

**MEGA INTERNATIONAL COMMERCIAL
BANK CO., LTD. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
FOR THE YEARS ENDED DECEMBER 31, 2020 AND
2019**

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 TRANSLATED FROM CHINESE

PWCR20000361

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, 2020 and 2019, 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, 2020 and 2019, 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

For the years ended December 31, 2020 and 2019, 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 Accountants in 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 of the current period. 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.

The Bank and subsidiaries' key audit matters for the year ended December 31, 2020 are addressed 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 complies 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\$1,919,124,189 thousand and NT\$29,165,967 thousand, respectively, as at December 31, 2020, 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, 2020, and amounted to NT\$6,613,193 thousand and NT\$13,336,198 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 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.

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, internal control system, fair value measurement models, and approval process of the fair value measurement of stocks of unlisted companies.
2. Ascertained whether 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. 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, 2020 and 2019, prepared by the Bank.

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 is 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.

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, 2020 expressed in US dollars were translated from the New Taiwan dollar consolidated financial statements using the exchange rate of US\$1 : NT\$28.095 at December 31, 2020 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



Lai, Chung-Hsi

For and on behalf of PricewaterhouseCoopers, Taiwan

March 12, 2021

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 report of independent accountants 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.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

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

Assets	Notes	December 31, 2020		(Restatement) December 31, 2019
		NT\$	US\$	NT\$
			(Unaudited - Note 4)	
Assets				
Cash and cash equivalents	6(1) and 16(2)	\$ 115,110,508	\$ 4,097,188	\$ 141,035,485
Due from the Central Bank and call loans to banks	6(2) and 11(3)	377,465,228	13,435,317	493,945,509
Financial assets at fair value through profit or loss	6(3)	57,167,861	2,034,806	63,905,347
Financial assets at fair value through other comprehensive income	6(4)	396,955,384	14,129,040	387,478,611
Investments in debt instruments at amortised cost	6(5)	530,083,999	18,867,557	271,134,095
Securities purchased under resell agreements	11(3) and 13(2)	10,357,834	368,672	7,533,579
Receivables, net	6(6) and 16(2)	37,932,862	1,350,164	60,955,571
Current tax assets		62	2	71,575
Discounts and loans, net	6(7) and 11(3)	1,889,958,222	67,270,270	1,873,677,834
Investments measured by equity method, net	6(8)	5,408,950	192,524	3,011,603
Other financial assets, net	6(9)	108,415	3,859	2,537,684
Property and equipment, net	6(10) and 16(2)	14,835,044	528,031	14,962,513
Right-of-use assets, net	6(11), 11(3) and 16(2)	1,880,844	66,946	1,918,253
Investment property, net	6(13)	583,624	20,773	583,973
Deferred income tax assets	6(36)	5,197,218	184,987	5,407,003
Other assets, net	6(14) and 16(2)	8,632,165	307,249	6,181,657
Total assets		<u>\$ 3,451,678,220</u>	<u>\$ 122,857,385</u>	<u>\$ 3,334,340,292</u>
Liabilities and equity				
Liabilities				
Deposits from the Central Bank and banks	6(15) and 11(3)	\$ 390,283,923	\$ 13,891,579	\$ 413,193,185
Due to the Central Bank and banks	6(16) and 11(3)	20,363,979	724,826	21,161,321
Financial liabilities at fair value through profit or loss	6(17) (20)	20,354,623	724,493	21,372,746
Securities sold under repurchase agreements	6(3)(4) and 13(2)	12,271,411	436,783	32,011,462
Payables	6(18) and 16(2)	37,447,244	1,332,879	35,849,726
Current tax liabilities	11(3) and 16(2)	8,440,554	300,429	7,457,513
Deposits and remittances	6(19), 11(3) and 16(2)	2,617,463,763	93,164,754	2,460,554,855
Bank notes payable	6(20)(38)	13,000,000	462,716	12,000,000
Other financial liabilities	6(22)	8,134,052	289,520	10,266,531
Provisions	6(21) and 16(2)	16,916,656	602,123	16,289,362
Lease liabilities	6(11) and 16(2)	1,926,296	68,564	1,943,483
Deferred income tax liabilities	6(36)	2,755,194	98,067	2,828,278
Other liabilities	6(23)	7,737,096	275,390	7,265,191
Total liabilities		<u>3,157,094,791</u>	<u>112,372,123</u>	<u>3,042,193,653</u>
Equity attributable to owners of parent				
Capital				
Common stock	6(24)	85,362,336	3,038,346	85,362,336
Capital surplus	6(24)	62,219,540	2,214,613	62,219,540
Retained earnings				
Legal reserve	6(24)	100,792,996	3,587,578	93,399,533
Special reserve	6(24)	4,240,967	150,951	4,289,719
Unappropriated earnings		34,961,287	1,244,395	39,380,565
Other equity interest	6(26)	7,006,303	249,379	7,028,450
Equity attributable to former owner of business combination under common control	16(2)	-	-	466,496
Total equity		<u>294,583,429</u>	<u>10,485,262</u>	<u>292,146,639</u>
Total liabilities and equity		<u>\$ 3,451,678,220</u>	<u>\$ 122,857,385</u>	<u>\$ 3,334,340,292</u>

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,			Changes Percentage (%)
				(Restatement)	
		2020		2019	
		NT\$	US\$	NT\$	
			(Unaudited- Note 4)		
Interest income	6(27) and 11(3)	\$ 46,745,658	\$ 1,663,842	\$ 68,496,356	(32)
Less: interest expenses	6(27), 11(3) and 16(2)	(16,937,019)	(602,848)	(34,456,774)	(51)
Net interest revenue (expense)		29,808,639	1,060,994	34,039,582	(12)
Net revenue other than interest					
Net service fee revenue (charge)	6(28), 11(3) and 16(2)	6,580,731	234,232	7,185,257	(8)
Gain (loss) on financial assets or liabilities measured at fair value through profit or loss	6(29)	6,555,685	233,340	9,094,375	(28)
Realized gains on financial assets at fair value through other comprehensive income	6(30)	4,285,922	152,551	2,262,424	89
Loss arising from derecognition of financial assets measured at amortised cost	6(5)(7)	(155,917)	(5,550)	4)	3897825
Foreign exchange gains		1,498,288	53,329	2,189,034	(32)
Impairment losses on assets	6(31)	(50,115)	(1,784)	(82,507)	(39)
Share of profit (loss) of associates and joint ventures accounted for using equity method	6(8)	(22,539)	(802)	130,642	(117)
Net other revenue other than interest income	6(32) and 16(2)	405,358	14,428	656,683	(38)
Net revenue		48,906,052	1,740,738	55,475,486	(12)
Bad debts expense, commitment and guarantee liability provision	8(3)	(1,917,068)	(68,235)	(746,859)	157
Operating expenses					
Employee benefits expenses	6(33), 11(3) and 16(2)	(15,875,076)	(565,050)	(16,039,009)	(1)
Depreciation and amortization expenses	6(34) and 16(2)	(1,387,188)	(49,375)	(1,308,380)	6
Other general and administrative expenses	6(35), 11(3) and 16(2)	(6,266,470)	(223,045)	(8,493,767)	(26)
Consolidated income from continuing operations before tax		23,460,250	835,033	28,887,471	(19)
Income tax expense	6(36) and 16(2)	(3,128,169)	(111,343)	(3,837,082)	(18)
Consolidated income from continuing operations, net of tax		\$ 20,332,081	\$ 723,690	\$ 25,050,389	(19)
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)	(\$ 607,480)	(\$ 21,623)	(\$ 883,550)	(31)
Revaluation gains (losses) on investments in equity instruments measured at fair value through other comprehensive income	6(4)(26)	1,127,190	40,121	741,168	52
Share of other comprehensive 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)	2,242	80	1,493	50
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(36)	120,891	4,303	177,009	(32)
Components of other comprehensive income that will be reclassified to profit or loss					
Exchange differences on translation	6(26)	(1,600,913)	(56,982)	(771,311)	108
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)	53,738	1,913	21,269	153
Revaluation gains (losses) from investments in debt instruments measured at fair value through other comprehensive income	6(4)(26)	(119,199)	(4,243)	1,604,024	(107)
Impairment losses from investments in debt instruments measured at fair value through other comprehensive income	6(4)(26)	81,561	2,903	30,733	165
Income tax related to components of other comprehensive income that will be reclassified to profit or loss	6(36)	(17,052)	(607)	(15,284)	12
Other comprehensive (loss) income, net of tax		(959,022)	(34,135)	\$ 905,551	(206)
Total comprehensive income		\$ 19,373,059	\$ 689,555	\$ 25,955,940	(25)
Consolidated profit attributable to:					
Owners of the parent		20,251,877	720,835	24,644,876	(18)
Former owner of business combination under common control		80,204	2,855	405,513	(80)
		\$ 20,332,081	\$ 723,690	\$ 25,050,389	(19)
Consolidated comprehensive income attributable to:					
Owners of the parent		19,292,855	686,700	25,550,427	(24)
Former owner of business combination under common control		80,204	2,855	405,513	(80)
		\$ 19,373,059	\$ 689,555	\$ 25,955,940	(25)
Consolidated earnings per share	6(37)				
Owners of the parent		\$ 2.37	\$ 0.08	\$ 2.89	
Former owner of business combination under common control		0.01	0.00	0.04	
Basic and diluted earnings per share (in dollars)		\$ 2.38	\$ 0.08	\$ 2.93	

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											

(Continued)

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

	Notes	Equity attributable to owners of the parent									Equity attributable to former owner of business combination under common	Total equity
		Retained earnings					Other equity interest					
		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			
<u>For the year ended December 31, 2019 (Restatement) (NT Dollars)</u>												
Balance, January 1, 2019		\$ 85,362,336	\$ 62,219,540	\$ 86,147,870	\$ 4,535,074	\$ 39,333,671	(\$ 1,608,022)	\$ 6,921,933	(\$ 51,668)	\$ -	\$ 282,860,734	
Effects of retrospective application and retrospective restatement		-	-	-	-	-	-	-	-	383,543	383,543	
Balance at January 1 after adjustments		85,362,336	62,219,540	86,147,870	4,535,074	39,333,671	(1,608,022)	6,921,933	(51,668)	383,543	283,244,277	
Profit		-	-	-	-	24,644,876	-	-	-	405,513	25,050,389	
Other comprehensive income (loss)		-	-	-	-	(706,541)	(774,615)	2,362,965	23,742	-	905,551	
Total comprehensive income (loss)		-	-	-	-	23,938,335	(774,615)	2,362,965	23,742	405,513	25,955,940	
Disposal of investments in equity instruments designated												
at fair value through other comprehensive income	6(4)	-	-	-	-	(154,115)	-	154,115	-	-	-	
Reversal of special reserve		-	-	-	(6,389)	6,389	-	-	-	-	-	
Earnings distribution for 2018	6(25)											
Cash dividends		-	-	-	-	(16,731,018)	-	-	-	(322,560)	(17,053,578)	
Legal reserve		-	-	7,251,663	-	(7,251,663)	-	-	-	-	-	
Special reserve		-	-	-	155,416	(155,416)	-	-	-	-	-	
Reversal of special reserve		-	-	-	(394,382)	394,382	-	-	-	-	-	
Balance, December 31, 2019		\$ 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	

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

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

	For the years ended December 31,		
	2020		(Restatement)
	NT\$	US\$	2019 NT\$
	(Unaudited -Note 4)		
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax	\$ 23,460,250	\$ 835,033	\$ 28,887,471
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation expense	1,381,067	49,157	1,300,757
Amortization expense	6,121	218	7,623
Bad debts expense, commitment and guarantee liability provision	1,917,068	68,235	746,859
Interest expense	16,937,019	602,848	34,456,774
Interest income	(46,745,658)	(1,663,842)	(68,496,356)
Dividend income	(1,238,762)	(44,092)	(1,301,251)
Share of loss (profit) of associates and joint ventures accounted for using equity method	22,539	802	130,642
Gain on disposal of property and equipment	(492)	(18)	(611)
Loss on retirement of property and equipment	8,509	303	657
Impairment loss on assets	50,115	1,784	82,507
Changes in operating assets and liabilities			
(Increase) decrease in due from the Central Bank and call loans to banks	(42,487,815)	(1,512,291)	19,115,755
Decrease (increase) in financial assets at fair value through profit or loss	6,737,486	239,811	(820,718)
Increase in financial assets at fair value through other comprehensive income	(8,468,782)	(301,434)	(121,311,616)
Increase in investments in debt instruments measured at amortised cost	(258,960,841)	(9,217,329)	(1,479,599)
Decrease (increase) in receivables	21,462,974	763,943	(671,584)
Increase in discounts and loans	(18,623,564)	(662,878)	(10,377,993)
Increase in other financial assets	(89,437)	(3,183)	(2,507,006)
Increase in other assets	(2,456,630)	(87,440)	(3,355,124)
(Decrease) increase in deposits from the Central Bank and banks	(22,909,262)	(815,421)	18,531,159
Decrease in financial liabilities at fair value through profit or loss	(1,018,123)	(36,239)	(5,320,241)
(Decrease) increase in securities sold under repurchase agreements	(19,740,051)	(702,618)	5,089,819
Increase in payables	3,906,996	139,064	1,099,622
Increase in deposits and remittances	156,908,908	5,584,941	138,426,718
Decrease in other financial liabilities	(2,132,479)	(75,903)	(262,871)
Increase in provisions for employee benefits	378,413	13,469	454,306
(Decrease) increase in other liabilities	(743,431)	(26,461)	983,785
Cash (outflow) inflow generated from operations	(192,437,862)	(6,849,541)	33,148,200
Interest received	48,488,221	1,725,867	69,093,584
Dividends received	1,384,504	49,279	1,449,549
Interest paid	(19,246,257)	(685,042)	(34,060,244)
Income taxes paid	(1,953,966)	(69,549)	(2,505,652)
Net cash flows (used in) from operating activities	(163,765,360)	(5,828,986)	67,125,437
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property and equipment	(617,125)	(21,965)	(745,934)
Proceeds from disposal of property and equipment	514	18	611
Proceeds from capital reduction of liquidation	-	-	75,754
Net cash flows used in investing activities	(616,611)	(21,947)	(669,569)
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease in due to the Central Bank and banks	(797,342)	(28,380)	(32,759,560)
Increase (decrease) in bank notes payable	1,000,000	35,594	(1,300,000)
Increase in guarantee deposits received	1,216,409	43,296	158,133
Payments of lease liabilities	(438,164)	(15,596)	(590,967)
Cash dividends paid	(16,795,082)	(597,796)	(17,053,578)
Net cash flows used in financing activities	(15,814,179)	(562,882)	(51,545,972)
EFFECT OF EXCHANGE RATE CHANGES	(1,872,684)	(66,656)	(757,068)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(182,068,834)	(6,480,471)	14,152,828
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	502,285,681	17,878,116	488,132,853
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 320,216,847</u>	<u>\$ 11,397,645</u>	<u>\$ 502,285,681</u>
CASH AND CASH EQUIVALENTS COMPOSITION:			
Cash and cash equivalents reported in the balance sheet	\$ 115,110,508	\$ 4,097,188	\$ 141,035,485
Due from the Central Bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	194,748,505	6,931,785	353,716,617
Securities purchased under resell agreements qualifying for cash and cash equivalents under the definition of IAS 7	10,357,834	368,672	7,533,579
CASH AND CASH EQUIVALENTS AT END OF REPORTING PERIOD	<u>\$ 320,216,847</u>	<u>\$ 11,397,645</u>	<u>\$ 502,285,681</u>

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, 2020 AND 2019
(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, 2020, in addition to Offshore Banking Unit, the Bank had 108 domestic branches (excluding Head Office business unit), 23 overseas branches, 1 overseas subsidiary (excluding Mega International Commercial Bank (Canada) which was dissolved on April 29, 2019), 5 overseas sub-branches, 2 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, 2020, and 2019, the Bank and subsidiaries had 6,855 and 6,970 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 12, 2021.

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 2020 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IAS 1 and IAS 8, ‘Disclosure initiative-definition of material’	January 1, 2020
Amendments to IFRS 3, ‘Definition of a business’	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7, ‘Interest rate benchmark reform’	January 1, 2020
Amendment to IFRS 16, ‘Covid-19-related rent concessions’	June 1, 2020 (Note)

Note : Earlier application from January 1, 2020 is allowed by FSC.

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.

(2) Effect of new issuances of or amendments to IFRSs 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 2021 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
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

Except for the following, the above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment. The quantitative impact will be disclosed when the assessment is complete.

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.

(3) IFRSs 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:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
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 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 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.

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, 2020	December 31, 2019
The Bank	Mega International Commercial Public Co., Ltd. (Thailand)	Commercial Banking	100.00	100.00
The Bank	Mega International Commercial Bank (Canada) (Note)	Commercial Banking	-	-

Note: Mega International Commercial Bank (Canada) was transformed into a full-function commercial bank branch following the approval from the local competent authority on March 13, 2018. Mega Canada Branch was open for business on April 16, 2018. Mega International Commercial Bank (Canada) was dissolved on April 29, 2019 following the approval from the local competent authority.

C. Subsidiaries not included in the consolidated financial statements:

Name of investor	Name of subsidiaries	Major business activities	Percentage of holding shares (%)	
			December 31, 2020	December 31, 2019
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 'Cumulative translation differences of foreign operations' 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 manages 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 assesses whether the contractual cash flows are consistent with those required in a basic loan agreement. In other words, the Bank and subsidiaries determines 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 recognises 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 determines whether the receivables that has 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 measures the financial assets at fair value. All related transaction costs are recognised in profit or loss. The Bank and subsidiaries subsequently measures 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 has 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 measures the financial assets at fair value plus transaction costs. The Bank and subsidiaries subsequently measures 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 changes 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 applies 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 amortized 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 measures the financial liabilities at fair value. All related transaction costs are recognised in profit or loss. The Bank and subsidiaries subsequently measures 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 does 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 discounts and loans, receivables, debt instruments measured at fair value through other comprehensive income, financial assets at amortised cost, loan commitments and financial guarantee contracts, at each reporting date, the Bank and subsidiaries recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises 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 measures 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 assesses 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 disposes 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) Foreclosed properties

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

(17) Impairment of non-financial assets

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 determines 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 is 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 and current 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 recognizes 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 includes 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 uses 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 uses 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, 2020		December 31, 2019
	NT\$	US\$	NT\$
Cash on hand and petty cash	\$ 14,091,565	\$ 501,568	\$ 20,558,498
Checks for clearance	547,733	19,496	1,037,136
Due from banks	100,471,220	3,576,124	119,439,851
Subtotal	115,110,518	4,097,188	141,035,485
Less: Allowance for bad debt - due from banks	(10)	-	-
Total	<u>\$ 115,110,508</u>	<u>\$ 4,097,188</u>	<u>\$ 141,035,485</u>

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

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

	December 31, 2020	
	NT\$	US\$
Reserve for deposits - category A	\$ 18,943,085	\$ 674,251
Reserve for deposits - category B	46,395,791	1,651,390
Reserve for deposits - general	266	10
Reserve for deposits - foreign currency	696,177	24,779
Deposits of overseas branches with foreign Central Banks	154,718,126	5,506,963
Interbank settlement fund of Fund Center	12,012,994	427,585
Call loans to banks and bank overdrafts	144,698,948	5,150,345
Subtotal	377,465,387	13,435,323
Less: Allowance for bad debt- call loans to banks	(153)	(6)
Less: Allowance for bad debt – due from the Central Bank	(6)	-
Total	<u>\$ 377,465,228</u>	<u>\$ 13,435,317</u>

	December 31, 2019	
	NT\$	
Reserve for deposits - category A	\$ 12,811,817	
Reserve for deposits - category B	39,604,012	
Reserve for deposits - general	284	
Reserve for deposits - foreign currency	631,211	
Deposits of overseas branches with foreign Central Banks	228,656,079	
Interbank settlement fund of Fund Center	4,005,092	
Call loans to banks and bank overdrafts	208,251,579	
Subtotal	493,960,074	
Less: Allowance for bad debt- call loans to banks	(14,565)	
Less: Allowance for bad debt – due from the Central Bank	-	
Total	<u>\$ 493,945,509</u>	

- 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. On December 31, 2020 and 2019, 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, was NT\$194,478,505 thousand and NT\$353,716,617 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, 2020	
	NT\$	US\$
Financial assets mandatorily measured at fair value through profit or loss		
Listed stocks	\$ 8,462,242	\$ 301,201
Emerging stocks	1,038,136	36,951
Unlisted stocks	5,740,712	204,332
Asset securitization	11,730	418
Beneficiary certificates	171,830	6,116
Derivatives	4,757,979	169,353
Government bonds	1,229,224	43,752
Corporate bonds	25,597,258	911,097
Bank notes	5,125,537	182,436
Subtotal	52,134,648	1,855,656
Valuation adjustment	5,033,213	179,150
Total	<u>\$ 57,167,861</u>	<u>\$ 2,034,806</u>

	December 31, 2019	
	NT\$	
Financial assets mandatorily measured at fair value through profit or loss		
Listed stocks	\$ 11,189,199	
Emerging stocks	967,543	
Unlisted stocks	5,482,489	
Asset securitization	14,205	
Beneficiary certificates	171,830	
Derivatives	4,754,538	
Government bonds	1,258,598	
Corporate bonds	27,933,201	
Bank notes	8,228,913	
Subtotal	60,000,516	
Valuation adjustment	3,904,831	
Total	<u>\$ 63,905,347</u>	

- A. Gain or loss on financial assets mandatorily measured at fair value through profit or loss recognized for the years ended December 31, 2020 and 2019 are provided in Note 6(29).
- B. As of December 31, 2020 and 2019, the above financial assets were not pledged to other parties as collateral for business reserves and guarantees.
- C. As of December 31, 2019, the above financial assets used as underlying assets for repurchase agreements held by the Bank and subsidiaries were NT\$6,242,069 thousand.
- D. Information relating to credit risk is provided in Note 8(3).

