



NOTICE TO READERS
This English version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English version and the Chinese version, the Chinese version shall prevail.

CHANG HWA BANK

ANNUAL REPORT 2020

CHB 彰化銀行
CHANG HWA BANK
SINCE 1905

Stock Code: 2801

2020

ANNUAL REPORT

Published date: March, 2021
Website: <https://www.bankchb.com>
MOPS: <https://mops.twse.com.tw>

Spokesman

Name: Bin Chen

Title: Executive Vice President

Tel: (886-2) 2536-2951

E-mail: customer@chb.com.tw

Acting Spokesman

Name: Chang-Hua Cheng

Title: Executive Vice President

Tel: (886-2) 2536-2951

E-mail: customer@chb.com.tw

Addresses of Chang Hwa Bank Head Office

- Taichung: No. 38, Sec. 2, Ziyou Rd., Central Dist., Taichung City 40045, Taiwan (R.O.C.)
Tel: (886-4) 2222-2001
- Taipei: No. 57, Sec. 2, Zhongshan N. Rd., Zhongshan Dist., Taipei City 10412, Taiwan (R.O.C.)
Tel: (886-2) 2536-2951

Securities Agent

- Mega Securities Co., Ltd.
Address: 1F., No. 95, Sec. 2, Zhongxiao E. Rd., Zhongzheng Dist., Taipei City 10058, Taiwan (R.O.C.)
Tel: (886-2) 3393-0898
Website: <https://www.emega.com.tw>

Credit Rating Agency

- Taiwan Ratings Corporation
Address: 2F., No. 167, Dunhua N. Rd., Songshan Dist., Taipei City 10512, Taiwan (R.O.C.)
Tel: (886-2) 2175-6800
- Standard & Poor's Hong Kong Limited
Address: Unit 1, Level 69, International Commerce Centre, 1 Austin Road West, Kowloon, HK
Tel: +852-2533-3547
- Moody's Investors Service Hong Kong Limited
Address: 24F, One Pacific Place, 88 Queensway, Admiralty, HK
Tel: +852-3758-1300

CPA-Auditor of the Financial Report

CPA Name: Amanda Wu, Titan Lee

Company: Deloitte & Touche

Address: 20F, No. 100, Songren Rd., Xinyi Dist., Taipei, 11073, Taiwan (R.O.C.)

Tel: (886-2) 2725-9988

Website: <https://www.deloitte.com.tw>

Names of Exchanges Where Overseas Securities Are Listed and Methods of Inquiry:

None.

Website:

<https://www.bankchb.com>

Awards & Honors



- ❖ The Global TOP 500 Banking Brands of years 2010-2013 & 2015-2021.
~ The Brand Finance
- ❖ Management B score from Carbon Disclosure Project for Actions against Climate Change of year 2019 & 2020.
~ Carbon Disclosure Project in Britain (CDP)
- ❖ BSI Excellence in Sustainability Award of year 2020.
~ British Standards Institution (BSI)
- ❖ TCSA Taiwan Corporate Sustainability Awards for Corporate Sustainability Report Awards (Gold) of year 2020.
~Taiwan Institute for Sustainable Energy
- ❖ Best Corporate Social Responsibility Award in Non-Financial Holding Banks of year 2020.
~Excellence Magazine
- ❖ Corporate Social Responsibility Yearbook of year 2020 - Benchmark Corporate.
~ Economic Daily News
- ❖ TWSE Corporate Governance 100 Index for 5 consecutive years.
~Taiwan Stock Exchange (TWSE)
- ❖ FTSE4Good Emerging Index for 4 consecutive years.
~ FTSE Russell & Taiwan Index Plus Corporation
- ❖ Taiwan High Compensation 100 Index for 7 consecutive years.
~ Taiwan Stock Exchange
- ❖ Taiwan Employment Creation Index 99 for 4 consecutive years.
~ Taiwan Stock Exchange
- ❖ The FTSE4Good TIP Taiwan ESG Index for 5th consecutive time.
~ Taiwan Stock Exchange
- ❖ Golden Award for Credit Guarantee, Government Policy Promotion Award, Outstanding Collection of Guarantee Cases of year 2020.
~ Ministry of Economic Affairs (MOEA)
- ❖ Outstanding Bank in Cooperation of Referral Export Insurance of year 2019 & 2020.
~ Ministry of Finance (MOF)
- ❖ First Place of Rewarding Domestic Banks to Accelerate the Relief and Bail-out Loan Program Class C in Efficiency (Government Bail-out and Incentivizing Loan Program).
~ The Financial Supervisory Commission (FSC)
- ❖ Outstanding Green Procurement Corporation of year 2020.
~ Department of Environmental Protection of New Taipei City Government
- ❖ Outstanding Green Procurement Corporation for 3 consecutive years.
~ Department of Environmental Protection of Taipei City Government
- ❖ Top 5% in TWSE Listed Company of the 6th term of Corporate Governance Evaluation; Top 4 in the Financial and Insurance Industry.
~ Taiwan Stock Exchange (TWSE)
- ❖ BSI Excellence in Sustainability Award of year 2018 & 2019.
~ British Standards Institution (BSI)
- ❖ TCSA Taiwan Corporate Sustainability Awards - Corporate Sustainability Report Awards (Silver) of year 2018 & 2019.
~ Taiwan Institute for Sustainable Energy
- ❖ Best Sustainability Award in Non-Financial Holding Banks of year 2019.
~ Excellence Magazine
- ❖ Golden Award for Credit Guarantee, Government Policy Promotion Award, Microenterprise Support Award of year 2019.
~ Ministry of Economic Affairs (MOEA)
- ❖ Excellent-Performance of the Bank in Trust industry processing in Trust Assets for Elderly and Disabled of year 2018 & 2019.
~ Financial Supervisory Commission (FSC)
- ❖ Best Innovative Services and Best Reliable System Awards in Electronic Cash Flow Business of year 2018 & 2019.
~ Financial Information Service Co., Ltd.
- ❖ Golden Torch Award for Top 10 Outstanding Enterprises of year 2019 (Term 15).
~ Outstanding Enterprise Manager Association (OEMA)
- ❖ Healthy Workplace Certification of year 2019.
~ Health Promotion Administration, Ministry of Health and Welfare.
- ❖ Excellent Credit Guarantee Partner Award of year 2018.
~ Ministry of Economic Affairs (MOEA)
- ❖ Golden Quality Award - Credit Card Data of year 2018.
~ Joint Credit Information Center (JCIC)
- ❖ Golden Shield Award for Information Security Management of year 2018.
~ British Standards Institution (BSI)
- ❖ Healthy Workplace Certification of year 2018.
~ Health Promotion Administration, Ministry of Health and Welfare



