal						
Mega International Commercial Bank Suzhou Branch (Including Wujiang Sub-Branch and Kunshan Sub-Branch)	Banking businesses approved by the local government	$4,796,000 (Note 3)	Branch	$4,796,000 (Note 3)	$ -	$ -	$4,796,000 (Note 3)	$ 255,828	None	$ 255,828	$ -	$ -
Mega International Commercial Bank Ningbo Branch	Banking businesses approved by the local government	$5,122,458 (Note 4)	Branch	$5,122,458 (Note 4)	$ -	$ -	$5,122,458 (Note 4)	$ 105,690	None	$ 105,690	$ -	$ -

Accumulated investment amounts in Mainland China as of December 31, 2021	Investment amount approved by the investment audit committee of the Ministry of Economic Affairs	Limits on investment amounts established by the investment audit committee of the Ministry of Economic Affairs (Note 1)
$9,918,458 (Note 3) (Note 4)	$9,918,458 (Note 3) (Note 4)	$179,463,833

Note 1: Limit calculation is as follows: (The Bank's net worth was NT299,106,389 thousand) NT$299,106,389 thousand x 60% = NT$179,463,833 thousand.

Note 2: Relevant operating income and expense of the subsidiary, Mega International Commercial Bank Suzhou(Including Wujiang Sub-Branch and Kunshan Sub-Branch) and Ningbo Branch have been included the gains and losses of the Bank.

Note 3: Based on the approved investment amount (RMB$1 billion, approximately US$160,000 thousand) pursuant to Jing-Shen-II-Zi Letter No. 10000045990 issued by the Investment Commission of the Ministry of Economic Affairs on March 31, 2011. The actual remitted amount, converted using the exchange rate at the date of remittance, was approximately US$157,347 thousand, which converted to NTD was NT$4,796,000 thousand.

Note 4: Based on the approved investment amount (RMB$1 billion, approximately US$167,000 thousand) pursuant to Jing-Shen-II-Zi Letter No. 10300306930 issued by the Investment Commission of the Ministry of Economic Affairs on December 9, 2014. The actual remitted amount, converted using the exchange rate at the date of remittance, was approximately US$162,411 thousand, which converted to NTD was NT$5,122,458 thousand.

Note5: Unit: NT thousand dollars (unless otherwise noted).

(4) Major shareholders information: None.

(5) Significant transactions between parent company and subsidiaries

Unit：In NT Thousand Dollars

No. (Note 1)	Company	Counterparty	Relationship (Note 2)	Details of transactions			
				Account	Amount	Conditions	Percentage (%) of total consolidated net revenues or assets (Note 3)
0	Mega International Commercial Bank Co., Ltd.	Mega ICBC(Thailand)	1	Due from Commercial Banks	$ 104,325	No signigicant difference from general customers	0.00%
0	〃	〃	1	Call Loans to Banks	276,884	〃	0.01%
0	〃	〃	1	Deposits from Other Banks	174,167	〃	0.00%
0	〃	〃	1	Due to other banks	4,120	〃	0.00%
0	〃	〃	1	Interest Revenue	1,052	〃	0.00%
0	〃	〃	1	Interest Expenses	112	〃	0.00%
1	Mega ICBC(Thailand)	Mega International Commercial Bank Co., Ltd.	2	Due from Commercial Banks	174,167	〃	0.00%
1	〃	〃	2	Call Loans to Banks	4,120	〃	0.00%
1	〃	〃	2	Deposits from Other Banks	104,325	〃	0.00%
1	〃	〃	2	Due to other banks	276,884	〃	0.01%
1	〃	〃	2	Interest Revenue	112	〃	0.00%
1	〃	〃	2	Interest Expenses	1,052	〃	0.00%

(Note 1) The numbers in the No. column represent as follows:

1. 0 for the parent company.
2. According to the sequential order, subsidiaries are numbered from 1.

(Note 2) Relationship between transaction company and counterparty is classified into the following three categories;

1. Parent company to subsidiary.
2. Subsidiary to parent company.
3. Subsidiary to subsidiary.

(Note 3) Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

(Blank below)

Board of Directors and Supervisors of Mega International Commercial Bank Co., Ltd.

2021/12/31

Name & Title	Current Position & Occupation
Chao-Shun Chang Chairman of the Board 張兆順	Chairman of the Board Mega Financial Holding Company and Mega Bank
Yong-Yi Tsai Managing Director &President 蔡永義	President Mega Bank
Kuang-Hua Hu Managing Director 胡光華	President Mega Financial Holding Company
Chien-Liang Chiu Managing Director 邱建良	Professor Department of Banking and Finance, Tamkang University
Fu-Long Chen Independent Managing Director 陳福隆	
Ying Wu Independent Director 吳瑛	Independent Director Mega Financial Holding Company
Chih-Jen Hsu Independent Director 許志仁	Chairman of the Board Spring House Enterainment Technology Incorpoation
Ching-Wen Lin Director 林靜雯	Professor CTBC Business School
Shin-Horng Chen Director 陳信宏	Director International Division, Chung-Hua Institution for Economic Research (CIER)
Chao-Huang Kuo Director 郭昭宏	President TAIWAN-CA Inc.

Name & Title	**Current Position & Occupation**
Yen-Te Wu Director 吳盈德	Professor Professor of Chinese Culture University Department of Law
Chih-Yang Cheng Director 鄭智陽	Managing lawyer LexFaith Law Office
Chia-Chung Chen Director 陳嘉鐘	Director Mega Financial Holding Company
Chun-Lan Yen Director 顏春蘭	Deputy Director- General National Treasury Administration, Ministry of Finance
Cheng-Chiang Hsu Director 許鎮強	Assistant Vice President Mega Bank
Sheng-Chang Liu Resident Supervisor 劉昇昌	Director C.H. CHANG & Co. Certified Public Accountants
Miao-Hsiang Chen Supervisor 陳妙香	Associate Professor Accounting Department of Chinese Culture University
Yu-ling Hung Supervisor 洪佑伶	CPA Earnest & Co., CPAs
Ming-Sung Kao Supervisor 高銘淞	Department Chair, Department of Finance and International Business Fu Jen Catholic University
Yung-Cheng Yang Supervisor 楊永成	Partnership of CPA Moores Rowland CPAs