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

	December 31, 2020		December 31, 2019
	NT\$	US\$	NT\$
Debt instruments			
Corporate bonds	\$ 138,571,674	\$ 4,932,254	\$ 109,723,928
Government bonds	70,464,831	2,508,092	103,850,629
Bank notes	92,452,467	3,290,709	99,397,068
Asset securitization	64,111,460	2,281,952	46,438,486
Bank's certificates of deposit	9,914,736	352,900	11,176,373
Subtotal	375,515,168	13,365,907	370,586,484
Valuation adjustment	2,189,575	77,935	2,242,532
Debt instruments, net	377,704,743	13,443,842	372,829,016
Equity instruments			
Listed stocks	5,590,498	198,986	2,611,487
Unlisted stocks	4,788,006	170,422	4,742,462
Other securities	302,258	10,758	300,000
Subtotal	10,680,762	380,166	7,653,949
Valuation adjustment	8,569,879	305,032	6,995,646
Equity instruments, net	19,250,641	685,198	14,649,595
Total	\$ 396,955,384	\$ 14,129,040	\$ 387,478,611

- 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\$19,250,641 thousand and NT\$14,649,595 thousand as at December 31, 2020 and 2019, respectively.
- B. As result of the completion of liquidations for investee, BDF II, the Bank has cumulative loss on disposal amounting to NT\$6,355 thousand in May 2020. Furthermore, the investee, H&QAP GCGF, returned NT\$26,731 thousand of investments to the Bank with gain on disposal amounting to NT\$14,135 thousand in August 2020 as the investee has ceased to make new investments and successively disposed of assets on its accounts. Additionally, because the spread of the Covid-19 pandemic globally has suppressed market demand momentum and the plummet in international oil prices has impacted prices of raw materials, the Bank adjusted its investment position of relevant equity instruments and sold equity instruments - listed stocks at fair value amounting to NT\$1,074,215 thousand with cumulative loss on disposal amounting to NT\$454,440 thousand.
- C. As result of the completion of liquidations for investees, ARCH IV and HCV VII, the Bank has cumulative loss on disposal amounting to NT\$91,302 thousand for the year ended December 31, 2019. Furthermore, due to the US-China trade tensions resulting in uncertainty in global politics and economy, to avoid the possible unreasonable decline of the Taiwan stock market, the Bank sold equity instruments –listed stocks at fair value amounting to NT\$1,930,261 thousand with cumulative loss on disposal amounting to NT\$59,504 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:

	2020		2019
	NT\$	US\$	NT\$
<u>Equity instruments at fair value through other comprehensive income</u>			
Fair value change recognised in other comprehensive income	\$ 1,127,190	\$ 40,121	\$ 744,477
Cumulative losses reclassified to retained earnings due to derecognition	\$ 446,660	\$ 15,898	\$ 150,806
Dividend income recognised in profit or loss			
Held at end of year	\$ 613,204	\$ 21,826	\$ 590,847
Derecognised during the year	-	-	32,540
	\$ 613,204	\$ 21,826	\$ 623,387
<u>Debt instruments at fair value through other comprehensive income</u>			
Fair value change recognised in other comprehensive income	\$ 3,553,519	\$ 126,482	\$ 3,243,061
Cumulative other comprehensive income reclassified to profit or loss			
Reclassified due to impairment recognition (reversal)	\$ 81,561	\$ 2,903	\$ 30,733
Reclassified due to derecognition	(3,672,718)	(130,725)	(1,639,037)
	(\$ 3,591,157)	(\$ 127,822)	(\$ 1,608,304)
Interest income recognised in profit or loss	\$ 4,940,023	\$ 175,833	\$ 6,272,824

E. As of December 31, 2020 and 2019, the aforementioned financial assets at fair value through other comprehensive income, amounting to NT\$9,963,413 thousand and NT\$9,337,239 thousand, was pledged to other parties as collateral for business reserves and guarantees, respectively.

F. As of December 31, 2020 and 2019, financial assets at fair value through other comprehensive income undertaken for repurchase agreements were NT\$13,745,736 thousand and NT\$27,870,473 thousand, respectively.

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

(5) Investments in debt instruments at amortised cost

	December 31, 2020		December 31, 2019
	NT\$	US\$	NT\$
Central Bank's certificates of deposit	\$ 348,884,420	\$ 12,418,025	\$ 179,271,045
Short-term notes and bills	136,385,848	4,854,453	54,958,282
Bank's certificates of deposit	7,403,155	263,504	6,302,756
Bank notes	29,865,761	1,063,028	27,543,713
Government bonds	4,800,842	170,879	2,868,058
Corporate bonds	2,376,996	84,606	211,571
Treasury bills	399,310	14,213	-
Subtotal	530,116,332	18,868,708	271,155,425
Accumulated impairment	(32,333)	(1,151)	(21,330)
Total	<u>\$ 530,083,999</u>	<u>\$ 18,867,557</u>	<u>\$ 271,134,095</u>

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

	December 31, 2020		December 31, 2019
	NT\$	US\$	NT\$
Interest income	\$ 2,154,704	\$ 76,693	\$ 2,395,261
Losses on disposal	(35)	(1)	(4)
Impairment loss	(10,937)	(389)	(9,391)
	<u>\$ 2,143,732</u>	<u>\$ 76,303</u>	<u>\$ 2,385,866</u>

B. The Bank sold investments in debt instruments and recognised a loss of NT\$35 thousand by considering the value of treasury securities is easily affected by the market fluctuation for the year ended December 31, 2020.

C. Because of the issuer's credit downgrade, the Bank sold the investments in debt instruments and recognised a loss of NT\$4 thousand for the year ended December 31, 2019.

D. As of December 31, 2020 and 2019, the aforementioned debt investments, amounting to NT\$7,112,429 thousand and NT\$6,875,628 thousand, were pledged to other parties as collateral for business reserves and guarantees, respectively.

E. Please refer to Note 8(3) for the movement information on accumulated loss for the years ended December 31, 2020 and 2019.

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

(6) Receivables, net

	December 31, 2020		December 31, 2019
	NT\$	US\$	NT\$
Factoring receivable	\$ 17,544,174	\$ 624,459	\$ 28,218,088
Accounts receivable - Credit card	7,934,806	282,428	7,597,716
Acceptances receivable	6,392,924	227,547	5,638,677
Accrued interest	4,215,380	150,040	5,957,943
Accrued income	1,144,979	40,754	1,065,787
Accounts receivable for bonds settlement	-	-	11,594,295
Other receivables	1,761,203	62,687	2,185,803
Subtotal	38,993,466	1,387,915	62,258,309
Less: Allowance for bad debts	(1,060,604)	(37,751)	(1,302,738)
Receivables, net	<u>\$ 37,932,862</u>	<u>\$ 1,350,164</u>	<u>\$ 60,955,571</u>

A. Please refer to Note 8(3) for the movement information on loss allowance for the years ended December 31, 2020 and 2019.

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

(7) Discounts and loans, net

	December 31, 2020		December 31, 2019
	NT\$	US\$	NT\$
Bills and notes discounted	\$ 47,315	\$ 1,684	\$ 12,949
Overdrafts	232,794	8,286	1,320,257
Short-term loans	503,722,431	17,929,255	559,609,907
Medium-term loans	735,803,605	26,189,842	727,534,712
Long-term loans	669,809,653	23,840,885	604,855,982
Export bills negotiated	5,504,446	195,923	7,613,470
Loans transferred to non-accrual loans	4,003,945	142,514	2,313,988
Subtotal	1,919,124,189	68,308,389	1,903,261,265
Less: Allowance for bad debts	(29,165,967)	(1,038,119)	(29,583,431)
Discounts and loans, net	<u>\$ 1,889,958,222</u>	<u>\$ 67,270,270</u>	<u>\$ 1,873,677,834</u>

A. As of December 31, 2020 and 2019, the amounts of reclassified non-performing loans to overdue loans were NT\$4,003,945 thousand and NT\$2,313,988 thousand, including interest receivable of NT\$18,311 thousand and NT\$14,229 thousand, respectively.

B. The Bank and subsidiaries derecognised credit assets at amortised cost disposal losses amounted to NT\$155,822 thousand for the year 2020.

C. Please refer to Note 8(3) for the movement information on loss allowance for the years ended December 31, 2020 and 2019.

D. The amount of recovery of write-off for the years ended December 31, 2020 and 2019 was NT\$497,728 thousand and NT\$459,473 thousand, respectively.

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

(8) Investments measured by equity method, net

Investee Company	December 31, 2020		Percentage of Shareholding
	Carry amount		
	NT\$	US\$	
Mega Management Consulting Co., Ltd.	\$ 64,007	\$ 2,278	100.00
Cathay Investment & Warehousing Co., S.A.	34,119	1,215	100.00
Ramlett Finance Holdings Inc.	-	-	100.00
Yung-Shing Industries Co.	704,125	25,062	99.56
China Products Trading Company	27,916	994	68.27
Next Commercial Bank Co., Ltd.(Note 1)	2,284,743	81,322	25.10
An Feng Enterprise Co., Ltd.	12,034	428	25.00
Taiwan Finance Corporation	1,776,306	63,225	24.55
Everstrong Iron & Steel Foundry & Mfg. Corporation	46,333	1,649	22.22
China Real Estate Management Co., Ltd.	180,215	6,415	20.00
Universal Venture Capital Investment Corporation	125,335	4,461	11.84
Mega Growth Venture Capital Co., Ltd.	153,817	5,475	11.81
Mega 1 Venture Capital Co., Ltd.(Note 2)	-	-	-
Total	\$ 5,408,950	\$ 192,524	

Investee Company	December 31, 2019	
	Carry amount	Percentage of
	NT\$	Shareholding
Mega Management Consulting Co., Ltd.	\$ 60,680	100.00
Cathay Investment & Warehousing Co., S.A.	41,043	100.00
Ramlett Finance Holdings Inc.	5,396	100.00
Yung-Shing Industries Co.	695,046	99.56
China Products Trading Company	28,057	68.27
Next Commercial Bank Co., Ltd.(Note 1)	-	-
An Feng Enterprise Co., Ltd.	11,918	25.00
Taiwan Finance Corporation	1,676,448	24.55
Everstrong Iron & Steel Foundry & Mfg. Corporation	45,156	22.22
China Real Estate Management Co., Ltd.	177,461	20.00
Universal Venture Capital Investment Corporation	122,616	11.84
Mega Growth Venture Capital Co., Ltd.	147,782	11.81
Mega 1 Venture Capital Co., Ltd.(Note 2)	-	-
Total	\$ 3,011,603	

Note 1: In January 2019, the Board of Directors of the Bank resolved to establish an internet-only bank, 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. In addition, the Bank has provided the necessary financial support letter to Next Bank. Information relating to credit risk is provided in Note 13(3).

For the year ended December 31, 2020, the Bank recognised cumulative investment loss amounting to NT\$225,257 thousand based on Next bank's unaudited financial statements.

Note 2: On June 27, 2019, the investee was dissolved as resolved by its stockholders' meeting, and the liquidation was completed on November 20, 2019.

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,		
	2020		2019
	NT\$	US\$	NT\$
(Loss) profit for the year	(\$ 22,539)	(\$ 802)	\$ 130,642
Other comprehensive income (after income tax)	55,980	1,993	22,762
Total comprehensive income	<u>\$ 33,441</u>	<u>\$ 1,191</u>	<u>\$ 153,404</u>

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. As of December 31, 2020 and 2019, investments measured by equity method were not pledged as collateral.

D. The ownership percentage of the Bank 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, valuations are accounted for using equity method.

E. 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%, thus the investment is accounted for using equity method.

(9) Other financial assets, net

	December 31, 2020		December 31, 2019
	NT\$	US\$	NT\$
Call loan to security brokers	\$ 78,666	\$ 2,800	\$ -
Non-accrual loans transferred from overdue receivables	61,324	2,183	32,392
Remittance purchased	773	27	2,485
Prepaid investment (Note)	-	-	2,510,000
Subtotal	140,763	5,010	2,544,877
Less: Allowance for bad debts - Remittance purchased	(8)	-	(25)
Less: Allowance for bad debts - Non-accrual loans transferred from overdue receivables	(32,340)	(1,151)	(7,168)
Total	<u>\$ 108,415</u>	<u>\$ 3,859</u>	<u>\$ 2,537,684</u>

A. Related information is provided in Note 6(8).

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

(10) Property and equipment, net

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
	<u>\$ 25,895,907</u>	<u>(\$ 11,060,863)</u>	<u>\$ -</u>	<u>\$ 14,835,044</u>
December 31, 2020				
	Cost	Accumulated Depreciation	Accumulated Impairment	Net Book Value
(In US Thousand Dollars)				
Land and land improvements	\$ 337,538	\$ -	\$ -	\$ 337,538
Buildings and auxiliary equipment	372,704	(230,824)	-	141,880
Computers and peripheral equipment	151,339	(111,602)	-	39,737
Transportation and communication equipment	4,468	(3,482)	-	986
Miscellaneous equipment	55,677	(47,787)	-	7,890
	<u>\$ 921,726</u>	<u>(\$ 393,695)</u>	<u>\$ -</u>	<u>\$ 528,031</u>
December 31, 2019				
	Cost	Accumulated Depreciation	Accumulated Impairment	Net Book Value
(In NT Thousand Dollars)				
Land and land improvements	\$ 9,486,039	\$ -	(\$ 42,383)	\$ 9,443,656
Buildings and auxiliary equipment	10,473,996	(6,312,780)	-	4,161,216
Computers and peripheral equipment	3,913,313	(2,824,869)	-	1,088,444
Transportation and communication equipment	120,669	(98,390)	-	22,279
Miscellaneous equipment	1,559,295	(1,312,377)	-	246,918
	<u>\$ 25,553,312</u>	<u>(\$ 10,548,416)</u>	<u>(\$ 42,383)</u>	<u>\$ 14,962,513</u>

2020						
	Land and land improvements	Buildings and auxiliary equipment	Computers and peripheral equipment	Transportation and communication equipment	Miscellaneous equipment	Total
(In NT Thousand Dollars)						
<u>Cost</u>						
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)
Transfers for the year	-	-	-	-	-	-
Exchange adjustments and others	(2,921) (	49,934) (	2,511) (	1,911) (	19,465) (	76,742)
Balance at December 31, 2020	<u>9,483,118</u>	<u>10,471,125</u>	<u>4,251,880</u>	<u>125,527</u>	<u>1,564,257</u>	<u>25,895,907</u>
<u>Accumulated depreciation</u>						
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
Transfers for the year	-	-	-	-	-	-
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)
<u>Accumulated impairment</u>						
Balance at January 1, 2020	(42,383)	-	-	-	-	(42,383)
Reversal of impairment	<u>42,383</u>	-	-	-	-	<u>42,383</u>
Balance at December 31, 2020	-	-	-	-	-	-
	<u>\$ 9,483,118</u>	<u>\$ 3,986,118</u>	<u>\$ 1,116,420</u>	<u>\$ 27,712</u>	<u>\$ 221,676</u>	<u>\$ 14,835,044</u>

2020						
	Land and land improvements	Buildings and auxiliary equipment	Computers and peripheral equipment	Transportation and communication equipment	Miscellaneous equipment	Total
(In US Thousand Dollars)						
<u>Cost</u>						
Balance at January 1, 2020	\$ 337,642	\$ 372,806	\$ 139,288	\$ 4,295	\$ 55,501	\$ 909,532
Additions for the year	-	2,407	17,523	518	1,517	21,965
Disposals for the year	- (	732) (	5,383) (	277) (	648) (	7,040)
Transfers for the year	-	-	-	-	-	-
Exchange adjustments and others	(104)	(1,777)	(89)	(68)	(693)	(2,731)
Balance at December 31, 2020	<u>337,538</u>	<u>372,704</u>	<u>151,339</u>	<u>4,468</u>	<u>55,677</u>	<u>921,726</u>
<u>Accumulated depreciation</u>						
Balance at January 1, 2020	- (	224,694) (	100,547) (	3,502) (	46,712) (	375,455)
Depreciation for the year	- (	8,433) (	16,338) (	317) (	2,134) (	27,222)
Disposals for the year	-	732	5,383	276	647	7,038
Transfers for the year	-	-	-	-	-	-
Exchange adjustments and others	-	1,571	(100)	61	412	1,944
Balance at December 31, 2020	- (	230,824) (	111,602) (	3,482) (	47,787) (	393,695)
<u>Accumulated impairment</u>						
Balance at January 1, 2020	(1,509)	-	-	-	-	(1,509)
Reversal of impairment	1,509	-	-	-	-	1,509
Balance at December 31, 2020	-	-	-	-	-	-
	<u>\$ 337,538</u>	<u>\$ 141,880</u>	<u>\$ 39,737</u>	<u>\$ 986</u>	<u>\$ 7,890</u>	<u>\$ 528,031</u>

2019						
	Land and land improvements	Buildings and auxiliary equipment	Computers and peripheral equipment	Transportation and communication equipment	Miscellaneous equipment	Total
(In NT Thousand Dollars)						
<u>Cost</u>						
Balance at January 1, 2019	\$ 9,486,629	\$ 10,401,146	\$ 3,593,290	\$ 126,355	\$ 1,503,753	\$ 25,111,173
Additions for the year	-	124,037	515,486	9,147	97,264	745,934
Disposals for the year	- (	34,445) (	179,293) (	14,505) (	40,217) (	268,460)
Transfers for the year	- (	2,163) (	170)	-	2,333	-
Exchange adjustments and others	(590)	(14,579)	(16,000)	(328)	(3,838)	(35,335)
Balance at December 31, 2019	<u>9,486,039</u>	<u>10,473,996</u>	<u>3,913,313</u>	<u>120,669</u>	<u>1,559,295</u>	<u>25,553,312</u>
<u>Accumulated depreciation</u>						
Balance at January 1, 2019	- (	6,131,325) (	2,621,304) (	104,601) (	1,295,469) (	10,152,699)
Depreciation for the year	- (	231,681) (	398,672) (	8,588) (	58,966) (	697,907)
Disposals for the year	-	34,445	178,752	14,506	40,100	267,803
Transfers for the year	-	1,527	292	- (	1,819)	-
Exchange adjustments and others	-	14,254	16,063	293	3,777	34,387
Balance at December 31, 2019	- (	6,312,780) (	2,824,869) (	98,390) (	1,312,377) (	10,548,416)
<u>Accumulated impairment</u>						
Balance at January 1, 2019	-	-	-	-	-	-
Impairment loss	(42,383)	-	-	-	-	(42,383)
Balance at December 31, 2019	(42,383)	-	-	-	-	(42,383)
	<u>\$ 9,443,656</u>	<u>\$ 4,161,216</u>	<u>\$ 1,088,444</u>	<u>\$ 22,279</u>	<u>\$ 246,918</u>	<u>\$ 14,962,513</u>

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

	December 31, 2020		December 31, 2019
	Carrying amount		Carrying amount
	NT\$	US\$	NT\$
Land and land improvements	\$ 478,105	\$ 17,017	\$ 498,451
Buildings and auxiliary equipment	1,305,963	46,484	1,306,257
Machinery and equipment	96,186	3,424	112,216
Others	590	21	1,329
Total	\$ 1,880,844	\$ 66,946	\$ 1,918,253
	For the years ended December 31,		
	2020		2019
	Depreciation expense		Depreciation expense
	NT\$	US\$	NT\$
Land and land improvements	\$ 25,902	\$ 922	\$ 26,122
Buildings and auxiliary equipment	534,417	19,022	523,364
Machinery and equipment	54,858	1,952	51,945
Others	749	27	1,084
Total	\$ 615,926	\$ 21,923	\$ 602,515

- C. The information on income and expense accounts and cashflow relating to lease contracts is as follows:

	For the years ended December 31,		
	2020		2019
	NT\$	US\$	NT\$
<u>Items affecting profit or loss</u>			
Interest expense on lease liabilities	\$ 27,259	\$ 970	\$ 26,943
Expense on short-term lease contracts	5,408	192	5,926
Expense on leases of low-value assets	6,915	246	7,628
<u>Other disclosures</u>			
Addition of right-of-use assets	\$ 594,198	\$ 21,150	\$ 810,459
Cash outflow for leases	(477,746)	(17,005)	(631,464)

(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, 2020 and 2019, the Bank and subsidiaries recognised rental income in the amounts of NT\$156,790 thousand and NT\$158,825 thousand based on the operating lease contracts, of which variable lease payments amounted to NT\$0 thousand and NT\$1,616 thousand, respectively.

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

	For the years ended December 31,		
	2020		2019
	NT\$	US\$	NT\$
Within 1 year	\$ 156,596	\$ 5,574	\$ 160,140
1-2 years	68,258	2,429	129,671
2-3 years	28,979	1,031	43,596
3-4 years	15,211	541	18,126
4-5 years	5,325	190	10,809
After 5 years	15,272	544	17,853
Total	<u>\$ 289,641</u>	<u>\$ 10,309</u>	<u>\$ 380,195</u>

(13) Investment property, net

	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
	<u>\$ 596,269</u>	<u>(\$ 12,645)</u>	<u>\$ -</u>	<u>\$ 583,624</u>

	December 31, 2020			
	Cost	Accumulated Depreciation	Accumulated Impairment	Net Book Value
	(In US Thousand Dollars)			
Land and land improvements	\$ 20,458	\$ -	\$ -	\$ 20,458
Buildings and auxiliary equipment	765	(450)	-	315
	<u>\$ 21,223</u>	<u>(\$ 450)</u>	<u>\$ -</u>	<u>\$ 20,773</u>

	December 31, 2019			
	Cost	Accumulated Depreciation	Accumulated Impairment	Net Book Value
	(In NT Thousand Dollars)			
Land and land improvements	\$ 574,770	\$ -	\$ -	\$ 574,770
Buildings and auxiliary equipment	21,540	(12,337)	-	9,203
	<u>\$ 596,310</u>	<u>(\$ 12,337)</u>	<u>\$ -</u>	<u>\$ 583,973</u>

- A. The fair value of the investment property held by the Bank and subsidiaries as of December 31, 2020 and 2019 was NT\$3,096,155 thousand and NT\$3,034,172 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, 2020 and 2019 was NT\$14,280 thousand and NT\$13,977 thousand, respectively; direct operating expenses incident to current rental income from investment property was NT\$6,708 thousand and NT\$6,769 thousand, respectively.
- C. For the rental revenue from the lease of the investment property among related parties, please refer to Note 11(3).
- D. None of the Bank's and its subsidiaries' investment property as at December 31, 2020 and 2019 have been pledged or provided as guarantees.