Contents

I Letter to Shareholders

- 4 A. 2020 Results of Operations
- 6 B. 2021 Highlights of Business Plans
- 8 C. Future Development Strategy
- 8 D. The Influence of the External Competition Environment, Regulatory Environment, and Overall Business Environment
- 9 E. Result of the Latest Credit Ratings

II Bank Profile

- 10 A. Date of Establishment
- 10 B. The Bank's Profile and History

III Corporate Governance Report

- 11 A. Organization
- 14 B. Information on Directors, Senior Managers and Consultants
- 34 C. Compensation
- 42 D. Corporate Governance
- 75 E. Information on the Professional Fees of the CPAs
- 76 F. Information on Change of Accountant
- 77 G. The Bank's Chairperson, President, or any Managerial Officer in Charge of Finance or Accounting Matters Has in the Most Recent Year Held a Position at the Accounting Firm of Its Certified Public Accountant or at an Affiliated Enterprise
- 77 H. The Changes in Shareholding
- 83 I. Information Disclosing the Relationship between Any of the Bank's Top Ten Shareholders
- 85 J. Omnibus Shareholding Ratio

IV Fund-Raising Status

- 86 A. Shares and Dividends
- 90 B. Issuance Status of Financial Bonds
- 92 C. Issuance of Preferred Shares
- 92 D. The Issuance of Global Depositary Receipt
- 92 E. The Status of Employees' Stock Warrant
- 92 F. Status of New Employee Restricted Shares
- 92 G. Merger or Stock Transfer for other Financial Institutions
- 93 H. Capital Investment and Utilization Plans

V Operations Overview

- 94 A. Business Information
- 101 B. Employees
- 102 C. Corporate Responsibility and Moral Behavior
- 104 D. Number of Non-managerial Full-Time Employees, Average, Median of Full-Time Employees' Salary, and the Differences from the Previous Year
- 104 E. IT Equipment
- 105 F. Labor Relations
- 108 G. Important Contracts
- 108 H. Categories and Relevant Information of Securitization Commodities Launched in Accordance with Financial Asset Securitization Act or the Real Estate Securitization Act, and with Approval of the Competent Authority

VI Financial Status

- 109 A. Brief Balance Sheets and Comprehensive Income Statements of Recent Five Years
- 112 B. Financial Analysis of Recent Five Years
- 114 C. Any Financial Crunch Confronted by the Bank or Its Subsidiaries and the Related Impacts in Recent Years and as of the Date of Annual Report Publication
- 115 D. Audit Committee's Audit Report on the Financial Statements of Recent Years
- 117 E. Financial Statements of Recent Years
- 177 F. The Bank's Individual Financial Statements of Recent Years Which Have Been Certified by CPAs

VIII Special Notes

- 251 A. Information Regarding the Bank's Subsidiaries
- 252 B. Progress of Private Placement of Securities and Financial Bonds during the Latest Year and as of the Date of Annual Report Publication
- 252 C. The Bank's Subsidiaries' Shareholding or Disposal of the Bank's Shares during the Latest Year and as of the Date of Annual Report Publication
- 252 D. Additional Disclosure
- 252 E. Pursuant to Item 2, Paragraph 3, Article 36 of Security and Exchange Act, the Incidence Exerting Material Influence on Shareholders' Rights or Security Prices

VII Review and Analysis of Financial Status, Financial Performance, and Evaluation of the Risk Management

- 238 A. Financial Status of the Past Two Years (Consolidated)
- 238 B. Financial Performance of the Past Two Years (Consolidated)
- 238 C. Cash Flow
- 239 D. Influences on the Company's Financial Status caused by Significant Capital Expenditure in the Latest Year
- 239 E. The Reinvestment Policy for Last Fiscal Year, the Major Reasons for Its Profits or Losses, Improvements and Investment Plan for Next Year
- 239 F. Analysis & Evaluation of Risk Management during the Latest Year as of the Date of Annual Report Publication
- 250 G. Emergency Response Mechanisms
- 250 H. Other Important Events

IX Directory of Head Office & Branches & Subsidiaries

253

I | Letter to Shareholders

This past year has been extremely challenging for the world economy and many of our customers due to the COVID-19 pandemic. Governments and central banks worldwide have unleashed unprecedented fiscal and monetary stimulus and other support for economies floored by the pandemic. Although cutting interest rates is conducive to increasing consumption and investment activities, it also affects bank profits, affects bank profits narrowing our spreads. In the meantime, buying bonds in large volume is causing an inflationary effect on assets in that risks of financial operations have increased. The restrictions on public life and closed borders have significantly impacted various industries' business outcomes, causing detrimental asset quality and an increase in overdue loans.

Paying tribute to proper governmental controls on the pandemic, direct investments from Taiwanese enterprises, and ongoing capital inflow from overseas, these positive factors mitigate negative influences by the pandemic. The government has published several incentive measures to help keep the domestic economy on track, including a bail-out program and other economic subsidies and a low-interest-rate policy, which has caused too much capital to pursue too few assets in the markets. These measures push up the price of the stock market, foreign exchange market, and real estate market and heat competitions between banks.

Looking back on 2020, we undertook a massive effort to keep our employees safe while serving our clients seamlessly and contributed our best efforts in collaborating with the government's policy to stimulate the domestic economy, accomplishing an anti-pandemic strategy for business. We were also rated by the Financial Supervisory Commission (FSC) as an excellent bank for providing relief loans. In corporate governance aspect, the Taiwan Stock Exchange Corporation (TWSE) had announced the 6th terms of the 2019 Corporate Governance Evaluation. We ranked top 5 % of all listed companies at the exchange and ranked top 4 in the Financial & Insurance sector. In addition, we are included in Corporate Governance 100 Index for five consecutive years, clearly affirming us in our practices in corporate governance, financial and sustainable operation. As a result of this, we give our gratitude to all shareholders for your enduring support and encouragement. We will strive to drive our growth and pursue sustainable development as our primary goal.



Chairperson *Joanne Ling*

A. 2020 Results of Operations

a. Change of organizational structure

None.

b. Business Plan and the outcome of execution of business strategy

1. Deposit:

Provide the function of digital deposit-taking service. Furthermore, we offer a new service that allows our client to pre-fill the application for opening an account online via our official website to save processing time opening an account.



2. Credit business:

Continue to adjust the credit structure of the bank and develop the Small & Medium Enterprises (SME) with growth potential and assist in the innovative transformation of enterprises. To support the direct investment in Taiwan from Taiwanese enterprises and personal home loaning businesses and expanding the domestic syndicate loan business. To collaborate with the government's bail-out and revitalization plans, we've launched projects such as "Corporate Finance Source Expansion," "Trillions for Revitalization," and "Home Loans Revitalization," etc., by optimizing online loan financing platforms, we've expanded the foundation of the Loan and Credit Service.