(Blank below)

	2020		
	Land and land improvements	Buildings and auxiliary equipment	Total
	(In NT Thousand Dollars)		
<u>Original cost</u>			
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
<u>Accumulated depreciation</u>			
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)
	<u>\$ 574,770</u>	<u>\$ 8,854</u>	<u>\$ 583,624</u>
	2020		
	Land and land improvements	Buildings and auxiliary equipment	Total
	(In US Thousand Dollars)		
<u>Original cost</u>			
Balance at January 1, 2020	\$ 20,458	\$ 767	\$ 21,225
Exchange adjustments	-	(2)	(2)
Balance at December 31, 2020	20,458	765	21,223
<u>Accumulated depreciation</u>			
Balance at January 1, 2020	-	(439)	(439)
Depreciation for the year	-	(12)	(12)
Exchange adjustments	-	1	1
Balance at December 31, 2020	-	(450)	(450)
	<u>\$ 20,458</u>	<u>\$ 315</u>	<u>\$ 20,773</u>
	2019		
	Land and land improvements	Buildings and auxiliary equipment	Total
	(In NT Thousand Dollars)		
<u>Original cost</u>			
Balance at January 1, 2019	\$ 574,770	\$ 21,498	\$ 596,268
Exchange adjustments	-	42	42
Balance at December 31, 2019	574,770	21,540	596,310
<u>Accumulated depreciation</u>			
Balance at January 1, 2019	-	(11,977)	(11,977)
Depreciation for the year	-	(335)	(335)
Exchange adjustments	-	(25)	(25)
Balance at December 31, 2019	-	(12,337)	(12,337)
	<u>\$ 574,770</u>	<u>\$ 9,203</u>	<u>\$ 583,973</u>

(14) Other assets, net

	December 31, 2020		December 31, 2019
	NT\$	US\$	NT\$
Refundable deposits	\$ 6,399,972	\$ 227,798	\$ 4,524,234
Temporary payments	1,136,585	40,455	863,147
Computer software	829,235	29,515	506,828
Prepaid expenses	133,829	4,763	126,882
Others	132,544	4,718	160,566
Total	<u>\$ 8,632,165</u>	<u>\$ 307,249</u>	<u>\$ 6,181,657</u>

(15) Deposits from the Central Bank and banks

	December 31, 2020		December 31, 2019
	NT\$	US\$	NT\$
Deposits from the Central Bank	\$ 191,071,013	\$ 6,800,890	\$ 174,826,666
Call loans from the Central Bank and banks	130,019,654	4,627,857	175,091,254
Deposits from banks	67,236,076	2,393,169	58,859,396
Overdrafts on banks	1,917,837	68,263	4,344,459
Deposits transferred from Chunghwa Post Co., Ltd.	39,343	1,400	71,410
Total	<u>\$ 390,283,923</u>	<u>\$ 13,891,579</u>	<u>\$ 413,193,185</u>

(16) Due to the Central Bank and banks

	December 31, 2020		December 31, 2019
	NT\$	US\$	NT\$
Other dues to the Central Bank	\$ 9,754,140	\$ 347,184	\$ -
Due to banks	7,023,750	250,000	17,392,460
Collateral loans transferred to the Central Bank	3,586,089	127,642	3,768,861
Total	<u>\$ 20,363,979</u>	<u>\$ 724,826</u>	<u>\$ 21,161,321</u>

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

	December 31, 2020		December 31, 2019
	NT\$	US\$	NT\$
Financial liabilities held for trading:			
Derivatives	<u>\$ 3,300,350</u>	<u>\$ 117,471</u>	<u>\$ 2,853,050</u>
Financial liabilities designated at fair value through profit or loss:			
Bank notes	15,570,980	554,226	17,362,339
Valuation adjustment	<u>1,483,293</u>	<u>52,796</u>	<u>1,157,357</u>
Subtotal	<u>17,054,273</u>	<u>607,022</u>	<u>18,519,696</u>
Total	<u>\$ 20,354,623</u>	<u>\$ 724,493</u>	<u>\$ 21,372,746</u>

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, 2020 and 2019 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, 2020		December 31, 2019
	NT\$	US\$	NT\$
Accounts payable	\$ 15,690,983	\$ 558,497	\$ 11,714,037
Bankers' acceptances	6,504,180	231,507	5,670,515
Dividends and bonus payable	5,679,263	202,145	5,681,664
Accrued expenses	4,624,528	164,603	5,219,043
Accrued interest	2,061,784	73,386	4,371,022
Collections payable for customers	973,763	34,660	1,178,172
Other payables	1,912,743	68,081	2,015,273
Total	<u>\$ 37,447,244</u>	<u>\$ 1,332,879</u>	<u>\$ 35,849,726</u>

(19) Deposits and remittances

	December 31, 2020		December 31, 2019
	NT\$	US\$	NT\$
Time deposits	\$ 984,771,155	\$ 35,051,474	\$ 1,018,377,750
Demand deposits	789,876,419	28,114,484	656,570,681
Demand savings deposits	520,156,920	18,514,217	466,103,601
Time savings deposits	286,782,369	10,207,594	282,924,395
Checking deposits	25,516,435	908,220	26,496,329
Remittances	8,958,765	318,874	9,222,599
Negotiable certificates of deposit	1,401,700	49,891	859,500
Total	<u>\$ 2,617,463,763</u>	<u>\$ 93,164,754</u>	<u>\$ 2,460,554,855</u>

(20) Bank notes payable

	December 31, 2020		December 31, 2019
	NT\$	US\$	NT\$
Subordinated bank debentures	\$ 12,000,000	\$ 427,122	\$ 12,000,000
General bank debentures	1,000,000	35,594	-
Total	<u>\$ 13,000,000</u>	<u>\$ 462,716</u>	<u>\$ 12,000,000</u>

Bank notes were as follows:

Name of bond	Issuing period	Interest rate %	Total issued amount	December 31, 2020		Remark
				NT\$	US\$	
103-1 Development Bank Notes (Note 1)	2014.03.28-2021.03.28	1.70%	NT\$ 4,900,000	\$ 4,900,000	\$ 174,408	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	252,714	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	<u>1,000,000</u>	<u>35,594</u>	Interest is paid annually. The principal is repaid at maturity.
Total				<u>\$ 13,000,000</u>	<u>\$ 462,716</u>	

(Note 1) It was a subordinated bank debenture.

(Note 2) It was a general bank debenture.

Note 2)It was a general bank debenture.

Name of bond	Issuing period	Interest rate %	Total issued amount	December 31, 2020		Remark
				US\$		
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	Total issued	December 31, 2019		Remark
		rate %	amount	NT\$		
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		-	Interest is paid annually. The principal is repaid at maturity.
Total				\$	12,000,000	

(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, 2019		Remark
				US\$		
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		45,000	The principal is repaid at maturity.
Total				\$	539,000	

As of December 31, 2020 and 2019, the outstanding balances of the above mentioned bank notes amounted to US\$494 million and US\$539 million; and NT\$13.0 billion and NT\$12.0 billion,

respectively. In addition, among the above bank notes, the senior bank notes with face value of US\$494 million and US\$539 million were designated as financial liabilities at fair value through profit or loss and hedged by interest rate swap contracts, respectively. 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, 2020		December 31, 2019
	NT\$	US\$	NT\$
Provisions for employee benefits	\$ 14,098,537	\$ 501,817	\$ 13,233,535
Provisions for guarantee liabilities	2,595,698	92,390	2,956,406
Provisions for loan commitments	219,469	7,811	97,542
Provisions for others	2,952	105	1,879
Total	<u>\$ 16,916,656</u>	<u>\$ 602,123</u>	<u>\$ 16,289,362</u>

Provisions for employee benefits are as follows:

	December 31, 2020		December 31, 2019
	NT\$	US\$	NT\$
Recognized in consolidated balance sheet:			
-Defined benefit plans	\$ 8,911,482	\$ 317,191	\$ 8,501,956
-Employee preferential savings plans	5,187,055	184,626	4,731,579
Total	<u>\$ 14,098,537</u>	<u>\$ 501,817</u>	<u>\$ 13,233,535</u>

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 contributes monthly an amount equal to 11.896% (the contribution percentage from January 2019 to May 2019 was 11.654%; the contribution percentage from June 2019 to June 2020 was 12.197%) 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, 2020		December 31, 2019
	NT\$	US\$	NT\$
Present value of funded obligations	\$ 17,790,850	\$ 633,239	\$ 17,508,187
Fair value of plan assets	(8,879,368)	(316,048)	(9,006,231)
Net defined benefit liability	<u>\$ 8,911,482</u>	<u>\$ 317,191</u>	<u>\$ 8,501,956</u>

(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)		
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
Past service cost	-	-	-
	<u>18,132,153</u>	<u>(9,068,505)</u>	<u>9,063,648</u>
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	<u>4,931</u>	<u>-</u>	<u>4,931</u>
	<u>910,252</u>	<u>(305,798)</u>	<u>604,454</u>
Pension fund contribution	-	(756,601)	(756,601)
Paid Pension	(1,251,536)	1,251,536	-
Business combination adjustments	(19)	-	(19)
Balance at December 31	<u>\$ 17,790,850</u>	<u>(\$ 8,879,368)</u>	<u>\$ 8,911,482</u>

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability
	(In US Thousand Dollars)		
2020			
Balance at January 1	\$ 623,178	(\$ 320,563)	\$ 302,615
Current service cost	17,949	-	17,949
Interest expenses (income)	4,260	(2,217)	2,043
Past service cost	-	-	-
	<u>645,387</u>	<u>(322,780)</u>	<u>322,607</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expenses)	-	(10,884)	(10,884)
Change in financial assumptions	32,224	-	32,224
Experience adjustments	<u>175</u>	<u>-</u>	<u>175</u>
	<u>32,399</u>	<u>(10,884)</u>	<u>21,515</u>
Pension fund contribution	-	(26,930)	(26,930)
Paid Pension	(44,546)	44,546	-
Business combination adjustments	(1)	-	(1)
Balance at December 31	<u>\$ 633,239</u>	<u>(\$ 316,048)</u>	<u>\$ 317,191</u>

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability
(In NT Thousand Dollars)			
2019			
Balance at January 1	\$ 16,909,442	(\$ 9,151,785)	\$ 7,757,657
Current service cost	514,327	-	514,327
Interest expenses (income)	165,187	(90,683)	74,504
Past service cost	163,077	-	163,077
	<u>17,752,033</u>	<u>(9,242,468)</u>	<u>8,509,565</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expenses)	-	(326,716)	(326,716)
Change in financial assumptions	722,064	-	722,064
Experience adjustments	<u>489,696</u>	<u>-</u>	<u>489,696</u>
	<u>1,211,760</u>	<u>(326,716)</u>	<u>885,044</u>
Pension fund contribution	-	(892,653)	(892,653)
Paid Pension	<u>(1,455,606)</u>	<u>1,455,606</u>	<u>-</u>
Balance at December 31	<u>\$ 17,508,187</u>	<u>(\$ 9,006,231)</u>	<u>\$ 8,501,956</u>

- (D) The Bank of Taiwan was 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, 2020 and 2019 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.

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

	For the years ended December 31,	
	2020	2019
Discount rate	0.30%	0.70%
Rate of future salary increases	3.52%	3.36%

Assumptions regarding future mortality rate are set based on the 5th 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, 2020				
Effect on present value of defined benefit obligation	(\$ 416,059)	\$ 431,320	\$ 416,643	(\$ 404,300)

	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, 2020				
Effect on present value of defined benefit obligation	(\$ 14,809)	\$ 15,352	\$ 14,830	(\$ 14,390)

	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, 2019				
Effect on present value of defined benefit obligation	(\$ 409,789)	\$ 425,041	\$ 412,889	(\$ 400,380)

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, 2021 amount to NT\$491,000 thousand.

(G) As of December 31, 2020, the weighted average duration of that pension plan is 9.1 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, 2020 and 2019 were NT\$165,892 thousand and NT\$142,612 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, 2020 and 2019, were NT\$28,656 thousand and NT\$47,453 thousand, respectively.

C. The Bank’s payment obligations of fixed-amount preferential savings of retired employees and current employees after retirement 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:

	December 31, 2020		December 31, 2019
	NT\$	US\$	NT\$
Present value of defined benefit obligation	\$ 5,187,055	\$ 184,626	\$ 4,731,579
Less: Fair value of plan assets	-	-	-
	<u>\$ 5,187,055</u>	<u>\$ 184,626</u>	<u>\$ 4,731,579</u>

(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)		
2020			
Balance at January 1	\$ 4,731,579	\$ -	\$ 4,731,579
Interest expenses	180,439	-	180,439
	<u>4,912,018</u>	<u>-</u>	<u>4,912,018</u>
Remeasurements:			
Change in demographic assumptions	646,947	-	646,947
Experience adjustments	593,480	-	593,480
	<u>1,240,427</u>	<u>-</u>	<u>1,240,427</u>
Pension fund contribution	-	(965,390)	(965,390)
Paid pension	(965,390)	965,390	-
Balance at December 31	<u>\$ 5,187,055</u>	<u>\$ -</u>	<u>\$ 5,187,055</u>

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability
	(In US Thousand Dollars)		
2020			
Balance at January 1	\$ 168,415	\$ -	\$ 168,415
Interest expenses	6,422	-	6,422
	<u>174,837</u>	<u>-</u>	<u>174,837</u>
Remeasurements:			
Change in demographic assumptions	23,027	-	23,027
Experience adjustments	21,124	-	21,124
	<u>44,151</u>	<u>-</u>	<u>44,151</u>
Pension fund contribution	-	(34,362)	(34,362)
Paid pension	(34,362)	34,362	-
Balance at December 31	<u>\$ 184,626</u>	<u>\$ -</u>	<u>\$ 184,626</u>

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability
	(In NT Thousand Dollars)		
2019			
Balance at January 1	\$ 4,315,032	\$ -	\$ 4,315,032
Interest expenses	<u>164,618</u>	<u>-</u>	<u>164,618</u>
	<u>4,479,650</u>	<u>-</u>	<u>4,479,650</u>
Remeasurements:			
Change in demographic assumptions	545,544	-	545,544
Experience adjustments	<u>574,868</u>	<u>-</u>	<u>574,868</u>
	<u>1,120,412</u>	<u>-</u>	<u>1,120,412</u>
Pension fund contribution	-	(868,483)	(868,483)
Paid pension	(868,483)	<u>868,483</u>	<u>-</u>
Balance at December 31	<u>\$ 4,731,579</u>	<u>\$ -</u>	<u>\$ 4,731,579</u>

(C) Actuarial assumptions are as follows:

	For the years ended December 31,	
	2020	2019
Discount rate for employee preferential interest savings	<u>4.00%</u>	<u>4.00%</u>
Return rate on capital deposited	<u>2.00%</u>	<u>2.00%</u>
Annual decreasing ratio for account balance	<u>1.00%</u>	<u>1.00%</u>
Probability of change in preferential savings system in the future	<u>50.00%</u>	<u>50.00%</u>

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, 2020

Effect on present value of defined benefit obligation	(\$ <u>103,333</u>)	\$ <u>107,183</u>	(\$ <u>24,206</u>)	\$ <u>24,206</u>
	Discount rate		Rate of deposit cost	
	Increase 0.25%	Decrease 0.25%	Increase 0.05%	Decrease 0.05%
	(In US Thousand Dollars)			

December 31, 2020

Effect on present value of defined benefit obligation	(\$ <u>3,678</u>)	\$ <u>3,815</u>	(\$ <u>862</u>)	\$ <u>862</u>
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Discount rate		Rate of deposit cost	
Increase 0.25%	Decrease 0.25%	Increase 0.05%	Decrease 0.05%
(In NT Thousand Dollars)			

December 31, 2019

Effect on present

value of defined

benefit obligation (\$ 94,797) \$ 98,340 (\$ 34,433) \$ 34,433

(D) The Bank and subsidiaries recognized employee benefit expenses of NT\$1,692,849 thousand and NT\$1,533,094 thousand for the years ended December 31, 2020 and 2019, 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, 2020 and 2019.

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, 2020		December 31, 2019
	NT\$	US\$	NT\$
Principal received on structured notes	\$ 7,657,573	\$ 272,560	\$ 9,646,310
Cumulative earnings on appropriated loan fund	476,479	16,960	620,221
Total	<u>\$ 8,134,052</u>	<u>\$ 289,520</u>	<u>\$ 10,266,531</u>

(23) Other liabilities

	December 31, 2020		December 31, 2019
	NT\$	US\$	NT\$
Guarantee deposits received	\$ 4,408,938	\$ 156,929	\$ 3,192,529
Temporary credits	1,372,911	48,867	2,007,525
Advance receipt	1,371,917	48,831	1,451,333
Other liabilities to be settled	403,013	14,345	425,622
Others	180,317	6,418	188,182
Total	<u>\$ 7,737,096</u>	<u>\$ 275,390</u>	<u>\$ 7,265,191</u>

(24) Equity

A. Common stock

As of December 31, 2020 and 2019, the Bank's authorized and paid-in capital was 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) On December 31, 2020 and 2019, the details of the Bank's capital surplus are as follows:

	December 31, 2020		December 31, 2019
	NT\$	US\$	NT\$
Additional paid-in capital	\$ 31,495,952	\$ 1,121,052	\$ 31,495,952
Consolidation surplus arising from share conversion	30,109,277	1,071,695	30,109,277
Changes in additional paid-in capital of investees accounted for using equity method	375,908	13,380	375,908
Share-based payment (Note)	238,403	8,486	238,403
Total	<u>\$ 62,219,540</u>	<u>\$ 2,214,613</u>	<u>\$ 62,219,540</u>

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, 2020 and 2019, the Bank's legal reserves was NT\$100,792,996 thousand and NT\$93,399,533 thousand, respectively.

(B) Special reserve

In accordance with Financial-Supervisory-Securities-Corporate No. 1010012865 of the FSC dated on April 6, 2012, 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. Amount of NT\$6,389 thousand previously set aside by the Bank as special reserve in accordance with Financial-Supervisory-Securities-Corporate No. 1010012865 was reversed proportionally due to disposal of investments Cathy Investment & Development Corporation (Bahamas), which was measured by equity method- for the year ended December 31, 2019. As of December 31, 2020, and 2019, the special reserve of the Bank were NT\$4,240,967 thousand and NT\$4,289,719 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.

(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 2019 and 2018 approved by the Bank's Board of Directors on the stockholders' behalf on May 8, 2020 and May 10, 2019, respectively, was as follows:

	For the years ended December 31,	
	2019	2018
	NT\$	NT\$
Legal reserve	\$ 7,393,463	\$ 7,251,663
Special reserve (Note)	34,209	155,416
Cash dividends (NT\$1.92 and NT\$1.96 dollar per share)	16,389,569	16,731,018
	<u>\$ 23,817,241</u>	<u>\$ 24,138,097</u>

Note: The special reserves were reversed amounting to NT\$89,350 thousand and NT\$394,382 thousand for the years ended December 31, 2019 and 2018, 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 2020 earnings resolved by the Board of Directors on March 12, 2021 is set forth below:

	For the year ended December 31, 2020	
	NT\$	US\$
Legal reserve	\$ 5,794,501	\$ 206,247
Special reserve (Note)	36,432	1,297
Cash dividends (NT\$1.54 dollar per share)	13,145,800	467,905
	<u>\$ 18,976,733</u>	<u>\$ 675,449</u>

Note: The special reserve was reversed amounting to NT\$59,104 thousand for the year ended December 31, 2020.

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

(26) Other equity

	Exchange differences on translation of foreign financial statements	Gain (loss) 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

	Exchange differences on translation of foreign financial statements	Gain (loss) on financial assets at fair value through other comprehensive income	Other equity-other	Total
	(In US Thousand Dollars)			
January 1, 2020	(\$ 84,806)	\$ 335,968	(\$ 994)	\$ 250,168
Financial assets at fair value through other comprehensive income				
Evaluation adjustment for the year	-	166,603	-	166,603
Changed in accumulated impairments in the period	-	2,903	-	2,903
Realized gain and loss in the period	- (	114,699)	- (	114,699)
Translation gain and loss on the financial statements of foreign operating entities in the period	(56,982)	-	- (	56,982)
Share of other comprehensive income of associates and joint ventures accounted for using equity method	(38)	1,713	318	1,993
Income tax related to components of other comprehensive income that will be reclassified to profit or loss	- (	607)	- (	607)
December 31, 2020	(\$ 141,826)	\$ 391,881	(\$ 676)	\$ 249,379

	Exchange differences on translation of foreign financial statements	Gain (loss) on financial assets at fair value through other comprehensive income	Other equity-other	Total
	(In NT Thousand Dollars)			
January 1, 2019	(\$ 1,608,022)	\$ 6,921,933	(\$ 51,668)	\$ 5,262,243
Financial assets at fair value through other comprehensive income				
Evaluation adjustment for the year	-	3,984,229	-	3,984,229
Changed in accumulated impairments in the period	-	30,733	-	30,733
Realized gain and loss in the period	- (	1,484,922)	- (	1,484,922)
Translation gain and loss on the financial statements of foreign operating entities in the period	(771,311)	-	- (	771,311)
Share of other comprehensive income of associates and joint ventures accounted for using equity method	(3,304)	2,324	23,742	22,762
Income tax related to components of other comprehensive income that will be reclassified to profit or loss	- (	15,284)	- (	15,284)
December 31, 2019	(\$ 2,382,637)	\$ 9,439,013	(\$ 27,926)	\$ 7,028,450

(27) Net interest revenue (expense)

	For the years ended December 31,		
	2020		2019
	NT\$	US\$	NT\$
<u>Interest income</u>			
Interest income, discounts and loans	\$ 34,642,500	\$ 1,233,048	\$ 45,564,938
Interest income, due from banks	4,482,818	159,559	13,200,824
Interest income, securities investment	7,094,727	252,526	8,668,085
Interest income, accounts receivable factoring	168,981	6,015	484,244
Interest income, credit card recurrence	178,740	6,362	172,644
Interest income, others	177,892	6,332	405,621
Subtotal	46,745,658	1,663,842	68,496,356
<u>Interest expenses</u>			
Interest expenses, deposit	(13,648,710)	(485,805)	(25,226,492)
Interest expenses, deposits from the Central Bank and banks	(2,581,503)	(91,885)	(7,940,539)
Interest expenses, repurchase	(402,413)	(14,323)	(865,071)
Interest expenses, bond and bill	(205,283)	(7,307)	(207,772)
Interest expenses, others	(99,110)	(3,528)	(216,900)
Subtotal	(16,937,019)	(602,848)	(34,456,774)
Total	\$ 29,808,639	\$ 1,060,994	\$ 34,039,582

(28) Net service fee revenue (charge)

	For the years ended December 31,		
	2020		2019
	NT\$	US\$	NT\$
<u>Service fee</u>			
Service fee, trust	\$ 2,113,342	\$ 75,221	\$ 1,558,730
Service fee, loan	1,240,802	44,165	1,273,493
Service fee, insurance agency	995,649	35,439	1,597,304
Service fee, guarantee	814,602	28,995	881,384
Service fee, remittances	647,119	23,033	745,611
Service fee, credit cards	550,606	19,598	605,044
Service fee, import and export	393,738	14,015	486,669
Service fee, others (Note)	1,039,918	37,014	1,332,209
Subtotal	7,795,776	277,480	8,480,444
<u>Service charges</u>			
Service charge, agency	(734,617)	(26,148)	(901,989)
Service charge, custodian	(76,137)	(2,710)	(64,756)
Service charge, others	(404,291)	(14,390)	(328,442)
Subtotal	(1,215,045)	(43,248)	(1,295,187)
Total	\$ 6,580,731	\$ 234,232	\$ 7,185,257

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 2020 and 2019, the fee income generated by the Bank and subsidiaries concurrently in electronic payment business were amounted to NT\$2,262 thousand and NT\$4,249 thousand, respectively.
- B. Due to the Bank and subsidiaries concurrently in electronic payment business, in 2020 and 2019, the interest earned from utilizing funds received from users amounted to NT\$7 and NT\$54, respectively, based on the calculation required in Article 4 of “Regulations Governing the Organization and Administration of Sinking Fund Established by Electronic Payment Institutions”.

(Blank below)

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

	For the years ended December 31,		
	2020		2019
	NT\$	US\$	NT\$
<u>Gains (losses) on disposal of financial assets or liabilities measured at fair value through profit or loss</u>			
Bond	\$ 23,644	\$ 842	\$ 22,517
Stock	(16,959)	(604)	(564,874)
Interest rate	174,076	6,196	654,027
Exchange rate	4,424,979	157,501	4,923,306
Options	56,650	2,016	43,427
Futures	(195)	(7)	(1,842)
Asset swap contracts	205,297	7,307	337,979
Credit default swap	271,819	9,675	199,113
Currency swap	426,031	15,164	62,630
Fund	(23,494)	(836)	3,863
Others	(627)	(22)	6,010
Subtotal	<u>5,541,221</u>	<u>197,232</u>	<u>5,686,156</u>
<u>Revaluation gains (losses) on financial assets or liabilities measured at fair value through profit or loss</u>			
Bond	103,850	3,696	1,046,621
Stock	807,572	28,744	2,405,452
Interest rate	(235,843)	(8,394)	207,077
Exchange rate	(570,990)	(20,324)	294,448
Options	4,126	147	(13,772)
Asset swap contracts	(35,657)	(1,269)	(1,463,735)
Credit default swap	(90,722)	(3,229)	33,399
Currency swap	413,855	14,731	291,568
Fund	4,983	177	1,856
Others	(5,733)	(204)	(5,318)
Subtotal	<u>395,441</u>	<u>14,075</u>	<u>2,797,596</u>
Dividend income from financial assets measured at fair value through profit or loss	625,558	22,266	677,864
Interest income from financial assets measured at fair value through profit or loss	719,562	25,611	935,083
Interest expenses from financial liabilities measured at fair value through profit or loss	(726,097)	(25,844)	(1,002,324)
Total	<u>\$ 6,555,685</u>	<u>\$ 233,340</u>	<u>\$ 9,094,375</u>

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,		
	2020		2019
	NT\$	US\$	NT\$
Dividend income	\$ 613,204	\$ 21,826	\$ 623,387
Gains on disposal			
Bond	3,672,718	130,725	1,639,037
Total	<u>\$ 4,285,922</u>	<u>\$ 152,551</u>	<u>\$ 2,262,424</u>

(31) Reversal of (impairment losses) on assets

	For the years ended December 31,		
	2020		2019
	NT\$	US\$	NT\$
Impairment losses			
on investment in debt instruments measured at fair value through other comprehensive income	(\$ 81,561)	(\$ 2,903)	(\$ 30,733)
Impairment losses			
on investments in debt instruments measured at amortised cost	(10,937)	(389)	(9,391)
Reversal of (impairment losses)			
on property and equipment	42,383	1,508	(42,383)
Total	<u>(\$ 50,115)</u>	<u>(\$ 1,784)</u>	<u>(\$ 82,507)</u>

(32) Net other revenue other than interest income

	For the years ended December 31,		
	2020		2019
	NT\$	US\$	NT\$
Net income from rent	\$ 191,843	\$ 6,828	\$ 173,286
Net gain on sale of non-performing loans	662	24	70,942
Gain on sale of foreclosed collaterals	882	31	-
Gain on disposal of property and equipment	492	18	611
Loss on retirement of assets	(8,509)	(303)	(657)
Other revenue	219,988	7,830	412,501
Total	<u>\$ 405,358</u>	<u>\$ 14,428</u>	<u>\$ 656,683</u>

(33) Employee benefits expenses

	For the years ended December 31,		
	2020		2019
	NT\$	US\$	NT\$
Payroll expenses	\$ 11,398,267	\$ 405,705	\$ 11,633,946
Preferential interest deposit for retired employees	1,692,849	60,254	1,533,094
Pension	756,240	26,917	941,973
Staff insurance	777,981	27,691	763,089
Other staff expenses	1,249,739	44,483	1,166,907
Total	<u>\$ 15,875,076</u>	<u>\$ 565,050</u>	<u>\$ 16,039,009</u>

- 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. The Board of Directors of the Bank has approved the amended Articles of Incorporation of the Bank on October 20, 2017 on behalf of the shareholders' meeting. According to the amended 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, 2020 and 2019, employees' compensation was accrued at NT\$1,226,521 thousand and NT\$1,489,561 thousand, respectively. The above-mentioned amounts were recognized in payroll expenses.
- D. The actual distributed amount of employees' compensation for 2019 resolved at the Board of Directors' annual meeting was NT\$1,489,561 thousand, which agreed with those amounts recognised in the 2019 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,		
	2020		2019
	NT\$	US\$	NT\$
Depreciation expense	\$ 1,381,067	\$ 49,157	\$ 1,300,757
Amortization expense	6,121	218	7,623
Total	<u>\$ 1,387,188</u>	<u>\$ 49,375</u>	<u>\$ 1,308,380</u>

(35) Other general and administrative expenses

	For the years ended December 31,		
	2020		2019
	NT\$	US\$	NT\$
Taxes	\$ 1,775,457	\$ 63,195	\$ 2,017,184
Professional expenses	1,057,907	37,655	2,846,775
Computer software maintenance fees	801,144	28,515	700,561
Insurance charges	448,232	15,954	453,758
Postage	264,203	9,404	270,650
Business development	203,507	7,243	298,240
Advertising and printing cost	195,240	6,949	208,084
Shipping expenses	131,504	4,681	234,797
Water and electricity	122,579	4,363	135,416
Research and development expense	89,599	3,189	92,148
Donation expenses	79,614	2,834	82,505
Traveling expenses	64,742	2,304	119,428
Employee training expenses	64,700	2,303	89,196
Rental	12,323	439	13,554
Others	955,719	34,017	931,471
Total	<u>\$ 6,266,470</u>	<u>\$ 223,045</u>	<u>\$ 8,493,767</u>

(36) Income tax expense

A. Income tax expense

(A) Components of income tax expense:

	For the years ended December 31,		
	2020		2019
	NT\$	US\$	NT\$
Current income tax:			
Income tax from current income	\$ 2,920,499	\$ 103,951	\$ 2,945,489
Tax on undistributed surplus earnings	-	-	19,623
Prior year income tax over estimation	(32,870)	(1,169)	(29,603)
Total current income tax	<u>2,887,629</u>	<u>102,782</u>	<u>2,935,509</u>
Deferred income tax:			
Origination and reversal of temporary differences	<u>240,540</u>	<u>8,561</u>	<u>901,573</u>
Total deferred tax	<u>240,540</u>	<u>8,561</u>	<u>901,573</u>
Income tax expense	<u>\$ 3,128,169</u>	<u>\$ 111,343</u>	<u>\$ 3,837,082</u>

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

	For the years ended December 31,		
	2020		2019
	NT\$	US\$	NT\$
Changes in fair value of financial assets at fair value through other comprehensive income	(\$ 17,052)	(\$ 607)	(\$ 15,284)
Remeasurement on defined benefit plan	<u>120,891</u>	<u>4,303</u>	<u>177,009</u>
	<u>\$ 103,839</u>	<u>\$ 3,696</u>	<u>\$ 161,725</u>

B. Reconciliation between income tax expense and accounting profit:

	For the years ended December 31,		
	2020		2019
	NT\$	US\$	NT\$
Income tax calculated based on pre-tax income using statutory tax rate enacted in the country where the branch operates	\$ 4,680,744	\$ 166,604	\$ 6,312,917
Effects of items not recognized under relevant regulations	(789)	(28)	4,736
Additional 5% tax payment levied on undistributed earnings	-	-	19,623
Effect of income basic tax	725,070	25,808	221,107
Prior year income tax over estimation	(32,870)	(1,170)	(29,603)
Adjusted effects on income tax exemption and other adjustments	(2,243,986)	(79,871)	(2,691,698)
Income tax expense	<u>\$ 3,128,169</u>	<u>\$ 111,343</u>	<u>\$ 3,837,082</u>

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

2020				
(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	\$ 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
	<u>\$ 5,407,003</u>	<u>(\$ 313,624)</u>	<u>\$ 103,839</u>	<u>\$ 5,197,218</u>
Deferred income tax liabilities				
Land value increment tax	(\$ 1,053,300)	\$ -	\$ -	(\$ 1,053,300)
Unrealized exchange gains	(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)
	<u>(\$ 2,828,278)</u>	<u>\$ 73,084</u>	<u>\$ -</u>	<u>(\$ 2,755,194)</u>

2020				
(In US Thousand Dollars)				
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Temporary differences:				
Deferred income tax assets				
Allowance for doubtful				
accounts in excess of limit	\$ 81,646	(\$ 14,972)	\$ -	\$ 66,674
Reserve of guarantees in				
excess of limit	8,358	-	-	8,358
Employee benefit				
liabilities reserve	59,705	4,943	4,303	68,951
Unrealized impairment loss	30,890	(302)	-	30,588
Others	11,855	(832)	(607)	10,416
	<u>\$ 192,454</u>	<u>(\$ 11,163)</u>	<u>\$ 3,696</u>	<u>\$ 184,987</u>
Deferred income tax liabilities				
Land value increment tax	(\$ 37,491)	\$ -	\$ -	(\$ 37,491)
Unrealized exchange gains	(21,862)	2,304	-	(19,558)
Investment income				
accounted for using				
equity method	(29,467)	(2,373)	-	(31,840)
Others	(11,849)	2,671	-	(9,178)
	<u>(\$ 100,669)</u>	<u>\$ 2,602</u>	<u>\$ -</u>	<u>(\$ 98,067)</u>

2019				
(In NT Thousand Dollars)				
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Temporary differences:				
Deferred income tax assets				
Allowance for doubtful accounts in excess of limit	\$ 3,359,973	(\$ 1,066,120)	\$ -	\$ 2,293,853
Reserve of guarantees in excess of limit	234,820	-	-	234,820
Employee benefit liabilities reserve	1,704,369	(203,961)	177,009	1,677,417
Unrealized impairment loss	859,376	8,477	-	867,853
Others	585,592	(237,248)	(15,284)	333,060
	<u>\$ 6,744,130</u>	<u>(\$ 1,498,852)</u>	<u>\$ 161,725</u>	<u>\$ 5,407,003</u>
Deferred income tax liabilities				
Land value increment tax	(\$ 1,053,300)	\$ -	\$ -	(\$ 1,053,300)
Unrealized exchange gains	(540,181)	(74,037)	-	(614,218)
Investment income accounted for using equity method	(766,056)	(61,813)	-	(827,869)
Others	(77,056)	(255,835)	-	(332,891)
	<u>(\$ 2,436,593)</u>	<u>(\$ 391,685)</u>	<u>\$ -</u>	<u>(\$ 2,828,278)</u>

D. As of December 31, 2014, the income tax return of the Bank and its subsidiaries has been approved by National Taxation Bureau of Taipei. However, the Bank and its subsidiaries disagreed with the results of the 2014 income tax return. As a result, the parent company, Mega Financial Holding Co., Ltd, has appealed for a review.

(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,		
	2020		2019
	NT\$	US\$	NT\$
Weighted-average number of shares outstanding common stock (Unit: Thousand)	8,536,234	8,536,234	8,536,234
Profit attributable to ordinary shareholders of the parent	\$ 20,251,877	\$ 720,835	\$ 24,644,876
Profit attributable to former owner of business combination under common control	\$ 80,204	\$ 2,855	\$ 405,513
Basic earnings per share (in dollars)	\$ 2.37	\$ 0.08	\$ 2.89
Earnings per share, attributable to former owner of business combination under common control (in dollars)	\$ 0.01	\$ -	\$ 0.04

(38) Change in liabilities from financing activities

	Bank notes payable	
	NT\$	US\$
January 1, 2020	\$ 12,000,000	\$ 427,122
Repayment of bank notes payable	1,000,000	35,594
December 31, 2020	\$ 13,000,000	\$ 462,716
January 1, 2019	\$ 13,300,000	
Repayment of bank notes payable	(1,300,000)	
December 31, 2019	\$ 12,000,000	

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 elects 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's 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, 2020			
Investments in debt instruments at amortised cost		\$ 37,033,783	\$ 37,295,999
		US\$	
		Book Value	Fair Value
December 31, 2020			
Investments in debt instruments at amortised cost		\$ 1,318,163	\$ 1,327,496
		NT\$	
		Book Value	Fair Value
December 31, 2019			
Investments in debt instruments at amortised cost		\$ 30,616,578	\$ 30,782,766

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 needs 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 its 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 its 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 information.
- 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 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; secondly adopt the 30 days average price, net of the discount on liquidity as stocks' fair value, of which the discount on liquidity 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 has 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's and its 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, book value was 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 are 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, fair value estimated based on the present value of future cash flows is equivalent to 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 from 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, 2020			
	Total	Level 1	Level 2	Level 3
<u>Non-derivatives</u>				
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)	-
<u>Derivatives</u>				
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

(In US Thousand Dollars)

Recurring fair value measurements	December 31, 2020			
	Total	Level 1	Level 2	Level 3
<u>Non-derivatives</u>				
Assets				
Financial assets at fair value through profit or loss				
Investment in stock	\$ 648,789	\$ 307,890	\$ 117,492	\$ 223,407
Investment in bonds	1,210,218	70,527	1,139,691	-
Beneficiary certificates	6,446	6,446	-	-
Financial assets at fair value through other comprehensive income				
Investment in stock	673,857	199,175	26,152	448,530
Investment in bonds	13,088,619	1,284,369	11,804,250	-
Bank's certificates of deposit and treasury securities	355,223	-	355,223	-
Other securities	11,341	11,341	-	-
Liabilities				
Financial liabilities at fair value through profit or loss	(607,022)	-	(607,022)	-
<u>Derivatives</u>				
Assets				
Financial assets mandatorily measured at fair value through profit or loss	169,353	-	169,353	-
Liabilities				
Financial liabilities held for trading	(117,471)	-	(117,471)	-
Total	\$ 15,439,353	\$ 1,879,748	\$ 12,887,668	\$ 671,937

(In NT Thousand Dollars)

Recurring fair value measurements	December 31, 2019			
	Total	Level 1	Level 2	Level 3
<u>Non-derivatives</u>				
Assets				
Financial assets at fair value through profit or loss				
Investment in stock	\$ 19,818,275	\$ 10,994,354	\$ 3,907,115	\$ 4,916,806
Investment in bonds	39,156,408	1,925,183	37,231,225	-
Beneficiary certificates	176,126	176,126	-	-
Financial assets at fair value through other comprehensive income				
Investment in stock	14,342,095	2,526,860	4,804,514	7,010,721
Investment in bonds	361,635,641	29,767,247	331,868,394	-
Bank's certificates of deposit and treasury securities	11,193,375	-	11,193,375	-
Other securities	307,500	307,500	-	-
Liabilities				
Financial liabilities at fair value through profit or loss	(18,519,696)	-	(18,519,696)	-
<u>Derivatives</u>				
Assets				
Financial assets mandatorily measured at fair value through profit or loss	4,754,538	-	4,754,538	-
Liabilities				
Financial liabilities held for trading	(2,853,050)	-	(2,853,050)	-
Total	\$ 430,011,212	\$ 45,697,270	\$ 372,386,415	\$ 11,927,527

C. Transfer between Level 1 and 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.

On December 31, 2019, the balance of the bank and subsidiaries' 2018 Fiscal Year Order 9 Category 1 Central Government Construction Bonds was NT\$865,000 thousand. Due to the bonds becoming inactive securities in the Index, thus the bonds were transferred from Level 1 to Level 2.

(Blank below)

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, 2020:

(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	\$ 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

For the year ended December 31, 2020:

(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	\$ 175,006	\$ 27,911	\$ -	\$ 10,828	\$ 21,906	(\$ 7,541)	(\$ 4,703)	\$ 223,407
Financial assets at fair value through other comprehensive income Investment in stock	249,537	-	319	-	229,974	(4,099)	(27,201)	448,530
Total	\$ 424,543	\$ 27,911	\$ 319	\$ 10,828	\$ 251,880	(\$ 11,640)	(\$ 31,904)	\$ 671,937

The bank and subsidiaries held unlisted stock amounting to NT\$7,076,569 thousand. Due to the stock valued in market 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.

For the year ended December 31, 2019:

(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	\$ 4,871,821	\$ 145,337	\$ -	\$ 82,024	\$ 413,235	(\$ 90,580)	(\$ 505,031)	\$ 4,916,806
Financial assets at fair value through other comprehensive income Investment in stock	5,137,348	-	651,493	-	1,746,046	(233,166)	(291,000)	7,010,721
Total	\$ 10,009,169	\$ 145,337	\$ 651,493	\$ 82,024	\$ 2,159,281	(\$ 323,746)	(\$ 796,031)	\$ 11,927,527

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

For the year ended December 31, 2020 and 2019: No relevant balance.

(Blank below)

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, 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, 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)

(In US 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	\$ 22,341	(\$ 22,341)	\$ -	\$ -
Financial assets at fair value through other comprehensive income Investment in stock	-	-	44,853	(44,853)

(In NT Thousand Dollars)

December 31, 2019	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	\$ 491,681	(\$ 491,681)	\$ -	\$ -
Financial assets at fair value through other comprehensive income				
Investment in stock	-	-	701,072	(701,072)

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.

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

Fair value of the Bank and subsidiaries belongs to level 3 because of equity investments-unlisted stocks.

Fair value belongs to equity investments of level 3 have several significant unobservable inputs, but they are independent from each other, the inputs have no relation.

Table below summaries quantitative information of significant unobservable inputs:

December 31, 2020	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	\$ 5,395,110	\$ 192,031	Market approach	Lack of liquidity discount	15%~30%	The higher liquidity discount, the lower fair value.
	881,514	31,376	Net asset approach	Price-book value ratio multiple N/A	0.81~3.24 N/A	The higher price-book value ratio multiple, the higher fair value. N/A
Financial assets at fair value through other comprehensive income						
Equity investment- unlisted stock	10,106,712	359,733	Market approach	Lack of liquidity discount	10%~30%	The higher liquidity discount, the lower fair value.
	2,494,742	88,797	Net asset approach	Price-book value ratio multiple N/A	0.87~2.77 N/A	The higher price-book value ratio multiple, the higher fair value. N/A

December 31, 2019	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	\$ 4,410,350	Market approach	Lack of liquidity discount	15%~30%	The higher liquidity discount, the lower fair value.
			Price-book value ratio multiple	0.83~2.85	The higher price-book value ratio multiple, the higher fair value.
	506,456	Net asset approach	N/A	N/A	N/A
Financial assets at fair value through other comprehensive income					
Equity investment- unlisted stock	4,763,514	Market approach	Lack of liquidity discount	10%~30%	The higher liquidity discount, the lower fair value.
			Price-book value ratio multiple	0.78~3.18	The higher price-book value ratio multiple, the higher fair value.
	2,247,207	Net asset approach	N/A	N/A	N/A

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 greatest 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

The Bank and subsidiaries established risk management policies and guidelines and whole risk tolerance of the Bank and subsidiaries. Subsidiaries therefore follow the Bank's instructions in setting 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.

The Board of Directors is the highest instruction unit of the Bank and subsidiaries' 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.

The establishment of credit pre-warning list and reporting system.

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

Classification of credit assets and internal risk ratings are as follows:

a. Classification of credit assets

Corporate credit risk is measured by using the borrower's default probability model with logistic regression analysis 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. Internal risk rating

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 needs 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 recognises 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 months 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 (ECLs) 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 (ECLs).

(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 external credit rating were lowered over 2 grades and it qualified other conditions at the reporting date. A financial instrument that is not externally rated whose internal credit rating needs to be mapped with an external grade and then determined based on its external credit rating. A no-rated financial instrument is determined by default events and qualitative indicators.

The credit assets are allocated in 13 scales of internal rating. The scales correspond to the ratings of Standard & Poor's as follows:

Internal risk rating	1~3	4~6	7~9	10~13
Corresponding to S&P	AA-or better~A-	BBB+~ BBB-	BB+~B+	B +and below

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 seized 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 adopts Markov Chain to estimate lifetime PD, which is obtained by a matrix multiplication from rating transition matrix.

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. 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: used the cash flows of bonds during its 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 with I. external credit ratings II. with internal credit ratings and III. without credit ratings:

I. 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.

II. 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 is including 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.

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 considers 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 every country and struck some enterprises and economy. Furthermore, it may affect the quality of credit assets or operating result 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 the 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 will continually focus on the following situation of COVID-19, carefully assess and actively respond to the effects on the financial situation and operating performance of the Bank from the pandemic.

D. Policies of hedging and mitigation of credit risk

To reduce credit risk, the Bank and its 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, 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.