3. Foreign Exchange:

Expand fundraising channel for business by offering domestic institutions to open up offshore banking units at the bank.

4. Wealth Management:

Monitor market trends, launch various insurance products to market, and utilize the specialized team to execute wealth inheritance, asset allocations, and investment advisory for the high-asset customer.

5. Trust:

(1) In response to the diversified real estate development pattern in the market, the bank provided trust of superficies and trust of leases services. (2) The Bank has launched 133 domestic funds, 58 foreign funds, 25 foreign bonds, and 26 ETFs and offered 1,102 domestic funds, 1,326 foreign funds, 91 foreign bonds, 99 ETFs until the end of 2020, providing plenty of investment options for clients. The revenue generated from trust service had occupied 47% of the entire wealth management service in 2020.

6. Cards:

(1) Providing payment service by scanning barcodes printed on credit cards, customers may pay by using CHB wallet or Taiwan Mobile Payment App to experience safe and instant payment services. (2) Support the government's e-procurement policy, continuing to issue government procurement cards (in physical form).

7. Digital Finance:

(1) Provide our clients with a banking account may automatically top-up the Easy Card by connecting to the client's banking account. (2) Provide a more convenient payment experience by partnering with PX Pay App. (3) Provide an instant payment service for insurance fees by API to the website of BNP Paribas Cardif. (4) Offer various online loaning services. (5) Upgrade mobile payment service. (6) Optimize online banking service by providing remittance using mobile numbers and customize the VVIP online banking operations for the corporate clients.

c. Expected operating targets:

1. Deposit volume: NT\$ 1,823,918,842 thousand, or 101.57% of the budget.
2. Lending volume: NT\$ 1,471,650,137 thousand, or 99.46% of the budget.
3. Investment business (Securities) average volume: NT\$ 432,291,281 thousand, or 100.72% of the budget.
4. Foreign exchange business: US\$ 143,234,651 thousand, or 108.72% of the budget.
5. Securities brokerage business volume: NT\$ 136,202,332 thousand, reached 108.18% of the budget.
6. Trust fund subscription: NT\$ 49,058,976 thousand, reached 101.89% of the budget.
7. Trust business (Custody): NT\$ 248,849,567 thousand, or 97.21% of the budget.
8. Insurance agency business: NT\$ 19,874,247 thousand, or 92.24% of the budget.
9. Card business (Volume of Transaction): NT\$ 17,010,411 thousand, or 93.45% of the budget.

d. Financial statements and profitability:

1. Net income of interest: NT\$ 19,140,252 thousand.
2. Net non-interest income: NT\$ 8,176,840 thousand.
3. Net revenue and gains: NT\$ 27,317,092 thousand.
4. Bad debts expense, commitment and guarantee liability provision: NT\$ 2,836,199 thousand.
5. Operating expenses: NT\$ 16,170,327 thousand.

6. Income before income tax: NT\$8,310,566 thousand.
7. Income tax expense: NT\$ 1,269,639 thousand.
8. Net profit after tax: NT\$7,040,927 thousand.
9. Other comprehensive loss: NT\$ 230,208 thousand.
10. Total comprehensive income: NT\$6,810,719 thousand.
11. Earnings Per Share after tax: NT\$0.68.
12. Return on Assets (ROA): 0.32%.
13. Return on Equity (ROE): 4.30%.

e. Research & Development:

1. Actively develop digital financial services and obtain patent certification.

(1) The Bank has applied for 50 utility patents, 14 invention patents, and 3 design patents; among them, 41 utility patents and 3 design patents were granted in 2020. (2) Partnering with PX Pay App, automatically top-up service of Easy Card, provide instant payment service for insurance fees by API to the website of BNP Paribas Cardif. (3) In the aspect of digital finance, the online banking service provides remittance using mobile number and Taiwan Pay QR Code, and credit card payment. (4) In the aspect of API service, connecting to the MyData platform of the National Development Council to provide online credit card application service.

2. Conduct researches for business innovation.

The Bank conducted and published 22 research documents related to current business and financial issues in 2020 by all employees to enhance the depth and width of knowledge.

3. Development of big data application services.

The Bank has built a BigData application for corporate clients. For collecting news and intelligence instantly to inform AO staff across branches in risk-averse measurements beforehand. Meanwhile, simplifying operation procedures and assisting business development by utilizing BigData to identify potential customers greatly enhances business development efficiency in daily operation.



President *Chao-Chung Chou*

B. 2021 Highlights of Business Plans

a. Business Directions and Operational Policies

1. Deposits:

Provide services with unique features to suit different customer needs, integrate into customers' financial flow system, and increase the volume of niche deposits to expand the Bank's deposit scale and market share.

2. Credit Business:

Increase the volume of personal loan operations and apply big data analysis techniques to increase the proportion of SME clients. Optimize customized financial services for medium and large enterprises, and expand the base of credit business by advancing various customer segments in parallel to increase the market share of the Bank's credit business.

3. Investment Business:

Grasp the global financial market to provide diversified financial products and expand the sales volume of financial products while prudently adjusting the investment portfolio promptly in light of the development of the industry and improving the efficiency of capital operation to increase the surplus.

4. Foreign Exchange:

To improve the virtuous cycle of the U.S. Dollar Capital Chain and increase the loan-to-deposit ratio of foreign currency. Provide diversified foreign exchange financial products, and promote trade finance products on the sales side to increase the operating volume of foreign exchange business.

5. Securities Brokerage:

Deepen the development of existing high-quality securities accounts and develop potential new securities accounts to expand the Bank's securities brokerage business.

6. Wealth Management:

Integrate the needs of high asset clients, develop diversified and unique financial products, and promote a three-in-one high-end wealth management center with investment research, products, and ancillary sales; continue to enhance the Bank's wealth management system functions.

7. Trust:

Cooperate with the authorities to promote "Trust 2.0" and develop a full range of trust services; actively develop existing corporate clients to issue the employee stock ownership trusts, and plan to introduce foreign stock and fund products related to climate change.

8. Insurance Agency:

Introduce innovative insurance products for customers with different attributes and insurance needs. Continue to promote protection-type products and actively promote the popularity of mobile insurance in response to the trend of digital finance.

9. Cards:

Continue to expand the scale of card issuance, increase the number of valid cards, and strengthen the competitive advantages; enhance the expansion of acquiring the business and effectively control risks.