(Blank below)

(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.

a. The breakdown of total carrying amount of 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

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

Unit: In US 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	\$ 30,362,032	\$ 5,108	\$ -	\$ -	\$ 30,367,140
- good	17,189,767	1,068,713	-	-	18,258,480
- acceptable	10,282,108	738,803	11,050	-	11,031,961
- weak	3,447,891	536,253	413,165	-	4,397,309
No rated	4,143,970	45,737	63,792	-	4,253,499
Total carrying amount	65,425,768	2,394,614	488,007	-	68,308,389
Allowance for bad debt	(105,398)	(20,709)	(75,071)	-	(201,178)
Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	-	-	-	(836,941)	(836,941)
Total	\$ 65,320,370	\$ 2,373,905	\$ 412,936	(\$ 836,941)	\$ 67,270,270

Unit: In NT Thousand Dollars

December 31, 2019

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	\$ 858,600,604	\$ 94,564	\$ 119,597	\$ -	\$ 858,814,765
- good	493,218,432	30,695,221	60,995	-	523,974,648
- acceptable	269,148,634	21,940,794	248,357	-	291,337,785
- weak	92,394,474	12,773,535	8,988,527	-	114,156,536
No rated	113,231,932	1,203,030	542,569	-	114,977,531
Total carrying amount	1,826,594,076	66,707,144	9,960,045	-	1,903,261,265
Allowance for bad debt	(2,736,126)	(599,373)	(2,350,961)	-	(5,686,460)
Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	-	-	-	(23,896,971)	(23,896,971)
Total	<u>\$ 1,823,857,950</u>	<u>\$ 66,107,771</u>	<u>\$ 7,609,084</u>	<u>(\$ 23,896,971)</u>	<u>\$ 1,873,677,834</u>

(b) Receivables

Unit: In NT Thousand Dollars

December 31, 2020

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)	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

Unit: In US Thousand Dollars

December 31, 2020

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)	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	\$ 717,049	\$ 24	\$ -	\$ -	\$ 717,073
- good	228,009	5,428	-	-	233,437
- acceptable	256,039	15,027	1	-	271,067
- weak	7,092	3,166	12,604	-	22,862
No rated	121,574	711	21,191	-	143,476
Total carrying amount	1,329,763	24,356	33,796	-	1,387,915
Allowance for bad debt	(2,823)	(166)	(2,402)	-	(5,391)
Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	-	-	-	(32,360)	(32,360)
Total	\$ 1,326,940	\$ 24,190	\$ 31,394	(\$ 32,360)	\$ 1,350,164

Unit: In NT Thousand Dollars

December 31, 2019

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)	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	\$ 28,229,640	\$ 89	\$ 2	\$ -	\$ 28,229,731
- good	8,123,365	425,106	17	-	8,548,488
- acceptable	7,191,653	316,528	81	-	7,508,262
- weak	418,415	25,664	311,024	-	755,103
No rated	16,576,743	9,645	630,337	-	17,216,725
Total carrying amount	60,539,816	777,032	941,461	-	62,258,309
Allowance for bad debt	(145,892)	(3,197)	(108,528)	-	(257,617)
Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	-	-	-	(1,045,121)	(1,045,121)
Total	\$ 60,393,924	\$ 773,835	\$ 832,933	(\$ 1,045,121)	\$ 60,955,571

(c) Debt instruments

Unit: In NT Thousand Dollars

December 31, 2020				
Debt instruments	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

Unit: In US Thousand Dollars

December 31, 2020				
Debt instruments	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	\$ 32,100,818	\$ -	\$ -	\$ 32,100,818
- good	156,275	16,147	-	172,422
- acceptable	-	-	-	-
- weak	39,310	-	-	39,310
No rated	-	-	-	-
Total carrying amount	32,296,403	16,147	-	32,312,550
Accumulated impairment	(1,151)	-	-	(1,151)
Other equity	(7,235)	(217)	-	(7,452)
Total	\$ 32,288,017	\$ 15,930	\$ -	\$ 32,303,947

Unit: In NT Thousand Dollars

December 31, 2019

Debt instruments	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated)(Stage 3)				Total
	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)			
Credit ratings					
- excellent	\$ 639,160,195	\$ -	\$ -	\$ -	\$ 639,160,195
- good	3,583,201	-	-	-	3,583,201
- acceptable	-	-	-	-	-
- weak	1,241,045	-	-	-	1,241,045
No rated	-	-	-	-	-
Total carrying amount	643,984,441	-	-	-	643,984,441
Accumulated impairment	(21,330)	-	-	-	(21,330)
Other equity	(132,652)	-	-	-	(132,652)
Total	<u>\$ 643,830,459</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 643,830,459</u>

b. The breakdown of total carrying amount of 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, 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
Total carrying amount	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	\$ 388,671,808	\$ 23,037,733	\$ 269,574	\$ 2,410,325)	\$ 409,568,790

Unit: In US 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	\$ 9,017,442	\$ -	\$ -	\$ -	\$ 9,017,442
- good	2,463,257	596,228	-	-	3,059,485
- acceptable	1,235,060	149,349	-	-	1,384,409
- weak	329,019	78,014	9,831	-	416,864
No rated	799,000	-	997	-	799,997
Total carrying amount	13,843,778	823,591	10,828	-	14,678,197
Provisions	(9,580)	(3,597)	1,233)	-	14,410)
Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	-	-	-	(85,792)	(85,792)
Total	\$ 13,834,198	\$ 819,994	\$ 9,595	\$ 85,792)	\$ 14,577,995

Unit: In NT Thousand Dollars

December 31, 2019

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	\$ 247,367,738	\$ -	\$ -	\$ -	247,367,738
- good	87,068,728	6,095,455	-	-	93,164,183
- acceptable	28,196,659	2,686,088	37,060	-	30,919,807
- weak	7,662,343	2,482,076	429,068	-	10,573,487
No rated	28,448,498	-	25,903	-	28,474,401
Total carrying amount	398,743,966	11,263,619	492,031	-	410,499,616
Provisions	(222,947)	(50,071)	(16,295)	-	(289,313)
Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	-	-	-	(2,764,635)	(2,764,635)
Total	\$ 398,521,019	\$ 11,213,548	\$ 475,736	\$ (2,764,635)	\$ 407,445,668

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, 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	<u>\$ 492,575,736</u>	<u>\$ 1,889,958,222</u>	<u>\$ 37,932,862</u>	<u>\$ 951,938,291</u>	<u>\$ 4,757,979</u>	<u>\$ 108,415</u>	<u>\$ 409,568,790</u>	<u>\$ 3,786,840,295</u>

Unit: In US 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	\$ 8,807,642	\$ 237,510	\$ 19,179	\$ 5,071,030	\$ -	\$ 21	\$ 644,897	\$ 14,780,279
Finance, investment and insurance	8,724,869	5,519,013	68,362	21,599,203	153,354	2,800	540,932	36,608,533
Enterprise and commerce	-	43,792,493	949,054	7,193,544	12,811	2,183	9,915,900	61,865,985
Individuals	-	18,636,418	295,376	-	557	6	3,456,473	22,388,830
Others	-	122,955	55,944	27,663	2,631	-	119,995	329,188
Total	17,532,511	68,308,389	1,387,915	33,891,440	169,353	5,010	14,678,197	135,972,815
Less : allowance for bad debt 、accumulated impairment and provisions for liabilities	(6)	(1,038,119)	(37,751)	(8,603)	-	(1,151)	(100,202)	(1,185,832)
Net	<u>\$ 17,532,505</u>	<u>\$ 67,270,270</u>	<u>\$ 1,350,164</u>	<u>\$ 33,882,837</u>	<u>\$ 169,353</u>	<u>\$ 3,859</u>	<u>\$ 14,577,995</u>	<u>\$ 134,786,983</u>

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.

Unit: In NT Thousand Dollars

December 31, 2019									
	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	\$ 307,364,331	\$ 8,017,535	\$ 1,103,545	\$ 156,424,425	\$ -	\$ 1,858	\$ 18,400,195	\$	491,311,889
Finance, investment and insurance	327,631,228	182,067,939	2,823,379	428,128,256	4,133,424	2,510,000	17,329,894		964,624,120
Enterprise and commerce	-	1,254,182,896	48,800,968	105,294,765	345,854	32,518	284,269,127		1,692,926,128
Individuals	-	455,042,162	7,950,487	-	23,577	501	87,984,371		551,001,098
Other	-	3,950,733	1,579,930	826,982	251,683	-	2,516,029		9,125,357
Total	634,995,559	1,903,261,265	62,258,309	690,674,428	4,754,538	2,544,877	410,499,616		3,708,988,592
Less : allowance for bad debt 、accumulated impairment and provisions for liabilities	(14,565)	(29,583,431)	(1,302,738)	(153,982)	-	(7,193)	(3,053,948)	(	34,115,857)
Net	<u>\$ 634,980,994</u>	<u>\$ 1,873,677,834</u>	<u>\$ 60,955,571</u>	<u>\$ 690,520,446</u>	<u>\$ 4,754,538</u>	<u>\$ 2,537,684</u>	<u>\$ 407,445,668</u>		<u>\$ 3,674,872,735</u>

The trade financing for corporates and businesses accounts for 8.24%, equivalent to NT\$103,304,206 thousand while the housing loans for individuals accounts for 80.46%, equivalent to NT\$366,141,750 thousand.

(Blank below)

- 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, 2020	Collateral	Net settlement master netting arrangements	Other credit enhancements	Total	
<u>On-Balance-Sheet Items</u>					
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	
<u>Off-Balance-Sheet Items</u>					
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	
					Unit: In US Thousand Dollars
December 31, 2020	Collateral	Net settlement master netting arrangements	Other credit enhancements	Total	
<u>On-Balance-Sheet Items</u>					
Financial assets at fair value through profit or loss					
- debt instruments	\$ -	\$ -	\$ 93,185	\$ 93,185	
- derivatives	106,021	13,019	-	119,040	
Securities purchased under resell agreements	368,672	-	-	368,672	
Discounts and loans	43,703,603	-	3,702,526	47,406,129	
Financial assets at fair value through other comprehensive income- debt instrument	-	-	929,378	929,378	
Investments in debt instruments at amortised cost	-	-	1,987,118	1,987,118	
<u>Off-Balance-Sheet Items</u>					
Irrevocable commitments	1,174,187	-	152,304	1,326,491	
Guarantees and letters of credit	1,876,239	-	71,987	1,948,226	

Unit: In NT Thousand Dollars

December 31, 2019	Collateral	Net settlement master netting arrangements	Other credit enhancements	Total
<u>On-Balance-Sheet Items</u>				
Financial assets at fair value through profit or loss				
- debt instruments	\$ -	\$ -	\$ 5,187,937	\$ 5,187,937
- derivatives	1,973,426	262,834	-	2,236,260
Securities purchased under resell agreements	7,522,949	-	-	7,522,949
Discounts and loans	1,149,068,826	-	73,351,554	1,222,420,380
Financial assets at fair value through other comprehensive income- debt instruments	-	-	17,549,291	17,549,291
Investments in debt instruments at amortised cost	-	-	42,530,178	42,530,178
<u>Off-Balance-Sheet Items</u>				
Irrevocable commitments	26,729,775	-	4,148,331	30,878,106
Guarantees and letters of credit	45,740,357	-	1,903,697	47,644,054

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, 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	<u>\$ 14,721,358</u>	<u>\$ 3,124,781</u>	<u>\$ 11,596,576</u>	<u>\$ 7,279,545</u>
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	<u>\$ 304,224</u>	<u>\$ 62,092</u>	<u>\$ 242,132</u>	<u>\$ 166,326</u>

Unit: In US Thousand Dollars

December 31, 2020				
	Total carrying amount	Allowance for impairment	Total risk exposure (Amortized cost)	Fair value of Collateral / Guarantee
Receivables	\$ 33,796	\$ 24,627	\$ 9,169	\$ -
- Credit card business	2,348	2,107	242	-
- Others	31,447	22,520	8,927	-
Discounts and loans	488,007	85,444	402,562	259,105
Other financial assets	2,183	1,151	1,032	-
Impaired financial assets on balance sheet	<u>\$ 523,985</u>	<u>\$ 111,222</u>	<u>\$ 412,763</u>	<u>\$ 259,105</u>
Irrevocable loan commitments	\$ 718	\$ 238	\$ 481	\$ 7
Guarantees and letters of credit	10,110	1,973	8,138	5,913
Impaired financial assets off balance sheet	<u>\$ 10,828</u>	<u>\$ 2,211</u>	<u>\$ 8,619</u>	<u>\$ 5,920</u>

Unit: In NT Thousand Dollars

December 31, 2019

	Total carrying amount	Allowance for impairment	Total risk exposure (Amortized cost)	Fair value of Collateral/Guarantee
Receivables	\$ 941,461	\$ 740,662	\$ 200,799	\$ -
- Credit card business	80,117	63,838	16,279	-
- Others	861,344	676,824	184,520	-
Discounts and loans	9,960,045	2,539,266	7,420,779	5,394,191
Other financial assets	32,392	7,168	25,224	-
Impaired financial assets on balance sheet	<u>\$ 10,933,898</u>	<u>\$ 3,287,096</u>	<u>\$ 7,646,802</u>	<u>\$ 5,394,191</u>
Irrevocable loan commitments	\$ 386,132	\$ 107	\$ 386,025	\$ -
Guarantees and letters of credit	<u>105,899</u>	<u>48,614</u>	<u>57,285</u>	<u>24,023</u>
Impaired financial assets off balance sheet	<u>\$ 492,031</u>	<u>\$ 48,721</u>	<u>\$ 443,310</u>	<u>\$ 24,023</u>

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, 2020 and 2019, is shown below:

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)	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	<u>\$ 2,961,164</u>	<u>\$ 581,822</u>	<u>\$ 2,109,119</u>	<u>\$ 5,652,105</u>	<u>\$ 23,513,862</u>	<u>\$</u>	<u>29,165,967</u>

Unit: In US Thousand Dollars

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 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
Discounts and loans							
Balance at the beginning of the period	\$	97,388	\$ 21,334	\$ 83,679	\$ 202,401	\$ 850,577	\$ 1,052,978
Changes from financial instruments recognised at the beginning of the period:							
- Transferred to lifetime expected credit losses	(	1,719)	2,000	(281)	-	-	-
- Transferred to credit impaired financial asset	(	2,739)	(684)	3,423	-	-	-
- Transferred to 12-month expected credit losses		7,512	(7,292)	(220)	-	-	-
- Derecognised financial assets	(	41,072)	(5,720)	(5,836)	(52,628)	-	(52,628)
- Additional provision and reversal	(	4,512)	5,969	83,110	84,567	-	84,567
Originated or purchased new financial assets		48,852	4,939	1,329	55,120	-	55,120
Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves		-	-	-	-	(13,636)	(13,636)
Write-off of uncollectible amount		-	-	(92,009)	(92,009)	-	(92,009)
Foreign exchange and other changes		1,688	163	1,876	3,727	-	3,727
Balance at the end of the period	\$	105,398	\$ 20,709	\$ 75,071	\$ 201,178	\$ 836,941	\$ 1,038,119

Unit: In NT Thousand Dollars

December 31, 2019							
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	\$ 2,625,625	\$ 700,461	\$ 2,956,493	\$ 6,282,579	\$ 23,976,668		\$ 30,259,247
Changes from financial instruments recognised at the beginning of the period:							
- Transferred to lifetime expected credit losses	(22,819)	28,018	(5,199)	-	-		-
- Transferred to credit impaired financial asset	(13,770)	(13,117)	26,887	-	-		-
- Transferred to 12-month expected credit losses	127,987	(127,475)	(512)	-	-		-
- Derecognised financial assets	(1,076,827)	(201,197)	(908,237)	(2,186,261)	-	(2,186,261)	
- Additional provision and reversal	(135,124)	53,653	1,579,524	1,498,053	-	1,498,053	
Originated or purchased new financial assets	1,270,122	138,170	160,800	1,569,092	-	1,569,092	
Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	-	-	-	-	(79,697)	(79,697)	
Write-off of uncollectible amount	-	-	(2,038,889)	(2,038,889)	-	(2,038,889)	
Foreign exchange and other changes	(39,068)	20,860	580,094	561,886	-	561,886	
Balance at the end of the period	<u>\$ 2,736,126</u>	<u>\$ 599,373</u>	<u>\$ 2,350,961</u>	<u>\$ 5,686,460</u>	<u>\$ 23,896,971</u>	<u>\$ 29,583,431</u>	

(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, 2020 and 2019, is shown below:

Unit: In NT Thousand Dollars

December 31, 2020						
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	<u>\$ 79,318</u>	<u>\$ 4,672</u>	<u>\$ 67,478</u>	<u>\$ 151,468</u>	<u>\$ 909,136</u>	<u>\$ 1,060,604</u>

Unit: In US Thousand Dollars

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 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			
Receivables									
Balance at the beginning of the period	\$ 5,193	\$ 114	\$ 3,863	\$ 9,170	\$ 37,200	\$ 46,370			
Changes from financial instruments recognised at the beginning of the period:									
- Transferred to lifetime expected credit losses	(10)	49	(39)	-	-	-			
- Transferred to credit impaired financial asset	(3)	(10)	13	-	-	-			
- Transferred to 12-month expected credit losses	36	(11)	(25)	-	-	-			
- Derecognised financial assets	(4,578)	(80)	(3,659)	(8,317)	-	(8,317)			
- Additional provision and reversal	(60)	88	440	468	-	468			
Originated or purchased new financial assets	2,867	612	196	3,675	-	3,675			
Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	-	-	-	-	(4,840)	(4,840)			
Write-off of uncollectible amount	(622)	(596)	(1,077)	(2,295)	-	(2,295)			
Foreign exchange and other changes	-	-	2,690	2,690	-	2,690			
Balance at the end of the period	\$ 2,823	\$ 166	\$ 2,402	\$ 5,391	\$ 32,360	\$ 37,751			

Unit: In NT Thousand Dollars

December 31, 2019

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	\$ 124,672	\$ 4,685	\$ 82,732	\$ 212,089	\$ 1,192,991	\$ 1,405,080
Changes from financial instruments recognised at the beginning of the period:						
- Transferred to lifetime expected credit losses	(184)	729	(545)	-	-	-
- Transferred to credit impaired financial asset	(96)	(251)	347	-	-	-
- Transferred to 12-month expected credit losses	1,018	(600)	(418)	-	-	-
- Derecognised financial assets	(112,467)	(3,195)	(86,159)	(201,821)	-	(201,821)
- Additional provision and reversal	(121)	740	31,472	32,091	-	32,091
Originated or purchased new financial assets	144,703	12,416	30,474	187,593	-	187,593
Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	-	-	-	-	(147,870)	(147,870)
Write-off of uncollectible amount	(11,626)	(11,328)	(20,001)	(42,955)	-	(42,955)
Foreign exchange and other changes	(7)	1	70,626	70,620	-	70,620
Balance at the end of the period	<u>\$ 145,892</u>	<u>\$ 3,197</u>	<u>\$ 108,528</u>	<u>\$ 257,617</u>	<u>\$ 1,045,121</u>	<u>\$ 1,302,738</u>

(C) The reconciliation from the beginning balance to ending balance of the accumulated impairment arising from debt instruments for the years ended December 31, 2020 and 2019, is shown below:

a. Financial assets at fair value through other comprehensive income

Unit: In NT Thousand Dollars

December 31, 2020				
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	\$ 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	<u>\$ 203,263</u>	<u>\$ 6,091</u>	<u>\$ -</u>	<u>\$ 209,354</u>

Unit: In US Thousand Dollars

December 31, 2020

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	\$ 4,722	\$ -	\$ -	\$ 4,722
Changes from financial instruments recognised at the beginning of the period:				
- Transferred to lifetime expected credit losses	(\$ 27)	\$ 27	\$ -	-
- The impairment allowance for financial assets derecognised in the current period	(508)	-	-	(508)
- Additional provision and reversal	680	190	-	870
Originated or purchased new financial assets	2,392	-	-	2,392
Foreign exchange and other changes	(24)	-	-	(24)
Balance at the end of the period	<u>\$ 7,235</u>	<u>\$ 217</u>	<u>\$ -</u>	<u>\$ 7,452</u>

Unit: In NT Thousand Dollars

December 31, 2019

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	\$ 102,889	\$ -	\$ -	\$ 102,889
Changes from financial instruments recognised at the beginning of the period:				
- The impairment allowance for financial assets derecognised in the current period	(5,309)	-	-	(5,309)
- Additional provision and reversal	(19,746)	-	-	(19,746)
Originated or purchased new financial assets	54,017	-	-	54,017
Foreign exchange and other changes	801	-	-	801
Balance at the end of the period	<u>\$ 132,652</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 132,652</u>

b. Investments in debt instruments at amortised cost

December 31, 2020					Unit: In NT Thousand Dollars	
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	<u>\$ 32,333</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,333</u>		
December 31, 2020					Unit: In US Thousand Dollars	
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	\$ 759	\$ -	\$ -	\$ 759		
Changes from financial instruments recognised at the beginning of the period:						
- The impairment allowance for financial assets derecognised in the current period	(541)	-	-	(541)		
- Additional provision and reversal	(27)	-	-	(27)		
Originated or purchased new financial assets	960	-	-	960		
Balance at the end of the period	<u>\$ 1,151</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,151</u>		

December 31, 2019

Unit: In NT Thousand Dollars

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	\$ 12,324	\$ -	\$ -	12,324
Changes from financial instruments recognised at the beginning of the period:				
- The impairment allowance for financial assets derecognised in the current period	(8,016)	-	-	8,016)
- Additional provision and reversal	(1,052)	-	-	1,052)
Originated or purchased new financial assets	18,074	-	-	18,074
Balance at the end of the period	<u>\$ 21,330</u>	<u>\$ -</u>	<u>\$ -</u>	<u>21,330</u>

(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, 2020 and 2019, is shown below:

Unit: In NT Thousand Dollars

December 31, 2020							
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	Different 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	<u>\$ 269,137</u>	<u>\$ 101,055</u>	<u>\$ 34,650</u>	<u>\$ 404,842</u>	<u>\$ 2,410,325</u>	<u>\$ 2,815,167</u>	

Unit: In US Thousand Dollars

December 31, 2020

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	Different 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	\$ 7,936	\$ 1,782	\$ 580	\$ 10,298	\$ 98,403	\$ 108,701
Changes from financial instruments recognised at the beginning of the period:						
- Transferred to lifetime expected credit losses	(134)	134	-	-	-	-
- Transferred to credit impaired financial asset	(1)	(1)	2	-	-	-
- Transferred to 12-month expected credit loss	218	(218)	-	-	-	-
- Derecognised financial assets	(3,187)	(681)	(260)	(4,128)	-	(4,128)
- Additional provision and reversal	(92)	859	17	784	-	784
Originated or purchased new financial assets	4,080	1,696	779	6,555	-	6,555
Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	-	-	-	-	(12,611)	(12,611)
Foreign exchange and other changes	760	26	115	901	-	901
Balance at the end of the period	<u>\$ 9,580</u>	<u>\$ 3,597</u>	<u>\$ 1,233</u>	<u>\$ 14,410</u>	<u>\$ 85,792</u>	<u>\$ 100,202</u>

Unit: In NT Thousand Dollars

December 31, 2019

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	Different 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	\$ 217,540	\$ 41,389	\$ 41,094	\$ 300,023	\$ 3,052,116	\$ 3,352,139
Changes from financial instruments recognised at the beginning of the period:						
- Transferred to lifetime expected credit losses	(3,398)	17,916	(14,518)	-	-	-
- Transferred to credit impaired financial asset	(16)	(49)	65	-	-	-
- Transferred to 12-month expected credit loss	14,565	(14,565)	-	-	-	-
- Derecognised financial assets	(89,067)	(12,589)	(8,305)	(109,961)	-	(109,961)
- Additional provision and reversal	(28,977)	3,785	(3,262)	(28,454)	-	(28,454)
Originated or purchased new financial assets	104,751	15,263	5,183	125,197	-	125,197
Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	-	-	-	-	(287,481)	(287,481)
Foreign exchange and other changes	7,549	(1,079)	(3,962)	2,508	-	2,508
Balance at the end of the period	<u>\$ 222,947</u>	<u>\$ 50,071</u>	<u>\$ 16,295</u>	<u>\$ 289,313</u>	<u>\$ 2,764,635</u>	<u>\$ 3,053,948</u>

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, 2020 and 2019, is shown below:

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)	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	<u>\$ 1,838,136,949</u>	<u>\$ 67,276,693</u>	<u>\$ 13,710,547</u>	<u>\$ 1,919,124,189</u>

Unit: In US Thousand Dollars

December 31, 2020					
			Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated)		
Discounts and loans	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	(Stage 3)		Total
Balance at the beginning of the period	\$ 65,014,916	\$ 2,374,342	\$ 354,513	\$	67,743,771
Changes from financial instruments recognised at the beginning of the period:					
- Transferred to lifetime expected credit losses	(1,101,450)	1,103,218	(1,768)	-	
- Transferred to credit impaired financial asset	(229,578)	(28,878)	258,456	-	
- Transferred to 12-month expected credit losses	741,339	(739,653)	(1,686)	-	
- Derecognition(including recovery, write-off bad debt not included)	(25,103,670)	(820,104)	(31,396)	(25,955,170)	
- Increased(decreased)	(2,961,827)	(140,447)	(50,672)	(3,152,946)	
Originated or purchased new financial assets	29,258,810	647,268	54,092	29,960,170	
Write-off of uncollectible amount	-	-	(92,008)	(92,008)	
Foreign exchange and other changes	(192,772)	(1,132)	(1,524)	(195,428)	
Balance at the end of the period	<u>\$ 65,425,768</u>	<u>\$ 2,394,614</u>	<u>\$ 488,007</u>	<u>\$ 68,308,389</u>	

Unit: In NT Thousand Dollars

December 31, 2019				
	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
Discounts and loans				
Balance at the beginning of the period	\$ 1,810,668,079	\$ 74,633,965	\$ 9,404,306	\$ 1,894,706,350
Changes from financial instruments recognised at the beginning of the period:				
- Transferred to lifetime expected credit losses	(16,674,461)	16,693,674	(19,213)	-
- Transferred to credit impaired financial asset	(3,288,999)	(649,337)	3,938,336	-
- Transferred to 12-month expected credit losses	10,261,087	(10,257,186)	(3,901)	-
- Derecognition(including recovery, write-off bad debt not included)	(693,635,495)	(30,531,719)	(1,948,411)	(726,115,625)
- Increased(decreased)	(76,048,854)	(5,075,421)	(151,528)	(81,275,803)
Originated or purchased new financial assets	799,516,951	21,915,239	779,839	822,212,029
Write-off of uncollectible amount	-	-	(2,038,889)	(2,038,889)
Foreign exchange and other changes	(4,204,232)	(22,071)	(494)	(4,226,797)
Balance at the end of the period	<u>\$ 1,826,594,076</u>	<u>\$ 66,707,144</u>	<u>\$ 9,960,045</u>	<u>\$ 1,903,261,265</u>

(B) The movement in the total carrying amount of receivables of the Bank and subsidiaries for the years ended December 31, 2020 and 2019, is shown below:

Unit: In NT Thousand Dollars

December 31, 2020					
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	\$ 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	<u>\$ 37,359,691</u>	<u>\$ 684,288</u>	<u>\$ 949,487</u>	<u>\$ 38,993,466</u>	

Unit: In US Thousand Dollars

December 31, 2020

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	\$ 2,154,825	\$ 27,657	\$ 33,510	\$ 2,215,992
Changes from financial instruments recognised at the beginning of the period:				
- Transferred to lifetime expected credit losses	(7,673)	7,729	(56)	-
- Transferred to credit impaired financial asset	(1,478)	(692)	2,170	-
- Transferred to 12-month expected credit losses	3,291	(3,249)	(42)	-
- Derecognition(including recovery, write-off bad debt not included)	(1,148,647)	(16,402)	(8,023)	(1,173,072)
- Increased(decreased)	(491,154)	920	(5,797)	(484,437)
Originated or purchased new financial assets	836,464	8,989	3,759	849,212
Write-off of uncollectible amount	(622)	(596)	(1,077)	(2,295)
Foreign exchange and other changes	(15,243)	-	(2,242)	(17,485)
Balance at the end of the period	<u>\$ 1,329,763</u>	<u>\$ 24,356</u>	<u>\$ 33,796</u>	<u>\$ 1,387,915</u>

Unit: In NT Thousand Dollars

December 31, 2019

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	\$ 60,075,070	\$ 1,181,902	\$ 909,388	\$ 62,166,360
Changes from financial instruments recognised at the beginning of the period:				
- Transferred to lifetime expected credit losses	(150,103)	150,881	(778)	-
- Transferred to credit impaired financial asset	(53,151)	(13,708)	66,859	-
- Transferred to 12-month expected credit losses	38,118	(37,529)	(589)	-
- Derecognition(including recovery, write-off bad debt not included)	(43,962,399)	(925,340)	(198,766)	(45,086,505)
- Increased(decreased)	(1,042,766)	(224)	16,671	(1,026,319)
Originated or purchased new financial assets	46,809,765	432,378	182,602	47,424,745
Write-off of uncollectible amount	(60,759)	(11,328)	(20,001)	(92,088)
Foreign exchange and other changes	(1,113,959)	-	(13,925)	(1,127,884)
Balance at the end of the period	<u>\$ 60,539,816</u>	<u>\$ 777,032</u>	<u>\$ 941,461</u>	<u>\$ 62,258,309</u>

(C) The movement in the total carrying amount of debt instruments of the Bank and subsidiaries for the years ended December 31, 2020 and 2019, is shown below:

a. Financial assets at fair value through other comprehensive income

Unit: In NT Thousand Dollars

December 31, 2020				
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

Unit: In US Thousand Dollars

December 31, 2020

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	\$ 13,270,298	\$ -	\$ -	\$ 13,270,298
Changes from financial instruments recognised at the beginning of the period:				
- Transferred to lifetime expected losses	(30,257)	30,257	-	-
- Derecognition	(4,745,309)	-	-	(4,745,309)
- Increased(decreased)	(934,946)	(14,239)	-	(949,185)
Originated or purchased new financial assets	5,873,317	-	-	5,873,317
Foreign exchange and other changes	(5,408)	129	-	(5,279)
Balance at the end of the period	\$ 13,427,695	\$ 16,147	\$ -	\$ 13,443,842

Unit: In NT Thousand Dollars

December 31, 2019

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	\$ 251,759,346	\$ -	\$ -	\$ 251,759,346
Changes from financial instruments recognised at the beginning of the period:				
- Derecognition	(41,446,080)	-	-	(41,446,080)
- Increased(decreased)	9,296,756	-	-	9,296,756
Originated or purchased new financial assets	152,886,985	-	-	152,886,985
Foreign exchange and other changes	332,009	-	-	332,009
Balance at the end of the period	<u>\$ 372,829,016</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 372,829,016</u>

(Blank below)

b. Investments in debt instruments at amortised cost

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	<u>\$ 530,116,332</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 530,116,332</u>	

Unit: In US 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	\$ 9,651,377	\$ -	\$ -	\$ 9,651,377	
Changes from financial instruments recognised at the beginning of the period:					
- Derecognition	(8,728,715)	-	-	(8,728,715)	
- Increased(decreased)	(45,714)	-	-	(45,714)	
Originated or purchased new financial assets	17,991,887	-	-	17,991,887	
Foreign exchange and other changes	(127)	-	-	(127)	
Balance at the end of the period	<u>\$ 18,868,708</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,868,708</u>	

Unit: In NT Thousand Dollars

December 31, 2019

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	\$ 269,676,210	\$ -	\$ -	\$ 269,676,210
Changes from financial instruments recognised at the beginning of the period:				
- Derecognition	(252,980,473)	-	-	(252,980,473)
- Increased(decreased)	(387,989)	-	-	(387,989)
Originated or purchased new financial assets	254,860,058	-	-	254,860,058
Foreign exchange and other changes	(12,381)	-	-	(12,381)
Balance at the end of the period	<u>\$ 271,155,425</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 271,155,425</u>

(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 loss.

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, 2020			December 31, 2019	
		Amount		Percentage(%)	Amount	Percentage(%)
		NT\$	US\$		NT\$	
Individuals	Individuals	\$ 620,699,773	\$ 22,092,891	26.62%	\$ 543,026,533	23.47%
Corporation	Government organization	24,791,226	882,407	1.06%	26,417,729	1.14%
	Financial institution, investment and insurance	170,254,161	6,059,945	7.30%	199,397,833	8.62%
	Enterprise and commerce					
	- Manufacturing	583,998,114	20,786,550	25.05%	629,471,056	27.20%
	- Electricity and gas supply	43,609,789	1,552,226	1.87%	62,823,089	2.72%
	- Wholesale and retail	162,901,566	5,798,240	6.99%	163,043,472	7.05%
	- Transportation and storage	158,265,341	5,633,221	6.79%	157,621,173	6.81%
	- Real estate	351,010,666	12,493,706	15.06%	312,557,022	13.51%
	- Others	209,151,835	7,444,450	8.97%	212,936,212	9.20%
	Others	6,825,675	242,950	0.29%	6,466,762	0.28%
Total		\$ 2,331,508,146	\$ 82,986,586	100.00%	\$ 2,313,760,881	100.00%

(B) Loans and credit commitments of the Bank and subsidiaries are shown below by location:

Unit: In Thousand Dollars

	Loans and credit commitments				
	December 31, 2020			December 31, 2019	
	Amount		Percentage(%)	Amount	Percentage(%)
	NT\$	US\$		NT\$	
ROC	\$ 1,760,896,541	\$ 62,676,510	75.53%	\$ 1,732,573,520	74.88%
Asia, Pacific	364,890,389	12,987,734	15.65%	374,917,569	16.20%
North America	111,881,691	3,982,263	4.80%	94,063,181	4.07%
Others	93,839,525	3,340,079	4.02%	112,206,611	4.85%
Total	\$ 2,331,508,146	\$ 82,986,586	100.00%	\$ 2,313,760,881	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, 2020			December 31, 2019	
	Amount		Percentage(%)	Amount	Percentage(%)
	NT\$	US\$		NT\$	
Unsecured	\$ 907,629,774	\$ 32,305,740	38.93%	\$ 1,012,818,340	43.77%
Secured					
- Secured by stocks	31,789,633	1,131,505	1.36%	31,665,095	1.37%
- Secured by bonds	98,431,407	3,503,521	4.22%	95,468,512	4.13%
- Secured by real estate	1,038,579,526	36,966,703	44.55%	943,795,562	40.79%
- Secured by chattel	86,547,641	3,080,535	3.71%	90,813,463	3.93%
- Secured by letter of guarantee	110,323,923	3,926,817	4.73%	79,403,582	3.43%
- Others	58,206,242	2,071,765	2.50%	59,796,327	2.58%
Total	\$ 2,331,508,146	\$ 82,986,586	100.00%	\$ 2,313,760,881	100.00%

I. Foreclosed properties management policy

As of December 31, 2020 and 2019, foreclosed properties under other assets in the consolidated balance sheet carried book value of NT\$0 thousand. 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, 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%

Unit: In US 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		\$ 82,152	\$ 23,931,648	0.34%	\$ 350,572	426.74%
	Unsecured loans		38,381	25,740,323	0.15%	417,745	1088.43%
Consumer banking	Residential mortgage loans (Note 4)		25,407	14,426,021	0.18%	209,067	822.86%
	Cash card services		-	-	-	-	-
	Small amount of credit loans (Note 5)		982	677,918	0.14%	10,389	1058.33%
	Others (Note 6)	Secured loans	2,954	3,531,636	0.08%	50,334	1703.93%
		Unsecured loans	-	843	0.00%	12	-
Gross loan business			\$ 149,876	\$ 68,308,389	0.22%	\$ 1,038,119	692.66%
			Amount of overdue accounts	Balance of accounts receivable	Overdue account ratio	Allowance for bad debts	Coverage ratio
Credit card services			\$ 567	\$ 281,387	0.20%	\$ 2,574	453.89%
Without recourse factoring (Note 7)			\$ 912	\$ 624,459	0.15%	\$ 9,214	1010.07%

Unit: In NT Thousand Dollars, %

Month / Year			December 31, 2019				
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		\$ 1,251,075	\$ 650,715,921	0.19%	\$ 9,586,843	766.29%
	Unsecured loans		619,858	797,503,182	0.08%	13,303,482	2146.21%
Consumer banking	Residential mortgage loans (Note 4)		719,382	345,499,682	0.21%	5,096,522	708.46%
	Cash card services		-	-	-	-	-
	Small amount of credit loans (Note 5)		25,223	17,615,811	0.14%	255,537	1013.11%
	Others (Note 6)	Secured loans	135,908	91,894,180	0.15%	1,340,578	986.39%
		Unsecured loans	137	32,489	0.42%	469	342.34%
Gross loan business			\$ 2,751,583	\$ 1,903,261,265	0.14%	\$ 29,583,431	1075.14%
			Amount of overdue accounts	Balance of accounts receivable	Overdue account ratio	Allowance for bad debts	Coverage ratio
Credit card services			\$ 13,812	\$ 7,542,405	0.18%	\$ 75,367	545.66%
Without recourse factoring (Note 7)			\$ -	\$ 28,218,088	-	\$ 460,750	-

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, 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

Unit: In US 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)	6	60
Total	\$ 6	\$ 60

Unit: In NT Thousand dollars

	December 31, 2019	
	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)	220	2,149
Total	\$ 220	\$ 2,149

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 NT Thousand dollars, In US 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\$	US\$	
1	A Company - Transport via Railways	\$ 46,504,072	\$ 1,655,244	15.79%
2	B Group - Other Financial Service Activities Not Elsewhere Classified	37,132,762	1,321,686	12.61%
3	C Group - Chemical Material Manufacturing	32,211,469	1,146,520	10.93%
4	D Group - Ship Transportation	23,880,651	849,996	8.11%
5	E Group - Real Estate Manufacturing	17,032,558	606,249	5.78%
6	F Group - Manufacture of Liquid Crystal Panel and Components	16,142,435	574,566	5.48%
7	G Group - Ship Transportation	14,129,855	502,931	4.80%
8	H Group - Rolling and Extruding of Iron and Steel	14,045,469	499,928	4.77%
9	I Group - Real Estate Development Activities	13,162,180	468,488	4.47%
10	J Group - Real Estate Development Activities	12,698,488	451,984	4.31%

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Unit: In NT Thousand dollars, %

Year	December 31, 2019		
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	\$ 49,843,216	17.06%
2	B Group - Real Estate Development Activities	35,655,512	12.20%
3	C Group - Other Financial Service Activities Not Elsewhere Classified	31,184,710	10.67%
4	D Group - Air Transport	24,154,365	8.27%
5	E Group - Computer manufacturing	23,143,632	7.92%
6	F Group - Ship Transportation	18,874,575	6.46%
7	G Group - Smelting and Refining of Iron and Steel	17,084,103	5.85%
8	H Group - Rolling and Extruding of Iron and Steel	15,246,809	5.22%
9	I Group - Other Financial Service Activities Not Elsewhere Classified	14,043,033	4.81%
10	J Group - Real Estate Development Activities	13,441,553	4.60%

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 very important to the Bank and subsidiaries. The objectives for liquidity risk management are (a) Meet the liquidity index regulation (b) Maintain reasonable liquidity based on business development plans, ensure capability of daily payment obligations and 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, 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

UNIT : In US 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	\$ 3,063,938	\$ 402,692	\$ 296,428	\$ 346,990	\$ -	\$ -	\$ 4,110,048
Due from the Central Bank and call loans to banks	11,398,575	1,784,108	231,391	25,000	-	-	13,439,074
Financial assets at fair value through profit or loss	687,745	33,603	31,411	129,517	789,809	187,890	1,859,975
Financial assets at fair value through other comprehensive income	776,405	478,464	545,823	1,029,896	6,093,245	5,788,390	14,712,223
Investment in debt instruments at amortised cost	10,097,670	2,427,933	1,855,961	3,228,350	1,106,420	169,088	18,885,422
Securities purchased under resell agreements	329,592	39,146	-	-	-	-	368,738
Receivables	5,195,926	477,478	169,232	254,130	968	21	6,097,755
Discounts and loans	3,258,463	6,037,562	8,855,458	8,300,628	26,311,068	19,048,265	71,811,444
Other financial assets	2,804	5	5	16	-	2,183	5,013
Total	34,811,118	11,680,991	11,985,709	13,314,527	34,301,510	25,195,837	131,289,692
Primary funds outflow upon maturity							
Deposits from the Central Bank and banks	11,224,998	682,677	128,111	260,537	1,563,267	32,347	13,891,937
Due to the Central Bank and banks	474,889	250,015	-	-	-	-	724,904
Financial liabilities at fair value through profit or loss	554,226	-	-	-	-	-	554,226
Securities sold under repurchase agreements	137,667	182,035	15,420	-	102,030	-	437,152
Payables	5,247,218	145,886	56,458	136,968	13	202,145	5,788,688
Deposits and remittances	17,737,461	15,474,236	8,889,245	15,074,530	35,708,509	740,510	93,624,491
Bank notes payable	-	177,587	256,884	-	36,021	-	470,492
Other financial liabilities	244,107	34,002	3,721	3,397	4,392	-	289,619
Lease liabilities	1,972	3,251	5,093	9,702	30,637	20,042	70,697
Others	13,077	26,155	26,155	91,542	-	-	156,929
Total	35,635,615	16,975,844	9,381,087	15,576,676	37,444,869	995,044	116,009,135
Gap	(\$ 824,497)	(\$ 5,294,853)	\$ 2,604,622	(\$ 2,262,149)	(\$ 3,143,359)	\$ 24,200,793	\$ 15,280,557

UNIT : In NT Thousand Dollars

		December 31, 2019						
		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	\$	98,751,279	\$ 30,370,026	\$ 7,149,709	\$ 4,829,927	\$ -	\$ -	\$ 141,100,941
Due from the Central Bank and call loans to banks		440,437,757	52,048,667	1,778,944	-	-	-	494,265,368
Financial assets at fair value through profit or loss		26,176,609	911,241	2,046,508	2,991,968	25,519,523	1,832,149	59,477,998
Financial assets at fair value through other comprehensive income		69,793,991	10,316,786	21,829,468	28,556,529	208,346,054	68,041,464	406,884,292
Investment in debt instruments at amortised cost		172,987,906	31,076,493	19,290,230	22,153,615	25,356,810	590,617	271,455,671
Securities purchased under resell agreements		7,536,981	-	-	-	-	-	7,536,981
Receivables		61,878,754	20,215,812	8,689,540	11,461,923	1,877,117	554	104,123,700
Discounts and loans		140,415,617	160,729,345	274,298,506	220,685,047	721,983,182	489,599,924	2,007,711,621
Other financial assets		205	410	421	1,242	207	32,392	34,877
Total		1,017,979,099	305,668,780	335,083,326	290,680,251	983,082,893	560,097,100	3,492,591,449
Primary funds outflow upon maturity								
Deposits from the Central Bank and banks		307,064,220	61,760,145	6,834,650	4,749,268	32,278,210	670,229	413,356,722
Due to the Central Bank and banks		3,768,861	13,567,833	3,920,679	-	-	-	21,257,373
Financial liabilities at fair value through profit or loss		17,362,339	-	-	-	-	-	17,362,339
Securities sold under repurchase agreements		2,241,783	21,272,207	8,614,979	-	-	-	32,128,969
Payables		58,713,487	3,627,747	1,766,229	3,976,329	412,466	5,679,275	74,175,533
Deposits and remittances		509,405,799	403,336,937	282,427,936	378,871,530	888,249,437	17,907,953	2,480,199,592
Bank notes payable		-	83,300	117,150	-	12,200,450	-	12,400,900
Other financial liabilities		5,400,230	2,460,737	127,011	2,926	2,216,185	71,495	10,278,584
Lease liabilities		53,915	92,831	142,850	271,819	973,528	529,017	2,063,960
Others		263,121	526,241	540,859	1,596,265	266,044	-	3,192,530
Total		904,273,755	506,727,978	304,492,343	389,468,137	936,596,320	24,857,969	3,066,416,502
Gap	\$	113,705,344	(\$ 201,059,198)	\$ 30,590,983	(\$ 98,787,886)	\$ 46,486,573	\$ 535,239,131	\$ 426,174,947

D. Structure analysis for maturity of derivatives

(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, 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	<u>\$ 98,587</u>	<u>\$ 506,895</u>	<u>\$ 328,509</u>	<u>\$ 182,594</u>	<u>\$ 3,433,865</u>	<u>\$ 14,536,424</u>	<u>\$ 19,086,874</u>
Total outflows	<u>\$ 214,672</u>	<u>\$ 127,685</u>	<u>\$ 118,977</u>	<u>\$ 323,398</u>	<u>\$ 976,389</u>	<u>\$ 4,995,413</u>	<u>\$ 6,756,534</u>

UNIT : In US 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	\$ 3,170	\$ 718	\$ 735	\$ 796	\$ 1	\$ -	\$ 5,420
Outflow	3,501	586	679	664	-	-	5,430
Interest rate derivatives							
Inflow	339	16,679	10,052	4,692	112,778	517,403	661,943
Outflow	4,140	3,959	3,556	10,847	34,753	177,804	235,059
Credit derivatives							
Inflow	-	645	906	1,011	9,444	-	12,006
Outflow	-	-	-	-	-	-	-
Total inflows	<u>\$ 3,509</u>	<u>\$ 18,042</u>	<u>\$ 11,693</u>	<u>\$ 6,499</u>	<u>\$ 122,223</u>	<u>\$ 517,403</u>	<u>\$ 679,369</u>
Total outflows	<u>\$ 7,641</u>	<u>\$ 4,545</u>	<u>\$ 4,235</u>	<u>\$ 11,511</u>	<u>\$ 34,753</u>	<u>\$ 177,804</u>	<u>\$ 240,489</u>

UNIT : In NT Thousand Dollars

December 31, 2019							
	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	\$ 50,725	\$ 22,975	\$ 5,461	\$ 8,795	\$ -	\$ -	\$ 87,956
Outflow	60,970	17,311	4,183	6,802	-	-	89,266
Interest rate derivatives							
Inflow	36,724	514,873	390,056	270,845	3,507,624	16,061,201	20,781,323
Outflow	99,679	127,260	148,324	375,661	1,982,014	7,170,514	9,903,452
Credit derivatives							
Inflow	-	49,011	52,857	135,822	318,786	-	556,476
Outflow	-	-	-	-	-	-	-
Total inflows	<u>\$ 87,449</u>	<u>\$ 586,859</u>	<u>\$ 448,374</u>	<u>\$ 415,462</u>	<u>\$ 3,826,410</u>	<u>\$ 16,061,201</u>	<u>\$ 21,425,755</u>
Total outflows	<u>\$ 160,649</u>	<u>\$ 144,571</u>	<u>\$ 152,507</u>	<u>\$ 382,463</u>	<u>\$ 1,982,014</u>	<u>\$ 7,170,514</u>	<u>\$ 9,992,718</u>

(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, 2020						Total
	1-30 days	31-90 days	91-180 days	181 days-1 year	1 year-5 years	Over 5 years	
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	<u>\$ 491,992,239</u>	<u>\$ 172,428,608</u>	<u>\$ 126,298,975</u>	<u>\$ 116,200,973</u>	<u>\$ 38,138</u>	<u>\$ -</u>	<u>\$ 906,958,933</u>
Total outflows	<u>\$ 493,767,139</u>	<u>\$ 175,228,907</u>	<u>\$ 127,761,738</u>	<u>\$ 117,794,969</u>	<u>\$ 37,928</u>	<u>\$ -</u>	<u>\$ 914,590,681</u>