10. Digital Finance:

Attract new users and young customers through rich marketing activities, and cultivate a high loyalty customer base to increase mobile payment penetration and expand transaction capacity.

b. Business Operational Targets

1. Deposit volume: NT\$ 1,903,643,812 thousand.
2. Lending volume: NT\$ 1,546,752,203 thousand.
3. Investment business (Securities): NT\$ 474,866,865 thousand.
4. Foreign exchange business: US\$ 136,725,347 thousand.
5. Securities brokerage business: NT\$ 135,614,409 thousand.
6. Trust fund subscription: NT\$ 48,140,622 thousand.
7. Trust business (Custody): NT\$ 266,542,037 thousand.
8. Insurance agency business: NT\$ 18,572,734 thousand.
9. Card business (Volume of Transaction): NT\$ 18,830,000 thousand.

C. Future Development Strategy

1. Committed to developing core customer segments

Actively explore new SME credit accounts with development potential and strengthen credit relationships with existing SME clients to deepen the relationships by exploring the potential needs and providing customized financial services.

2. Enhance wealth management performance

Expand professional wealth management team and promote the localization of one-stop professional consultation and services for the high-asset service team. Strengthen the professional and marketing capabilities of the financial management specialists and provide a full range of financial management services on the premise of protecting customer rights and interests and complying with laws and regulations.

3. Strengthen digital financial services

In response to the digital finance trends, the Bank plans to launch a digital banking app to provide a more user-friendly interface for young new users, consider innovation and safety needs. Use of financial service differentiation to enhance the bank's digital business competitiveness.

4. Investing in People to Build Human Capital

Maximize the use of manpower optimization and recruitment strategies to adjust staffing allocation flexibly. To build diversified, professional, and international human resources in line with business development strategies to enrich the quality of human resources for banking business transformation.

D. The influence of the External Competition Environment, Regulatory Environment, and Overall Business Environment

1. External competition environment

(1) The authorities have launched specific policies of "Capital Market Blueprint," "Trust 2.0," "Wealth Management 2.0," "Green Finance Action Plan 2.0," and "Financial Information Security Action Plan." In addition, the opening of the internet-only bank has continuously innovated various regulations, which are expected to overturn the existing business model and stimulate banks to accelerate digital transformation and improve service quality. The financial industry will still face many challenges, but on the contrary, it will also bring new business opportunities.

(2) Given the global pandemic and the uncertainty of the global economic environment, the Bank will strengthen the monitoring and control of credit risk to reduce credit risk.

(3) In the face of the increasingly stringent domestic and international financial regulatory standards, the Bank will continue to comply with regulatory requirements and enhance its compliance with laws and regulations, risk management, internal audit and control, and information security mechanism to implement good corporate governance.

2. Regulatory environment

(1) In order to protect the rights and interests of financial consumers and increase the intensity of bancassurance supervision, the competent authority has continued to amend relevant insurance laws and regulations. The Bank will keep laws and regulations updated, strengthen the knowledge and compliance to laws and regulations of our insurance sales, and ensure that the insurance business is promoted complying with the rules.

(2) On November 16, 2020, the FSC amended the "Directions Governing the Scope, Procedures and Other Items on the Reporting of Material Contingencies by Financial Institutions," to revise the reporting scope of material contingencies, the Bank has amended "Material Contingencies Incident Processing Procedure" to comply with it.

(3) In response to the revision of the model anti-money laundering and counter financing terrorism and the addition of related best practices by industry associations of the securities business, securities investment advisory business, credit card business, and future trading auxiliary business, the Bank has amended the "Appendix to the anti-money laundering and counter financing terrorism ordinances" to strengthen the anti-money laundering related mechanism.

(4) In view of the second phase of the Open Banking movement, all financial institutions and third-party service providers (TSPs) participating in open banking and open APIs are required to implement the "Code of Practice for Security Control of Open API Business," which is a compliance requirement of the FSC to promote open banking.

3. Overall Business Environment

Looking ahead to 2021, in the face of the resurgence of the COVID-19 pandemic, governments are actively promoting vaccination programs. However, the slow progress of vaccinations and uneven distribution may slow down the pace of global economic recovery, which may affect the decision of central banks to initiate interest rate hikes or reduce the balance sheet, and the inflation of asset prices caused by the easing of market capital may face severe fluctuations in future revisions. Despite the recovery trend of economic growth in 2021, the new political situation in the U.S. is expected to continue the previous policy towards China, and the confrontation between the U.S. and China is also expected to continue, which will affect the global business operations and supply chain structure, bringing uncertainty to the global economy.

In the face of external competition, regulatory reform, and changes in the overall business environment, the Bank will strive to expand its diversified sources of profitability and maintain a stable quality of capital in six primary operational objectives: “Enhancing profitability,” “Strengthening digital financial services,” “Sound capital adequacy,” “improving asset quality,” “implementing internal audit and compliance,” and “optimizing and streamlining operational processes and enhancing operational efficiency,” to create maximum value for shareholders.

E. Result of the Latest Credit Ratings

Credit Rating Agency	Release Date	International Rating		Domestic Rating		Outlook
		Long term	Short term	Long term	Short term	
Taiwan Ratings	2021 / 4	-	-	twAA+	twA-1+	Stable
S&P	2021 / 4	A-	A-2	-	-	Positive
Moody's	2021 / 5	A2	P-1	-	-	Stable

Chairperson

President

II | Bank Profile

A. Date of Establishment

Date of Registration: July 1950

ID: 51811609

B. The Bank's Profile and History

The origin of Chang Hwa Bank (the Bank) dates back to the colonial period under Japan's governance when Wu Ju-Hsiang founded the Kabushiki Kaisha Shoka Ginko in Chang Hwa on June 5, 1905, with initial capital of 220,000 Japanese yen raised from local businessmen and landlords. Kabushiki Kaisha Shoka Ginko relocated its head office from Chang Hwa to Taichung in 1910 to better coordinate its expansion efforts of setting up branches and offices in all major and prosperous cities in Taiwan. In 2020, the Bank celebrated its 115th anniversary for its firmness.

On October 25, 1945, Taiwan was restored and on October 16, 1946, the Bank established the Chang Hwa Commercial Bank Preparatory Office with Mr. Lin Hsien-Tang as the Director and the government took over the shares from the Japanese shareholders; in February 1947, the founding shareholders' meeting was held and the Board of Directors elected Mr. Lin Hsien-Tang as the Chairman. On March 1 of the same year, Chang Hwa Commercial Bank was formally reorganized and established with capital of 15 million old Taiwan dollar and was issued a license to register as a joint stock company by the Ministry of Economic Affairs in July of 1950.

In December of 1950, the Bank's capital was adjusted to NT\$2.4 million and in December of 1997, the Taiwan Provincial Government made its shareholdings public for the Bank's common stock in order to implement the policy of privatizing the public sector. On January 1, 1998, it was formally restructured into private enterprise.

In response to the trend of cross-industry operation in the financial industry to enhance competitiveness, by the resolutions of the 2nd meeting of the 19th Board of Directors on January 12, 2001 and the 80th meeting of the 19th Managing Directors on November 14, 2002, the Bank reinvested to establish "CHB Life Insurance Agency Co., Ltd.," and "CHB Insurance Brokerage Co., Ltd." In order to meet the market demand for "consumer finance, complex products and comprehensive wealth management" and to build a "one-stop-shopping" environment, the Bank provides customers with complete financial, insurance consulting and sales services; however, in order to reduce the business tax burden, comply with government policies and enhance consumer protection, the former companies were merged into the Bank on April 1, 2016 by way of a simple merger to establish an Insurance Agency Division, with the Bank assuming all rights and obligations, and at the same time operated the insurance agency business including life and non-life.

In 2005, the Bank issued 1.4 billion registered series B preferred stock in a private placement for domestic cash capital increase, which was awarded to Taishin Financial Holding Co., Ltd., with the record date for the cash subscription set for October 3, 2005. After the capital increase, the Bank's paid-in capital amounted to NT\$63,594,756,000. On October 3, 2008, the shares were fully converted to common stocks at the expiry of 3 years after issued date in accordance with the Bank's Articles of Incorporation and the public offering procedure for listing was completed on March 31, 2020.

In order to expand the Bank's financial services in China, the Bank was approved by the China Banking and Insurance Regulatory Commission to establish the subsidiary "Chang Hua Commercial Bank, Ltd." The subsidiary is headquartered in Nanjing City, Jiangsu Province, China, with the existing branch offices of Kunshan branch, Kunshan Huaqiao sub-branch, Dongguan branch and Fuzhou branch, Nanjing branch was additionally set up. The Nanjing subsidiary was officially opened on December 11, 2018.

In order to actively assist domestic small and medium-sized enterprises to obtain the necessary funds for their development and to support the development of emerging industries and to expand the added value of the industry, the Bank reinvested in a wholly-owned subsidiary, CHB Venture Capital Co., Ltd. with capital of NT\$0.6 billion, it was officially opened on May 16, 2019. Its main business is to directly provide funds to the invested enterprise and provide enterprise operation, management and consulting services.

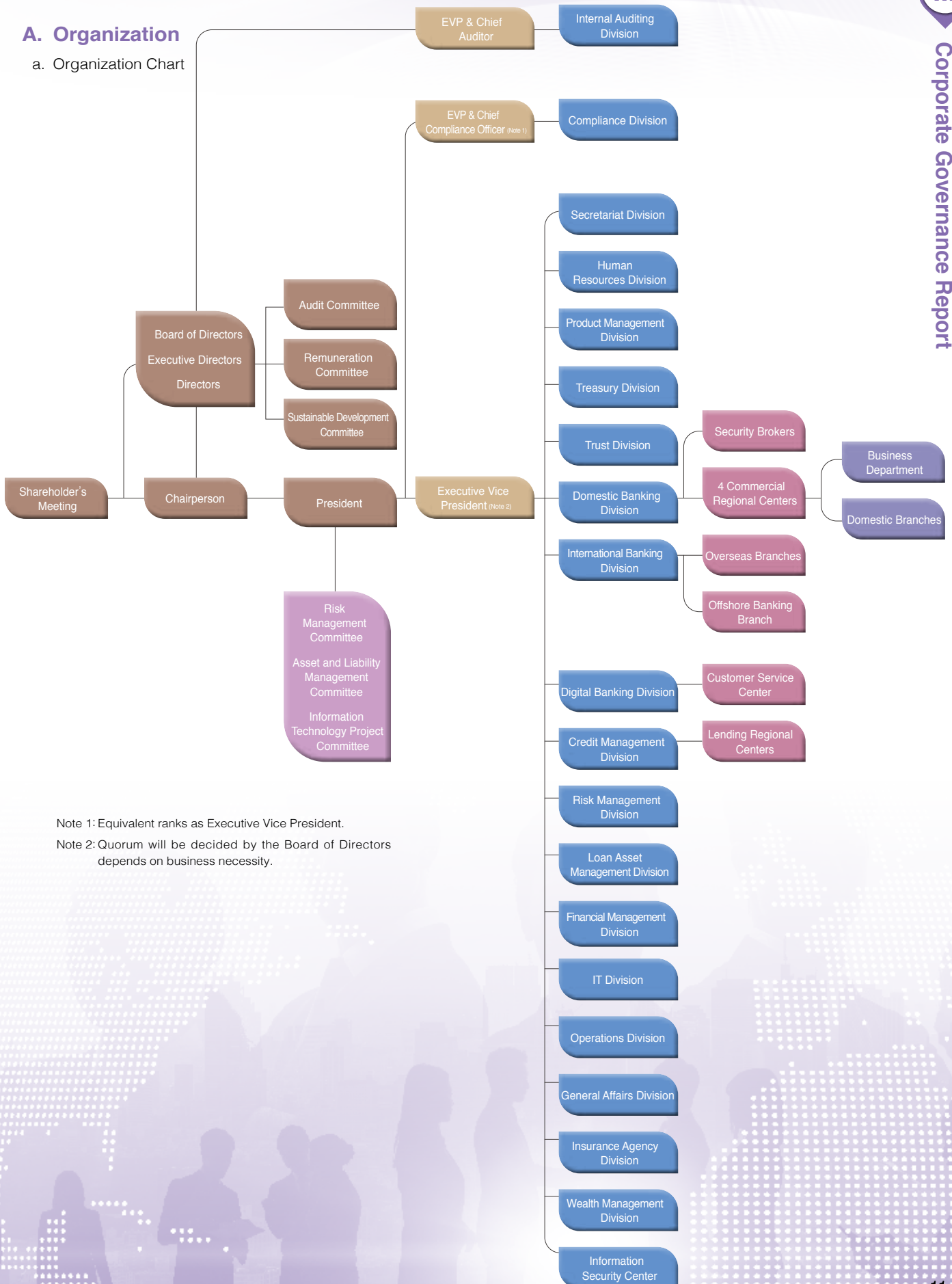
As of the end of 2020, the Bank's authorized capital was NT\$110 billion and its paid-in capital was NT\$103,847,236,060. The Bank is one of the leading banks in Taiwan with strong capital and solid foundation.

III | Corporate Governance Report



A. Organization

a. Organization Chart



Note 1: Equivalent ranks as Executive Vice President.

Note 2: Quorum will be decided by the Board of Directors depends on business necessity.