UNIT : In US Thousand Dollars

	December 31, 2020						Total
	1-30 days	31-90 days	91-180 days	181 days-1 year	1 year-5 years	Over 5 years	
Foreign exchange derivatives							
Inflow	\$ 157,816	\$ 302,843	\$ 200,643	\$ 64,216	\$ -	\$ -	\$ 725,518
Outflow	155,983	299,837	202,010	64,150	-	-	721,980
Interest rate derivatives							
Inflow	17,353,921	5,834,499	4,294,783	4,071,786	1,357	-	31,556,346
Outflow	17,418,928	5,937,177	4,345,480	4,128,587	1,350	-	31,831,522
Total inflows	<u>\$ 17,511,737</u>	<u>\$ 6,137,342</u>	<u>\$ 4,495,426</u>	<u>\$ 4,136,002</u>	<u>\$ 1,357</u>	<u>\$ -</u>	<u>\$ 32,281,864</u>
Total outflows	<u>\$ 17,574,911</u>	<u>\$ 6,237,014</u>	<u>\$ 4,547,490</u>	<u>\$ 4,192,737</u>	<u>\$ 1,350</u>	<u>\$ -</u>	<u>\$ 32,553,502</u>

UNIT : In NT Thousand Dollars

		December 31, 2019						
		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	\$	6,840,123	\$ 12,420,131	\$ 4,136,111	\$ 1,787,789	\$ -	\$ -	\$ 25,184,154
Outflow		6,823,801	12,335,773	4,115,387	1,785,653	-	-	25,060,614
Interest rate derivatives								
Inflow		371,208,104	168,863,968	70,160,655	51,530,204	19,283	-	661,782,214
Outflow		372,165,660	169,704,375	70,812,304	51,817,042	19,492	-	664,518,873
Total inflows	\$	<u>378,048,227</u>	<u>\$ 181,284,099</u>	<u>\$ 74,296,766</u>	<u>\$ 53,317,993</u>	<u>\$ 19,283</u>	<u>\$ -</u>	<u>\$ 686,966,368</u>
Total outflows	\$	<u>378,989,461</u>	<u>\$ 182,040,148</u>	<u>\$ 74,927,691</u>	<u>\$ 53,602,695</u>	<u>\$ 19,492</u>	<u>\$ -</u>	<u>\$ 689,579,487</u>

E. Analysis for off-balance sheet contractual commitments

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	\$	<u>46,206,034</u>	<u>\$ 61,774,164</u>	<u>\$ 129,125,295</u>	<u>\$ 70,293,442</u>	<u>\$ 91,418,291</u>	<u>\$ 13,566,731</u>	<u>\$ 412,383,957</u>

UNIT : In US 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	\$	275,331	\$ 64,191	\$ 3,613,860	\$ 942,646	\$ 2,627,244	\$ 468,557	\$ 7,991,829
Financial guarantee contracts		1,369,304	2,134,569	982,164	1,559,345	626,655	14,331	6,686,368
Total	\$	<u>1,644,635</u>	<u>\$ 2,198,760</u>	<u>\$ 4,596,024</u>	<u>\$ 2,501,991</u>	<u>\$ 3,253,899</u>	<u>\$ 482,888</u>	<u>\$ 14,678,197</u>

UNIT : In NT Thousand Dollars

	December 31, 2019						
	<u>1-30 days</u>	<u>31-90 days</u>	<u>91-180 days</u>	<u>181 days-1 year</u>	<u>1 year-5 years</u>	<u>Over 5 years</u>	<u>Total</u>
Irrevocable commitments	\$ 1,886,980	\$ 1,161,330	\$ 92,601,152	\$ 23,082,255	\$ 76,038,555	\$ 7,177,065	\$ 201,947,337
Financial guarantee contracts	<u>42,568,777</u>	<u>47,404,122</u>	<u>37,873,025</u>	<u>54,981,101</u>	<u>25,655,845</u>	<u>69,409</u>	<u>208,552,279</u>
Total	<u>\$ 44,455,757</u>	<u>\$ 48,565,452</u>	<u>\$ 130,474,177</u>	<u>\$ 78,063,356</u>	<u>\$ 101,694,400</u>	<u>\$ 7,246,474</u>	<u>\$ 410,499,616</u>

- 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.

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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, 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)

Unit: In US 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	\$ 82,165,133	\$ 10,487,936	\$ 10,019,476	\$ 8,268,361	\$ 8,648,803	\$ 9,123,406	\$ 35,617,151
Primary funds outflow upon maturity	\$ 105,253,167	4,777,054	9,362,299	14,753,372	11,676,653	18,515,446	46,168,343
Gap	(\$ 23,088,034)	\$ 5,710,882	\$ 657,177	(\$ 6,485,011)	(\$ 3,027,850)	(\$ 9,392,040)	(\$ 10,551,192)

Unit: In NT Thousand Dollars

	December 31, 2019						
	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	\$ 1,915,318,243	\$ 275,175,039	\$ 198,450,965	\$ 152,407,863	\$ 224,375,175	\$ 166,861,754	\$ 898,047,447
Primary funds outflow upon maturity	2,459,536,895	107,110,773	180,406,137	321,925,179	252,697,632	428,131,098	1,169,266,076
Gap	(\$ 544,218,652)	\$ 168,064,266	\$ 18,044,828	(\$ 169,517,316)	(\$ 28,322,457)	(\$ 261,269,344)	(\$ 271,218,629)

(B) USD maturity analysis of the Bank

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)

Unit: In US Thousand Dollars

	December 31, 2019					
	Total	0-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year
Primary funds inflow upon maturity	\$ 59,161,168	\$ 26,065,330	\$ 8,661,893	\$ 3,825,506	\$ 3,370,008	\$ 17,238,431
Primary funds outflow upon maturity	68,087,117	25,567,497	12,994,797	6,958,351	6,962,965	15,603,507
Gap	(\$ 8,925,949)	\$ 497,833	(\$ 4,332,904)	(\$ 3,132,845)	(\$ 3,592,957)	\$ 1,634,924

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, 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

Unit: In US Thousand Dollars

	December 31, 2019					
	Total	0-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year
Primary funds inflow upon maturity	\$ 19,125,697	\$ 9,301,792	\$ 2,543,455	\$ 751,666	\$ 1,017,276	\$ 5,511,508
Primary funds outflow upon maturity	20,741,754	10,026,119	1,514,538	1,227,448	1,006,878	6,966,771
Gap	(\$ 1,616,057)	(\$ 724,327)	\$ 1,028,917	(\$ 475,782)	\$ 10,398	(\$ 1,455,263)

(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 cash flows.

The Bank and subsidiaries manage Banking book interest rate risk by using repricing gap analysis. The interest-rate repricing gap analysis is to estimate the difference between the assets and liabilities with interest bearing that are to be due near or repriced within a certain period and measure the impact of interest rate change on net interest revenue. The analysis assumes assets and liabilities structure remain unchanged and there are parallel movements of interest rate curves, and excludes the customer behavior, basis risk, option characteristics of early repayment of bonds. The Bank and subsidiaries calculate the change in net interest revenue for this year and also monitor the percentage of change in net interest revenue to the projection of net interest revenue for this year.

The Bank and subsidiaries monthly analyze and monitor interest rate risk positions limits and various interest rate risk management indexes. If any risk management index exceeds limit, 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 are mainly for offsetting customers' positions on the same day; therefore, foreign exchange risk is relatively low.

To control trading-book foreign exchange risk, 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, 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
Securities purchased under resell agreements	-	-	-	-	-
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

UNIT: In NT Thousand Dollars

	December 31, 2019				
	USD	AUD	RMB	EUR	JPY
Assets					
Cash and cash equivalents	\$ 90,619,231	\$ 352,948	\$ 17,353,638	\$ 1,877,948	\$ 12,279,100
Due from the Central Bank and call loans to banks	380,402,426	3,495,475	9,294,280	356,215	27,434,206
Financial assets at fair value through profit or loss	35,666,317	2,681,798	749	11,094	524
Financial assets at fair value through other comprehensive income	119,734,387	78,736,145	14,753,549	4,268,305	9,155,888
Investment in debt instruments at amortised cost	29,368,643	844,746	4,810,484	420,330	552,474
Securities purchased under resell agreements	1,438,626	-	-	-	-
Receivables	29,360,759	9,429,084	1,362,262	875,486	1,474,250
Discounts and loans	473,653,541	57,195,287	17,341,313	31,143,294	32,294,330
Other assets	1,249,756	68,991	738,989	1,766,115	89,449
Total assets	1,161,493,686	152,804,474	65,655,264	40,718,787	83,280,221
Liabilities					
Deposits from the Central Bank and banks	\$ 322,460,725	\$ 3,357,858	\$ 13,305,132	\$ 3,033,681	\$ 39,175,827
Due to the Central Bank and banks	21,161,321	-	-	-	-
Financial liabilities at fair value through profit or loss	19,586,617	9,329	754	4,886	546
Securities sold under repurchase agreements	17,192,940	14,686,716	-	-	-
Payables	16,352,059	269,673	1,704,548	470,161	1,106,354
Deposits and remittances	951,662,036	36,636,223	95,792,969	30,471,713	26,049,106
Other liabilities	\$ 9,940,727	\$ 3,830,503	\$ 1,205,129	\$ 1,132,947	\$ 338,810
Total liabilities	1,358,356,425	58,790,302	112,008,532	35,113,388	66,670,643
On-balance sheet foreign exchange gap	(\$ 196,862,739)	\$ 94,014,172	(\$ 46,353,268)	\$ 5,605,399	\$ 16,609,578
Off-balance sheet commitments	\$ 90,507,888	\$ 1,574,650	\$ 3,884,941	\$ 13,123,161	\$ 3,542,948
NTD exchange rate	29.9870	21.0059	4.2974	33.6214	0.2759

K. Risk management for equity securities

Due to needs of proprietary, make market and tactic, etc., the Bank held equity securities within the regulations of the law. That 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 report 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, 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

December 31, 2020

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 1.32%	(\$ 3,007)	\$ -
Foreign exchange risk	Exchange rate of NTD to USD, to JPY, to EUR and to each of other currencies depreciated by 1.32%	3,007	-
Interest rate risk	Increases in major interest rates by 1BPS	293	(3,068)
Interest rate risk	Declines in major interest rates by 1BPS	(293)	3,068
Equity securities risk	TAIEX declined by 1%	(1,309)	(2,333)
Equity securities risk	TAIEX increased by 1%	1,309	2,333

December 31, 2019

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%	(\$ 31,928)	\$ -
Foreign exchange risk	Exchange rate of NTD to USD, to JPY, to EUR and to each of other currencies depreciated by 1%	31,928	-
Interest rate risk	Increases in major interest rates by 1BPS	14,235	(106,752)
Interest rate risk	Declines in major interest rates by 1BPS	(14,235)	106,752
Equity securities risk	TAIEX declined by 1%	(54,754)	(50,470)
Equity securities risk	TAIEX increased by 1%	54,754	50,470

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, 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%

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

December 31, 2020

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	\$ 28,346,550	\$ 33,543,039	\$ 3,280,169	\$ 4,911,560	\$ 70,081,318
Interest rate sensitive liabilities	21,724,480	30,051,169	1,972,916	338,923	54,087,488
Interest rate sensitive gap	\$ 6,622,070	\$ 3,491,870	\$ 1,307,253	\$ 4,572,637	\$ 15,993,830
Net worth					\$ 10,044,835
Ratio of interest rate sensitive assets to interest rate sensitive liabilities					129.57%
Ratio of interest rate sensitivity gap to net worth					159.22%

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

December 31, 2019

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	\$ 555,584,995	\$ 913,074,565	\$ 22,892,052	\$ 154,092,044	\$ 1,645,643,656
Interest rate sensitive liabilities	481,824,600	726,722,387	53,519,867	18,785,106	1,280,851,960
Interest rate sensitive gap	\$ 73,760,395	\$ 186,352,178	(\$ 30,627,815)	\$ 135,306,938	\$ 364,791,696
Net worth					\$ 278,923,929
Ratio of interest rate sensitive assets to interest rate sensitive liabilities					128.48%
Ratio of interest rate sensitivity gap to net worth					130.79%

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, 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	(\$ 7,374,186)	(\$ 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%)

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

December 31, 2019

UNIT : In US Thousand Dollars, %

	1-90 days	91-180 days	181 days to 1 year	Over 1 year	Total
Interest rate sensitive assets	\$ 35,667,502	\$ 1,158,572	\$ 396,606	\$ 297,548	\$ 37,520,228
Interest rate sensitive liabilities	37,941,456	3,756,806	1,798,327	7,509	43,504,098
Interest rate sensitive gap	(\$ 2,273,954)	(\$ 2,598,234)	(\$ 1,401,721)	\$ 290,039	(\$ 5,983,870)
Net worth					\$ 479,434
Ratio of interest rate sensitive assets to interest rate sensitive liabilities					86.25%
Ratio of interest rate sensitivity gap to net worth					(1,248.11%)

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 analysed as follows:

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

UNIT: In US 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	\$ 484,879	\$ 432,059

UNIT: In NT Thousand Dollars		
December 31, 2019		
Financial assets category	Carrying amount of financial assets transferred	Carrying amount of associated financial liabilities
Financial assets at fair value through profit or loss		
Repurchase agreement	\$ 6,242,069	\$ 5,872,336
Financial assets at fair value through other comprehensive income		
Repurchase agreement	\$ 27,808,698	\$ 26,007,320

(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, 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
Resell agreement	-	-	-	-	-	-
Total	\$ 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

December 31, 2020

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	\$ 169,353	\$ -	\$ 169,353	\$ 116,849	\$ 2,191	\$ 50,313
Resell agreement	-	-	-	-	-	-
Total	\$ 169,353	\$ -	\$ 169,353	\$ 116,849	\$ 2,191	\$ 50,313

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	\$ 117,471	\$ -	\$ 117,471	\$ 13,019	\$ 416	\$ 104,036
Repurchase agreement	432,059	-	432,059	430,434	1,625	-
Total	\$ 549,530	\$ -	\$ 549,530	\$ 443,453	\$ 2,041	\$ 104,036

December 31, 2019

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	\$ 4,754,538	\$ -	\$ 4,754,538	\$ 2,160,932	\$ 75,328	\$ 2,518,278
Resell agreement	1,438,626	-	1,438,626	1,438,626	-	-
Total	\$ 6,193,164	\$ -	\$ 6,193,164	\$ 3,599,558	\$ 75,328	\$ 2,518,278

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	\$ 2,853,050	\$ -	\$ 2,853,050	\$ 262,834	\$ 12,129	\$ 2,578,087
Repurchase agreement	31,879,656	-	31,879,656	30,598,188	1,281,468	-
Total	\$ 34,732,706	\$ -	\$ 34,732,706	\$ 30,861,022	\$ 1,293,597	\$ 2,578,087

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

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-owned 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, 2020 and 2019.

UNIT: In NT Thousand Dollars, %

Annual			December 31, 2020	December 31, 2019
Items				
Self-owned capital	Capital of Common equity		\$ 276,182,111	\$ 274,907,180
	Other Tier 1 Capital		-	-
	Tier 2 Capital, net		31,640,197	30,180,451
	Self-owned capital, net		307,822,308	305,087,631
Total risk -weighted assets (Note 1)	Credit risk	Standardized Approach	2,035,086,854	2,020,197,737
		Internal Ratings-Based Approach	-	-
		Asset securitization	12,893,858	9,392,641
	Operation risk	Basic Indicator Approach	94,724,225	97,333,175
		Standardized Approach / Alternative Standardized Approach	-	-
		Advanced Measurement Approaches	-	-
	Market risk	Standardized Approach	33,465,838	45,775,875
		Internal Models Approach	-	-
	Total risk-weighted assets		2,176,170,775	2,172,699,428
Capital adequacy ratio (Note 2)			14.15%	14.04%
Common equity to total risk assets, net Ratio			12.69%	12.65%
Tier 1 Capital to total risk assets, net Ratio			12.69%	12.65%
Leverage ratio			7.41%	7.61%

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 1st quarter and 3rd 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 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.

(5) Financial Information By Geographic Area

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	<u>\$ 39,757,149</u>	<u>\$ 5,433,154</u>	<u>\$ 2,281,877</u>	<u>\$ 1,637,222</u>	<u>(\$ 203,350)</u>	<u>\$ 48,906,052</u>
Profit or loss	<u>\$ 20,520,668</u>	<u>\$ 3,334,200</u>	<u>(\$ 399,007)</u>	<u>\$ 201,554</u>	<u>(\$ 197,165)</u>	<u>\$ 23,460,250</u>
Assets attributable to specific departments	<u>\$ 2,835,728,488</u>	<u>\$ 252,548,941</u>	<u>\$ 267,409,258</u>	<u>\$ 106,712,176</u>	<u>(\$ 10,720,643)</u>	<u>\$ 3,451,678,220</u>

For the year ended December 31, 2020						
(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	\$ 1,386,606	\$ 201,235	\$ 85,303	\$ 74,402	(\$ 6,808)	\$ 1,740,738
Revenue from departments within the Bank	28,491	(7,851)	(4,083)	(16,128)	(429)	-
Total revenue	<u>\$ 1,415,097</u>	<u>\$ 193,384</u>	<u>\$ 81,220</u>	<u>\$ 58,274</u>	<u>(\$ 7,237)</u>	<u>\$ 1,740,738</u>
Profit or loss	<u>\$ 730,403</u>	<u>\$ 118,676</u>	<u>(\$ 14,202)</u>	<u>\$ 7,174</u>	<u>(\$ 7,018)</u>	<u>\$ 835,033</u>
Assets attributable to specific departments	<u>\$ 100,933,564</u>	<u>\$ 8,989,106</u>	<u>\$ 9,518,038</u>	<u>\$ 3,798,262</u>	<u>(\$ 381,585)</u>	<u>\$ 122,857,385</u>

For the year ended December 31, 2019

(Unit: In NT Thousand Dollars)

	Domestic	Asia	North	Other Overseas	Adjustment and	
	Department	(Note)	America	Operating	Write-off	Total
	Department	(Note)	America	Department	Write-off	Total
Revenue from customers outside the Bank	\$ 43,243,877	\$ 7,283,832	\$ 2,645,023	\$ 2,616,018	(\$ 313,264)	\$ 55,475,486
Revenue from departments within the Bank	2,659,180	(943,426)	(606,172)	(1,100,965)	(8,617)	-
Total revenue	<u>\$ 45,903,057</u>	<u>\$ 6,340,406</u>	<u>\$ 2,038,851</u>	<u>\$ 1,515,053</u>	<u>(\$ 321,881)</u>	<u>\$ 55,475,486</u>
Profit or loss	<u>\$ 25,615,924</u>	<u>\$ 4,612,396</u>	<u>(\$ 1,787,171)</u>	<u>\$ 779,327</u>	<u>(\$ 333,005)</u>	<u>\$ 28,887,471</u>
Assets attributable to specific departments	<u>\$ 2,744,606,472</u>	<u>\$ 273,677,359</u>	<u>\$ 235,458,868</u>	<u>\$ 87,529,615</u>	<u>(\$ 6,932,022)</u>	<u>\$ 3,334,340,292</u>

Note: amounts in Asia do not include those originating from the Republic of China.

(Blank below)

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

<u>Names of related parties</u>	<u>Short name of related parties</u>	<u>Relationship with the Bank</u>
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

<u>Names of related parties</u>	<u>Short name of related parties</u>	<u>Relationship with the Bank</u>
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		Certain directors, supervisors, managers and relatives of the Bank's chairman and general manager

(Blank below)

(3) Major transactions and balances with related parties

A. Due from and due to banks

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)				
<u>Due from banks</u>				
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
<u>Due to banks</u>				
Other related parties:				
China 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)
For the year ended December 31, 2020				
	Balance as of December 31	Highest Outstanding Balance	Interest Rate (%)	Total Interest Income (Expense)
(In US Thousand Dollars)				
<u>Due from banks</u>				
Fellow subsidiary:				
Mega Bills	\$ 71,187	\$ 276,566	0.20%~2.94%	\$ 543
Other related parties:				
Bank of Taiwan	671,050	1,478,201	0.06%~3.42%	259
<u>Due to banks</u>				
Other related parties:				
China Post	\$ 1,400	\$ 2,542	0.81%~1.06%	(\$ 18)
Bank of Taiwan	158,647	673,437	0.05%~3.40%	(104)

For the year ended December 31, 2019					
	Balance as of December 31	Highest Outstanding Balance	Interest Rate (%)	Total Interest Income (Expense)	
(In NT Thousand Dollars)					
<u>Due from banks</u>					
Fellow subsidiary:					
Mega Bills	\$ 6,492,053	\$ 11,419,228	0.41%~4.80%	\$	51,325
Other related parties:					
Bank of Taiwan	19,692,644	43,657,184	0.03%~3.25%		4,504
<u>Due to banks</u>					
Other related parties:					
China Post	\$ 71,410	\$ 889,524	1.06%~1.10%	(\$	4,459)
Bank of Taiwan	7,679,864	14,990,467	0.17%~4.00%	(	5,133)

B. Loans and deposits

	Item	Counterparty	December 31, 2020		% of Total	Interest Rate (%)	Total Interest	
							Income (Expense)	% of Total
			NT\$	US\$				
For the year ended December 31, 2020	Deposits	Next bank	\$ 7,812,142	\$ 278,062	0.30%	0.02%~0.78%	(\$ 28,620)	0.17%
	Deposits	All related parties (Note)	5,374,520	191,298	0.21%	0.00%~13.00%	(38,473)	0.23%
	Loans	All related parties	2,214,123	78,808	0.12%	0.88%~2.49%	13,566	0.03%
	(Note) Next bank excluded.							
	Item	Counterparty	December 31, 2019		% of Total	Interest Rate (%)	Total Interest	
							Income (Expense)	% of Total
			NT\$					
For the year ended December 31, 2019	Deposits	All related parties	\$ 4,029,301		0.16%	0.00%~13.00%	(\$ 33,989)	0.10%
	Loans	All related parties		273,835	0.01%	1.00%~2.63%	6,459	0.01%

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, 2020				
	Related Party	Lease Period	Lease Receipt	Rental Revenue (NT\$)	Rental Revenue (US\$)
The parent:					
Mega Financial Holdings	2018.08-2022.11	Monthly	\$	408	\$ 15
Fellow subsidiary:					
Mega Securities	2016.02-2025.05	Monthly		20,493	729
Mega Bills	2019.01-2021.12	Monthly		30,644	1,091
Chung Kuo Insurance	2018.05-2025.10	Quarterly/ Semi-Annually		1,499	53
Mega Asset	2019.01-2021.12	Monthly		6,695	238
The subsidiary:					
Yung-Shing Industries	2018.10-2023.06	Quarterly/Annually		2,822	100
Mega Management Consulting	2019.01-2021.12	Monthly		1,525	54
The indirect subsidiary:					
Win Card	2019.01-2023.05	Quarterly		4,559	162
ICBC Consulting	2020.07-2023.06	Annually		15	1
For the year ended December 31, 2019					
	Related Party	Lease Period	Lease Receipt	Rental Revenue (NT\$)	
The parent:					
Mega Financial Holdings	2018.08-2022.11	Monthly		\$	408
Fellow subsidiary:					
Mega Securities	2016.02-2024.07	Monthly			19,643
Mega Bills	2019.01-2021.12	Monthly			30,644
Chung Kuo Insurance	2018.05-2022.08	Quarterly/ Semi-Annually			1,499
Mega Asset	2019.01-2021.12	Monthly			6,695
Mega Investment Trust	2016.01-2019.04	Monthly			4,045
The subsidiary:					
Yung-Shing Industries	2017.07-2021.09	Quarterly/Annually			3,100
Mega Management Consulting	2019.01-2021.12	Monthly			1,525
The indirect subsidiary:					
Win Card	2019.01-2020.05	Quarterly			4,388
ICBC Consulting	2017.07-2020.06	Annually			15

Lessee

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

For the year ended December 31, 2020

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	\$ 1,273	\$ 1,293	\$ 11
Fellow subsidiary:					
Mega Bills	2019.01-2021.12	Monthly	3,017	3,041	34
Chung Kuo Insurance	2003.12-2022.07	Monthly	2,123	2,141	21
Subsidiary:					
Yung-Shing Industries	2014.12-2044.11	Monthly	16,510	16,646	144

For the year ended December 31, 2019

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	\$ 32,731	\$ 32,869	\$ 314
Fellow subsidiary:					
Mega Bills	2019.01-2021.12	Monthly	169,550	170,204	1,615
Chung Kuo Insurance	2003.12-2022.07	Monthly	81,064	81,407	773
Subsidiary:					
Yung-Shing Industries	2014.12-2044.11	Monthly	483,232	485,215	4,189
Equity investees:					
Ramlett	2019.06-2021.05	Monthly	45,286	45,882	183

Note: The Bank sets up offices for collection / payment of securities trading for customers in all operating bases. There are neither formal contracts nor actual lease terms. The rental fees are paid according to a certain percentage of deposit balance of each operating base.