A Chairperson | Joanne Ling

C Executive Vice President | Bin Chen

E Executive Vice President | Hsiu-Chuan Teng

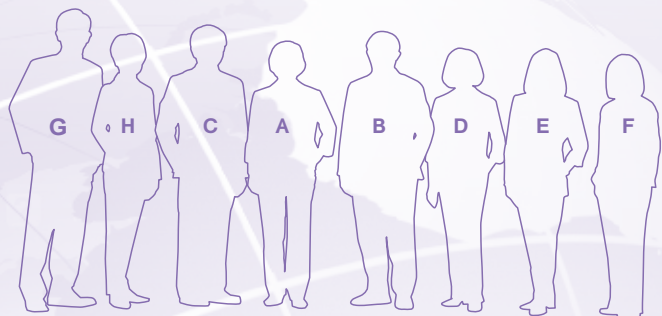
G EVP & Chief Compliance Officer | Jih-Cheng Yang

B President | Chao-Chung Chou

D Executive Vice President | Chang-Hua Cheng

F Executive Vice President | Ya-Ling Lin

H EVP& Chief Auditor | Mei-Fang Wu



b. Major Business of Each Division

Division	Departmental Responsibilities
Internal Auditing Division	Managing internal control system and its implementation, audit and evaluation.
Compliance Division	Responsible for the management and execution of compliance system, anti-money laundering and counter financing of terrorism (AML/CFT) matters.
Secretariat Division	In charge of corporate governance, legal affairs, paperwork, Board of Directors, Audit Committee, Sustainable Development Committee, public relations, and investor relations.
Human Resources Division	Responsible for human resources policies, human resources administration, employee training programs, performance appraisal standards, and compensation and benefits systems.
Product Management Division	Managing the operation planning of financial products such as credit, deposit and foreign exchange, including market study, product development and marketing strategy development.
Treasury Division	Managing capital deployment, financial instruments trading operations, client trading services, allocation, and management of long-term equity investments.
Trust Division	In charge of the management of trust business and its subsidiary business.
Domestic Banking Division	Responsible for the operation and management of domestic business operation units and securities brokers, syndicate loan business, and the evaluation of setting up business operation units and business development.
International Banking Division	In charge of the development strategies and business planning of overseas branches, the management of deposit/correspondent relationships, and the management and operation of foreign exchange backend control panel.
Digital Banking Division	Responsible for planning and development of digital finance and card business, marketing, management and assessment, customer service center operation and management, and social media management.
Credit Management Division	In charge of the formulation of credit-related regulations, supervise, support and control credit cases.
Risk Management Division	Responsible for the formulation and revision of risk management policies, the planning and monitoring of risk management mechanisms, and the formulation and integration of risk management rules and regulations.
Loan Asset Management Division	Overseeing the planning, execution, and management of overdue loans, collections, and bad debt collection.
Financial Management Division	Administrating issues including financial accounting, tax planning and management, MIS performance management and analysis, asset and liability planning and management, and account auditing.
IT Division	In charge of the research, analysis, planning and execution of information business, development, construction and maintenance of information systems.
Operations Division	Responsible for the management of NTD deposit and remittance business planning and management; centralized operations related to bills, remittances, collections, court seizures, and off-bank ATM outsourcing.
General Affairs Division	Managing general affairs, cashier, procurement of goods, building maintenance, real estate revitalization management, leasing, security maintenance and occupational safety and health, etc.
Insurance Agency Division	Planning, promotion and execution of insurance agency business.
Wealth Management Division	Planning, promotion and execution of wealth management business.
Information Security Center	In charge of planning, monitoring, and execution of information security operations; to establish information security protection mechanisms for business or transactions and information interactions; and to compile information security notifications and evaluate and track subsequent improvements.
Commercial Regional Centers	Supervise, assist, and support the operation and centralized operation of business units within the region.
Business Operation Units	Handle business operations as defined by the bank's business projects or the business stipulated in the corporate charter.



B. Information on Directors, Senior Managers and Consultants

a. Director information

1. Director information (1):

Title	Nationality or Registration	Name	Gender	Inauguration date	Tenure (YY)	Date of first appointment Legal representative / legal person	Shareholdings At the time of appointment		Current shareholdings		Current shareholdings of oneself, the spouse, and minor children	
							Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)
Chairperson	The Republic of China (R.O.C.)	Joanne Ling (Delegate of Ministry of Finance (MOF))	F	Jun. 2020	3	Apr. 2019 Feb. 1947	1,217,507,539	12.19	1,266,207,840	12.19	0	0
Managing Director	The Republic of China (R.O.C.)	Chao-Chung Chou (Delegate of Ministry of Finance (MOF))	M	Mar. 2021	3	Mar. 2021 Feb. 1947	1,217,507,539	12.19	1,266,207,840	12.19	0	0
Managing Director (Independent Director)	The Republic of China (R.O.C.)	Jung-Chun Pan	M	Jun. 2020	3	Dec. 2014	0	0	0	0	0	0
Director	The Republic of China (R.O.C.)	Chia-Chi Hsiao (Delegate of Chunghwa Post Co., Ltd.)	M	Jun. 2020	3	Oct. 2018 Jun. 2020	599,161,144	6.00	623,127,589	6.00	0	0
Director	The Republic of China (R.O.C.)	Chien-Yi Chang (Delegate of National Development Fund, Executive Yuan)	M	Jun. 2020	3	Jun. 2018 Nov. 2008 (Note)	274,555,117	2.75	285,537,321	2.75	0	0
Director	The Republic of China (R.O.C.)	Wen-Siung Lee	M	Jun. 2020	3	Jun. 2020	0	0	0	0	0	0
Director	The Republic of China (R.O.C.)	Hwai-Chou Chen	M	Jun. 2020	3	Mar. 2006	160,804	0	167,236	0	167,236	0