D. Securities purchased under resell agreements

For the year ended December 31, 2020			
	Amount	NT\$ 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
	<u>\$ 151,403,345</u>	<u>\$ 9,407,697</u>	<u>\$ 29,475</u>
For the year ended December 31, 2020			
	Amount	US\$ Ending balance	Interest revenue
Fellow subsidiary:			
Mega Bills	\$ 3,238,690	\$ 327,731	\$ 831
Mega Securities	2,150,288	7,122	218
	<u>\$ 5,388,978</u>	<u>\$ 334,853</u>	<u>\$ 1,049</u>
For the year ended December 31, 2019			
	Amount	NT\$ Ending balance	Interest revenue
Fellow subsidiary:			
Mega Bills	\$ 60,723,145	\$ 3,294,416	\$ 43,497
Mega Securities	41,417,020	900,136	5,595
	<u>\$ 102,140,165</u>	<u>\$ 4,194,552</u>	<u>\$ 49,092</u>

E. Current income tax liabilities

	December 31, 2020		December 31, 2019
	NT\$ Amount	US\$ Amount	NT\$ Amount
Parent company:			
Mega Financial Holdings			
(Note)	<u>\$ 1,724,725</u>	<u>\$ 61,389</u>	<u>\$ 2,168,523</u>

Note: Consolidated tax payable to the parent company.

F. Service fees revenues

		For the years ended December 31,	
		2020	2019
	NT\$	US\$	NT\$
Fellow subsidiary:			
Mega Investment Trust (Note 1)	\$ 22,081	\$ 786	\$ 37,203
Chung Kuo Insurance (Note 2)	18,606	662	17,870
	<u>\$ 40,687</u>	<u>\$ 1,448</u>	<u>\$ 55,073</u>

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,	
		2020	2019
	NT\$	US\$	NT\$
Fellow subsidiary:			
Chung Kuo Insurance	\$ 28,878	\$ 1,028	\$ 31,669

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\$161,540 thousand and NT\$188,886 thousand for the years ended December 31, 2020 and 2019, 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, 2020 and 2019, operating expenses payable in accordance with agreements was NT\$162,554 thousand and NT\$181,326 thousand, respectively.

J. Loans

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

December 31, 2020

(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	9	\$ 179	\$ 89	V		None	None
Home mortgage loans	94	28,646	24,111	V		Real estate	None
Other loans	6	75,708	74,453	V		Real estate/ The Bank's time deposits/ Credit insurance fund	None

December 31, 2019

(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	8	\$ 4,612	\$ 3,997	V		None	None
Home mortgage loans	90	792,314	725,435	V		Real estate	None
Other loans	6	1,222,078	488,286	V		Real estate/ The Bank's time deposits	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, 2020	Chung Kuo Insurance	\$ 9,004	\$ 8,377	\$ 113	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, 2020	Chung Kuo Insurance	\$ 320	\$ 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, 2019	Chung Kuo Insurance	\$ 9,258	\$ 8,941	\$ 125	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,		
	2020		2019
	NT\$	US\$	NT\$
Salaries and other short-term employee benefits	\$ 82,680	\$ 2,943	\$ 86,773
Post-employment benefits	2,183	78	2,377
Total	<u>\$ 84,863</u>	<u>\$ 3,021</u>	<u>\$ 89,150</u>

12. PLEDGED ASSETS

The details for assets of the Bank and subsidiaries pledged as collateral as of December 31, 2020 and 2019, are provided in the Notes 6(3), (4), (5), (8) and (13).

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. 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, 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, 2020 and 2019, the Bank and subsidiaries had the following commitments

	December 31, 2020		December 31, 2019
	NT\$	US\$	NT\$
Irrevocable loan commitments	\$ 129,021,778	\$ 4,592,339	\$ 115,208,577
Securities sold under repurchase agreement	12,281,790	437,152	32,128,969
Securities purchased under resell agreement	10,359,690	368,738	7,536,981
Credit card line commitments	95,508,685	3,399,490	86,738,760
Guarantees issued	137,972,817	4,910,939	161,294,237
Outstanding guarantees issued	-	-	25,401
Letters of credit	49,880,677	1,775,429	47,258,042
Customers' securities under custody	266,554,468	9,487,612	309,916,421
Properties under custody	2,341,529	83,343	2,701,974
Guarantee effects	111,217,213	3,958,612	112,655,731
Collections for customers	73,816,145	2,627,377	74,940,360
Agency loans payable	349,396	12,436	476,536
Travelers' checks consigned-in	-	-	871,120
Payables on consignments-in	846	30	985
Goods and tickets consignments-in	1,612	57	1,654
Agent for government bonds	115,577,800	4,113,821	184,033,700
Short-dated securities under custody	113,993,056	4,057,414	86,740,467
Trust liability	595,586,435	21,199,019	569,150,273
Certified notes paid	3,869,744	137,738	4,108,949

(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

None.

16. OTHERS

(1) Information for financial assets transfers and liabilities extinguishing

None.

(2) Significant adjustment in the organisation and significant changes in the management system

- A. On April 2, 2019, the Bank and subsidiaries set up Foreign Exchange Business Management Department to enhance the synergy of foreign exchange operating management.
- B. 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 has been 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. The Bank’s financial statements for the year ended December 31, 2019 has been retrospectively restated.

The amounts before and after the restatement are provided in the following tables:

(a) Reconciliation of assets and liabilities, December 31, 2019

	Before Restatement	After Restatement
	December 31, 2019	December 31, 2019
Assets		
Cash and cash equivalents	\$ 141,035,478	\$ 141,035,478
Receivables, net	60,936,001	60,955,571
Property and equipment, net	14,960,999	14,962,513
Right-of-use assets, net	1,902,983	1,918,253
Other assets, net	6,170,658	6,181,657
Liabilities		
Payables	35,786,043	35,849,726
Current tax liabilities	7,396,473	7,457,513
Deposits and remittances	2,461,114,068	2,460,554,855
Provisions	16,289,343	16,289,362
Lease liabilities	1,928,148	1,943,483

(b) Reconciliation of comprehensive income items, 2019

	Before Restatement	After Restatement
	For the Year Ended 2019	For the Year Ended 2019
Interest expenses	(\$ 34,458,122)	(\$ 34,456,774)
Net service fee revenue (charge)	6,590,169	7,185,257
Employee benefits expenses	(16,009,344)	(16,039,009)
Depreciation and amortization expense	(1,301,986)	(1,308,380)
Other general and administrative expense	(8,440,281)	(8,493,767)
Income tax expense	(3,735,704)	(3,837,082)

(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, 2020	December 31, 2019
Return on total assets (%)	Before tax	0.69	0.88
	After tax	0.60	0.77
Return on stockholders' equity (%)	Before tax	8.00	10.05
	After tax	6.93	8.71
Net profit margin ratio (%)		41.57	45.16

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) In accordance with Article 17 of the Trust Enterprise Law, the disclosures of the trust balance sheet, trust income statement and trust property list are as follows:

A. Trust Balance Sheet

(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	<u>\$ 595,586,435</u>		<u>\$ 595,586,435</u>

(Blank below)

(In US Thousand Dollars)

Trust Balance Sheet			
December 31, 2020			
Trust assets		Trust liabilities	
Bank deposits	\$ 420,206	Capital borrowed	\$ 160,189
Receivables	139	Payables	465
Bonds	566,725	Account collected in	
Stocks	1,729,723	advance	1,030
Mutual funds	4,875,468	Tax payable	1,033
Structured products	510,094	Accounts withholding	5
Properties, net	1,943	Customers' securities under	
Real estate		custody	8,626,645
Land	3,458,849	Other liabilities	53,751
Buildings and Structures, net	495,525	Trust capital	12,155,599
Construction in Process	351,240	Accumulated profit or loss	
Customers' securities under		for reserves	
custody	8,626,645	Net income for current	
		period	66,248
Other assets	162,461	Accumulated profit	134,053
Total trust assets	<u>\$ 21,199,018</u>		<u>\$ 21,199,018</u>

(In NT Thousand Dollars)

Trust Balance Sheet			
December 31, 2019			
Trust assets		Trust liabilities	
Bank deposits	\$ 12,027,913	Capital borrowed	\$ 4,500,525
Receivables	5,285	Payables	13,637
Bonds	14,129,513	Account collected in	
Stocks	43,941,116	advance	28,009
Mutual funds	127,231,077	Tax payable	29,387
Structured products	21,663,493	Accounts withholding	1,093
Properties, net	45,766	Customers' securities under	
Real estate		custody	230,093,808
Land	89,133,495	Other liabilities	1,458,445
Buildings and Structures, net	13,578,098	Trust capital	327,014,533
Construction in Process	13,788,887	Accumulated profit or loss	
Customers' securities under		for reserves	
custody	230,093,808	Net income for current	
		period	2,238,817
Other assets	3,511,822	Accumulated profit	3,772,019
Total trust assets	<u>\$ 569,150,273</u>		<u>\$ 569,150,273</u>

B. Trust Income Statement

	For the years ended December 31,		
	2020		2019
	(NT\$)	(US\$)	(NT\$)
<u>Trust income:</u>			
Interest income	\$ 31,739	\$ 1,130	\$ 36,515
Rental income	1,186,180	42,220	1,727,562
Dividend income	1,176,852	41,888	1,396,341
Realized capital gain-Stock	10,499	374	21,818
Realized capital gain-Funds	9,097	324	9,592
Other income	45,771	1,629	56,528
Total trust income	<u>2,460,138</u>	<u>87,565</u>	<u>3,248,356</u>
<u>Trust expenses:</u>			
Management expense	(91,369)	(3,252)	(130,766)
Repairing expense	(48,531)	(1,727)	(68,874)
Insurance	(13,674)	(487)	(20,689)
Depreciation expense	(8,425)	(300)	(8,490)
Land and housing tax	(137,802)	(4,905)	(204,526)
Interest expense	(57,154)	(2,034)	(106,883)
Service charge abstract	(10,110)	(360)	(15,145)
Accountant fees	(1,014)	(36)	(1,790)
Lawyer fees	(1,360)	(48)	-
Realized capital loss-Stock	(129,146)	(4,597)	(298,415)
Realized capital loss-Funds	-	-	(2)
Losses on disposal of property	(49)	(2)	-
Other expenses	(100,259)	(3,569)	(153,959)
Total trust expenses	<u>(598,893)</u>	<u>(21,317)</u>	<u>(1,009,539)</u>
Net income before income tax (Net investment income)	1,861,245	66,248	2,238,817
Income tax expense	-	-	-
Net income after income tax	<u>\$ 1,861,245</u>	<u>\$ 66,248</u>	<u>\$ 2,238,817</u>

C. Trust Property List

	December 31, 2020		December 31, 2019
	(NT\$)	(US\$)	(NT\$)
Bank deposits	\$ 11,805,684	\$ 420,206	\$ 12,027,913
Bonds	15,922,140	566,725	14,129,513
Stock	48,596,573	1,729,723	43,941,116
Mutual funds	136,976,273	4,875,468	127,231,077
Structured products	14,331,102	510,094	21,663,493
Properties, net	54,598	1,943	45,766
Real estate			
Land	97,176,372	3,458,849	89,133,495
Buildings and structures, net	13,921,767	495,525	13,578,098
Construction in process	9,868,083	351,240	13,788,887
Customers' securities under custody	242,365,585	8,626,645	230,093,808
Other assets	4,564,348	162,461	3,511,822
Total	<u>\$ 595,582,525</u>	<u>\$ 21,198,879</u>	<u>\$ 569,144,988</u>

Note: The amount of Non-discretionary Money Trust Investments in Foreign Securities of OBU branch is NT\$25,912,527 thousand and NT\$29,729,306 thousand as of December 31, 2020 and 2019, 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 Bank and subsidiaries 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 subsidiaries 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:

Investor	Marketable securities	General ledger account	Counterparty	Relationship	Balance as of January 1, 2020		Addition		Disposal			Balance as of December 31, 2020	
					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 profit or loss, net	-	-	2,900	\$ 120,694	360	\$ 15,390	2,935	\$ 123,601	\$ 3,325	325	\$ 15,808
"	Formosa Plastics Corporation	"	-	-	870	85,934	650	63,547	1,520	120,818	(28,663)	-	-
"	Far Eastern New Century Corp.	"	-	-	2,850	83,538	230	6,457	3,080	68,017	(21,978)	-	-
"	Taiwan Fertilizer Co., Ltd.	"	-	-	520	24,888	370	17,719	160	8,283	621	730	34,945
"	China Steel Corporation	"	-	-	3,000	71,247	500	11,781	3,500	70,682	(12,346)	-	-
"	Taiwan Semiconductor Manufacturing Company	"	-	-	1,525	405,020	1,885	677,296	1,870	736,370	90,159	1,540	436,105
"	MediaTek Inc.	"	-	-	265	106,699	1,123	619,689	1,388	726,455	67	-	-
"	Chang Hwa Commercial Bank	"	-	-	194,299	3,981,152	-	-	12,894	255,061	(3,149)	181,405	3,722,942
"	Taiwan Mobile Co., Ltd.	"	-	-	400	45,575	-	-	400	42,403	(3,172)	-	-
"	Taiwania Capital Buffalo Ventures, LP	"	-	-	-	300,000	-	300,000	-	21,600	-	-	578,400
"	Taiwan Cement Corp.	Financial assets at fair value through other comprehensive income	-	-	2,674	98,134	9,041	395,277	-	-	-	11,715	493,411
"	Asia Cement Corp.	"	-	-	735	34,935	9,755	421,620	-	-	-	10,490	456,555
"	Formosa Plastics Corporation	"	-	-	5,200	542,349	200	19,790	5,400	380,125	(182,014)	-	-
"	Far Eastern New Century Corp.	"	-	-	6,400	190,747	17,800	494,402	6,700	148,626	(50,986)	17,500	485,537
"	Taiwan Fertilizer Co., Ltd.	"	-	-	1,650	79,222	8,850	469,370	-	-	-	10,500	548,592

Investor	Marketable securities	General ledger account	Counterparty	Relationship	Balance as of January 1, 2020		Addition		Disposal			Balance as of December 31, 2020	
					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	China Steel Corporation	Financial assets at fair value through other comprehensive income	-	-	10,600	\$ 264,173	2,200	\$ 51,056	12,800	\$ 244,857	(\$ 70,372)	-	\$ -
"	Taiwan Semiconductor Manufacturing Company	"	-	-	-	-	380	109,938	-	-	-	380	109,938
"	Chunghwa Telecom Co., Ltd.	"	-	-	2,300	254,538	8,200	891,019	-	-	-	10,500	1,145,557
"	Chang Hwa Commercial Bank	"	-	-	5,700	129,768	21,950	439,500	-	-	-	27,650	569,268
"	Taiwan Mobile Co., Ltd.	"	-	-	4,400	494,335	6,478	664,752	-	-	-	10,878	1,159,087
"	Next Commercial Bank Co., Ltd.	Investments measured by equity method, net	None	None	-	-	251,000	2,510,000	-	-	-	251,000	2,510,000

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:

1. The information regarding selling non-performing loans for the year 2020 is as follows:

UNIT: In NT Thousand dollars

Transaction Date	Counterparty	Contents of right of claim	Carring value	Sale price	Gain or loss from disposal	Attached conditions	Relationship with the Company	Note
2020.11.13	Goldman Sachs Lending Partners LLC	Corporate lending	\$ 86,149	\$ 86,811	\$ 662	None	None	Note

(Note) The book value and disposal price of loan transaction were US\$2,931 and US\$2,953. The Bank exchange rate of USD to NTD was 1 : 29.3955.

2. Information regarding selling non-performing loans single batch amount exceeded NT\$1 billion (excluding sales to related parties): 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, 2020:

(In NT Thousand Dollars)

						Share-holdings of the Bank and related enterprises				
Investee companies	Address	Main service	Percentage of ownership(%)	Book value	Investment income (loss)	Share(in thousands)	Proforma information on number of stock held	Total		Note
								Share(in thousands)	Percentage of ownership(%)	
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%	\$ 34,119	(\$ 4,611)	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%	64,007	34,327	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%	-	(6,653)	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%	704,125	51,556	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%	27,916	708	68	None	68	68.27%	
Next Commercial Bank Co., Ltd.	6F., No.95, Sec. 2, Dunhua Rd., Taipei City	Internet-only bank	25.10%	2,284,743	(225,257)	251,000	None	251,000	25.10%	
An Feng Enterprise Co., Ltd.	3F., No.139, Jhengjhou Rd., Taipei City	Automatic Teller Machine rental, configure and maintain	25.00%	12,034	979	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%	1,776,306	116,366	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%	46,333	3,992	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%	180,215	4,041	9,000	None	9,000	20.00%	

(In NT Thousand Dollars)

						Share-holdings of the Bank and related enterprises				
Investee companies	Address	Main service	Percentage of ownership(%)	Book value	Investment income (loss)	Share(in thousands)	Proforma information on number of stock held	Total		Note
								Share(in thousands)	Percentage of ownership(%)	
Universal Venture Capital Investment Corporation	7F., No.91, Hengyang Rd., Taipei City	Venture capital	11.84%	\$ 125,335	(\$ 2,654)	14,250	None	14,250	11.84%	
Mega Growth Venture Capital Co., Ltd.	7F., No.91, Hengyang Rd., Taipei City	Venture capital	11.81%	153,817	4,314	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%	40,832	7,456	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%	22,913	1,680	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, 2020:

(Expressed in NT Thousand dollars)

Name of Holding Company	Type and Name of Marketable Securities	Relationship with the Securities Issuer	Account	At year-end		Ownership Percentage (%)	Market value	Note
				Share / Units (in thousands)	Book value			
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	40,832	100.00%	40,832	
"	ICBC Assets Management & Consulting Co., Ltd.	"	"	2,000	22,913	100.00%	22,913	
"	An Feng Enterprise Co., Ltd.	"	"	150	2,308	5.00%	2,308	
	Total				\$ 71,351			

(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.

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(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, 2020	For the year ended December 31, 2020		Accumulated amount of investments as of December 31, 2020	Net income of investee as of December 31, 2020	The Company's Direct/ Indirect Percentage of Ownership (%)	Investment Income (Loss) for the period (Note 2)	Carrying amount of investment as of December 31, 2020	Investment income remitted as of December 31, 2020
					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)	\$ 408,964	None	\$ 408,964	\$ -	\$ -
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)	\$ 221,470	None	\$ 221,470	\$ -	\$ -

Accumulated investment amounts in Mainland China as of December 31, 2020	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)	\$176,750,057

Note 1: Limit calculation is as follows (The Bank's net worth is NT\$294,583,429 thousand) NT\$294,583,429 thousand x 60% = NT\$176,750,057 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) 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	\$ 44,468	No significant difference from general customers	0.00%
0	"	"	1	Call Loans to Banks	281,958	"	0.01%
0	"	"	1	Deposits from Other Banks	159,326	"	0.00%
0	"	"	1	Due to other banks	4,071	"	0.00%
0	"	"	1	Interest Revenue	3,884	"	0.00%
0	"	"	1	Interest Expenses	432	"	0.00%
1	Mega ICBC(Thailand)	Mega International Commercial Bank Co., Ltd.	2	Due from Commercial Banks	159,326	"	0.00%
1	"	"	2	Call Loans to Banks	4,071	"	0.00%
1	"	"	2	Deposits from Other Banks	44,468	"	0.00%
1	"	"	2	Due to other banks	281,958	"	0.01%
1	"	"	2	Interest Revenue	432	"	0.00%
1	"	"	2	Interest Expenses	3,884	"	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.

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**Board of Directors and Supervisors
of Mega International Commercial Bank Co., Ltd.**

2020/12/31

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
Kuang-Hua Hu Managing Director 胡光華	President Mega Financial Holding Company
Yong-Yi Tsai Managing Director & President 蔡永義	President Mega Bank
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	
Chih-Jen Hsu Independent Director 許志仁	Chairman of the Board Spring House Entertainment Technology Incorporation
Ching-Wen Lin Director 林靜雯	Professor CTBC Business School
Shao-Pin Lin Director 林少斌	Associate Professor Department of Finance and Banking, Shih Chien University
Chao-Huang Kuo Director 郭昭宏	President TAIWAN-CA Inc.

Name & Title	Current Position & Occupation
Sui-Chang Liang Director 梁穗昌	Principal Attorney Liang & Associates, Attorneys-At-Law
Chih-Yang Cheng Director 鄭智陽	Managing lawyer LexFaith Law Office
Wen-Ling Hung Director 洪文玲	Professor Department of Administration Police, Central Police University
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
Yu-ling Hung Supervisor 洪佑伶	CPA Earnest & Co., CPAs
Jiin-Feng Chen Supervisor 陳錦烽	Associate Professor and Director English Taught Program in International Business, College of Management, Shih-Chien University