Shareholdings in the name of others		Experience and education	Other current positions	Second degree relatives who work as senior managers, directors or supervisors			The situation of the chairman or the CEO or persons with equivalent positions are being oneself, spouse or first degree relatives
Number of shares	Shareholding ratio (%)			Title	Name	Relationship	
0	0	Master of Public Finance, National Chengchi University Department of Public Administration, National Chengchi University Chairperson, Land Bank of Taiwan Chairperson, The Export-Import Bank of the Republic of China Supervisor, Bank Taiwan Insurance Brokers Co., Ltd. Director, Mega Financial Holding Co., Ltd. Director-General, National Treasury Administration, MOF Supervisor, Mega Financial Holding Co., Ltd. Director-General, National Taxation Bureau of Taipei, MOF Director-General, National Taxation Bureau of the Northern Area, MOF Director, Land Bank of Taiwan Chief Secretary, MOF Director, Taxation Administration, MOF Deputy-Director, Taxation Agency, MOF	Director, CDIB & Partners Investment Holding Corp.	None	None	None	None
0	0	Master of Business Administration, Da-Yeh University Chairman, First Financial AMC EVP, Risk Management Center of First Commercial Bank SVP&Division Head, Risk Management Division of First Financial Holding Co., Ltd. Spokesperson, First Commercial Bank EVP, General Administration Center of First Commercial Bank VP&GM, Phnom Penh Branch of First Commercial Bank VP&GM, Hsin-Wei Branch of First Commercial Bank VP&GM, Hsi-Chih Branch of First Commercial Bank	President, Chang Hwa Bank	None	None	None	None
0	0	Bachelor of Bank & Insurance, Feng Chia University Supervisor, Key Ware Electronics Co., Ltd. Director & President, Mega Asset Management Co. Director & COO, Concord ASIA Finance Ltd. Assistant Vice President, Taishin International Bank Assistant Vice President, Da An Bank Deputy General Manager, Savings Department of Bank of Communications	None	None	None	None	None
0	0	Master of Management Science, National Chiao Tung University Vice Chairman, Institute of Internal Auditors-Chinese Supervisor, Bank Taiwan Insurance Brokers Co., Ltd. Director, Department of Fiscal, Statistical and Financial Affairs, Executive Yuan Director, Mega Financial Holding Co., Ltd. Supervisor, Mega International Commercial Bank Co., Ltd. Deputy Director-general, National Treasury Administration, MOF Supervisor, Taiwan Financial Holdings Co., Ltd. Chief Accountant, MOF Senior BAS personnel & Executive Manager, Accounting Management Center, Directorate-General of Budget, Accounting and Statistics, Executive Yuan Director, Directorate-General of Budget, Accounting and Statistics, Executive Yuan Chief Accountant, Environmental Protection Administration, Executive Yuan Chief Accountant, Research, Development and Evaluation Comm	Director-General, National Treasury Administration, MOF	None	None	None	None
0	0	Ph.D., Economics, National Taipei University Deputy Director, Research Division II, Taiwan Institute of Economic Research Associate Research Fellow, Taiwan Institute of Economic Research	President, Taiwan Institute of Economic Research Director, Research Division II, Taiwan Institute of Economic Research Research Fellow, Taiwan Institute of Economic Research Director, Asia Pacific Emerging Industry Venture Capital Co., Ltd. Director, Yang Ming Marine Transport Corp. Member, Wholesale and Retail Committee, Taiwan Coalition of Service Industries Director, Central Bank of the Republic of China (Taiwan)	None	None	None	None
0	0	Ph.D., Business Administration, University of Houston Chairman, Land Bank Insurance Brokerage Co., Ltd. Managing Director, Land Bank of Taiwan Associate Professor, Finance Department, Chien Hsin University Associate Professor, Finance Department, National Central University Director, Securities and Futures Bureau, FSC Director, Banking Bureau, FSC	Associate Professor, Finance Department, Chien Hsin University Consultant, ELITENIC INTERNATIONAL CO., LTD. Consultant, 6sun care LONG-TERM CARE SERVICES	None	None	None	None
0	0	EMSF, Baruch College, The City University of New York Chairman, Managing Director, and President, Chang Hwa Bank President, Taishin Financial Holding Co., Ltd. Vice Chairman, Taishin International Bank Chairman, Taishin Bills Finance Co., Ltd. CFO, Taiwan High Speed Rail Corporation President, Taishin International Bank General Manager, Bank of America Shun San Br.	None	None	None	None	None

Title	Nationality or Registration	Name	Gender	Inauguration date	Tenure (YY)	Date of first appointment Legal representative / legal person	Shareholdings At the time of appointment		Current shareholdings		Current shareholdings of oneself, the spouse, and minor children	
							Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)
Director (Independent Director)	The Republic of China (R.O.C.)	Jong-Horng Lin	M	Jun. 2020	3	Jun. 2020	0	0	0	0	0	0
Director (Independent Director)	The Republic of China (R.O.C.)	Chih- Jong Suen	M	Jun. 2020	3	Jun. 2020	0	0	0	0	0	0

Note: The representative of the National Development Fund of Executive Yuan served as the supervisor of the Bank from November 2008 to December 2014.

2. Major Shareholders of Juristic Person Shareholders:

Apr 20, 2021

Juristic Person Shareholder	Major Shareholder of Juristic Person Shareholder
Ministry of Finance	N.A.
National Development Fund, Executive Yuan	N.A.
Chunghwa Post Co., Ltd.	Ministry of Transportation and Communications (100%)

3. If the Major Shareholder of a Juristic Person Shareholder is a Juristic Person, its main Shareholder:

Apr 20, 2021

Juristic Person Shareholder	Major Shareholder of Juristic Person Shareholder
Ministry of Transportation and Communications	N.A.

4. Director information (2):

March 23, 2021

Qualification	Qualifications (Note1)			Qualified for independence (Note2)												Number of independent directors concurrently serving at other public offering companies	
	A	B	C	1	2	3	4	5	6	7	8	9	10	11	12		
Name																	
Joanne Ling			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Chao-Chung Chou			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Jung-Chun Pan			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Chia-Chi Hsiao	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Chien-Yi Chang	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Wen-Siung Lee	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Hwai-Chou Chen			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Jong-Horng Lin		✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Chih- Jong Suen	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0

Note 1: Directors and Supervisors shall meet one of the following professional requirements, together with at least five-year work experience:

- An instructor or higher in a department of commerce, law, finance, accounting, or other academic department related to the banking business in a public/private junior college, college, or university.
- A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialist who has passed a national examination and has been awarded a certificate in a professional necessary for the banking business.
- With work experience in the fields of commerce, law, finance, accounting, or other profession necessary for the banking business.

Shareholdings in the name of others		Experience and education	Other current positions	Second degree relatives who work as senior managers, directors or supervisors			The situation of the chairman or the CEO or persons with equivalent positions are being oneself, spouse or first degree relatives
Number of shares	Shareholding ratio (%)			Title	Name	Relationship	
0	0	Law School of Soochow University Attorney-at-Law, KO & LIN Law Office President, Keelung branch, Legal Aid Foundation Municipal consultant, legal affairs group, Taipei City Government Legal advisor, Keelung City Government Council Member, Advisory Committee of Soochow law foundation Member of the mediation committee, MLMFP President, Keelung Bar Association Director, the 9 th term board of directors, Taiwan Bar Association 1 st Secretary-General, the 8 th term of Taiwan bar association Director, the 24 th -29 th term board of directors, Taipei Bar Association 2 nd Secretary-General, the 23 rd term of Taipei Bar Association Coordinator, Securities and Futures Investors Protection Center Committee Member, labor dispute arbitration committee, Taipei County Government Attorney, Evergreen International Law Firm Attorney, LEIN Law Office	Partner of LIEN & PARTNERS LAW OFFICES, Attorneys-at-Law	None	None	None	None
0	0	MBA, Youngstown State University, Ohio Bachelor of Business, Tamkang University Chairman, Pharma Engine, Inc. General Manager, EVP and SVP, China Development Industrial Bank Chief Auditor, VP and SVP, Taishin International Bank Senior Auditor, Section Head and Deputy Section Head, Central Deposit Insurance Corporation	None	None	None	None	None

Note 2: For each director or supervisor who has met the following criteria during the two years prior to and during his or her term of tenure, please place a "✓" in the box below each criteria code.

- (1) Not an employee of the Bank or its affiliates.
- (2) Not a director or supervisor of the Bank or its affiliates (except in the case where the Bank and its parent company, subsidiary or subsidiary of the same parent company serve as independent directors of each other under the Securities and Exchange Act or local laws and regulations.)
- (3) A natural person shareholder who does not own more than one percent of the Bank's total issued shares or hold the top ten shares in the name of himself/herself, his/her spouse, minor children or others.
- (4) Not a manager listed in (1) or a spouse, a relative within the second degree of consanguinity or a relative within the third degree of consanguinity of a person listed in (2) or (3).
- (5) Directors, supervisors, or employees of a juristic person shareholder that directly hold 5% or more of the total outstanding shares of the bank or ranks among the top 5 juristic person shareholders of appointed delegates according to Paragraph 1 or Paragraph 2, Article 27 of Company Act shareholders in the terms of share volume held are excluded. (This restriction does not apply to mutual independent director positions in the bank, its parent company, subsidiaries, or subsidiaries belong to the same parent company, which have been appointed in accordance with Securities and Exchange Act or laws of the registered country.)
- (6) Directors, supervisors or employees of other companies not controlled by the same person as the Bank in terms of directorships or more than half of the voting shares (except in the case where the Bank and its parent company, subsidiary or subsidiary of the same parent company serve concurrently as independent directors under the Securities and Exchange Act or local laws and regulations.)
- (7) The Bank's Chairperson and President or in line with position is the same person or spouse of the company or institution's directors, supervisors or employees, are excluded. (This restriction does not apply to mutual independent director positions in the bank, its parent company, subsidiary, or subsidiaries belong to the same parent company, which have been appointed in accordance with Securities and Exchange Act or laws of the registered country.)
- (8) Directors, supervisors, managers or shareholders holding more than 5% of the shares of a specific company or organization that does not have financial or business dealings with the Bank (except that if the specific company or organization holds more than 20% but not more than 50% of the Bank's total issued shares and is an independent director established by the Bank and its parent company, subsidiary or subsidiary of the same parent company in accordance with the Securities and Exchange Act or the laws of the local country.)
- (9) Professionals, sole proprietors, partners, directors, supervisors, managers and their spouses who do not provide audit or remuneration for the bank or its affiliates in the last two years in the form of business, legal, financial, accounting or other related services that do not exceed NT\$500,000. However, members of the Salary and Compensation Committee, the Public Takeover Review Committee or the Special Committee on Mergers and Acquisitions who perform their duties and responsibilities in accordance with the Securities and Exchange Act or the relevant laws and regulations of the Business Mergers and Acquisitions Act shall be excluded.
- (10) A spouse or relative within the second degree of kinship among directors is excluded.
- (11) Not having any of the circumstances described in Article 30 of the Company Act.
- (12) Not elected by or on behalf of the government or a corporation as provided in Article 27 of the Company Act.



b. Major Managers

Based on February 28, 2021

Name of Unit	Title	Name	Nationality	Gender	Effective Date (yy/mm/dd)	Shareholding Amount		Shareholding by Spouse & Minor Children		Shareholding Under Others' Title		Prime Experience & Education	Services Concurrently with the Other Company	The Spouse or Relative within 2 Tiers of General Managers			Remark (Note 1)
						Shares	%	Shares	%	0	0			Title	Name	Relationship	
Head Office	President	Chao-Chung Chou	R.O.C.	M	20210323 (Note 2)	0	0	0	0	0	0	MBA, Da-Yeh University	None	None	None	None	None
Head Office	Executive Vice President	Bin Chen	R.O.C.	M	20170301	130,000	0	0	0	0	0	1. Institute of Information Management, National Central University 2. Institute of Computer Science and Information Engineering, National Chiao Tung University	1. Director of Taiwan Mobile Payment Co., Ltd. 2. Supervisor of Financial eSolution Co., Ltd. 3. Director of Chang Hua Commercial Bank, Ltd.	None	None	None	None
Head Office	Executive Vice President	Chang-Hua Cheng	R.O.C.	F	20190506	108,119	0	0	0	0	0	Cooperative Economics, National Chung Shing University	Director of Taipei Forex Inc.	None	None	None	None
Head Office	Executive Vice President	Ya-Ling Lin	R.O.C.	F	20210118	1,474	0	0	0	0	0	EMBA, National Chengchi University	None	None	None	None	None
Head Office	Executive Vice President	Hsiu-Chuan Teng	R.O.C.	F	20210118	714	0	0	0	0	0	EMBA, National Chengchi University	Supervisor of Chang Hwa Bank Venture Capital Co., Ltd.	None	None	None	None
Legal Affairs and Compliance Division	EVP & Chief Compliance Officer	Jih-Cheng Yang	R.O.C.	M	20150201	16,398	0	0	0	0	0	Economics, National Taiwan University	Director of Lien-An Service Corp.	None	None	None	None
Head Office	EVP& Chief Auditor	Mei-Fang Wu	R.O.C.	F	20210118	0	0	0	0	0	0	Law, Fu Jen Catholic University	Supervisor of Taiwan Financial Asset Service Corporation	None	None	None	None
Internal Auditing Division	SVP & Division Head	Nell-H. Tseng	R.O.C.	F	20190325	0	0	0	0	0	0	Business Administration, National Chengchi University	None	None	None	None	None
Secretariat Division	SVP & Division Head	Hsueh-Ni Hsieh	R.O.C.	F	20181004	42,339	0	0	0	0	0	LLM, National Chengchi University	Director of Chang Hua Commercial Bank, Ltd.	None	None	None	None
Human Resources Division	SVP & Division Head	Yu-Hsueh Liu	R.O.C.	F	20180301	27,797	0	0	0	0	0	MBA, National Sun Yat-sen University	None	None	None	None	None
Product Management Division	SVP & Division Head	Chiou-Yueh Chen	R.O.C.	F	20160523	23,641	0	0	0	0	0	EMBA, National Chengchi University	None	None	None	None	None
Treasury Division	SVP & Division Head	Chih-Chen Hsu	R.O.C.	M	20150416	0	0	0	0	0	0	Department of Economics, National Taiwan University	Director of Chang Hwa Bank Venture Capital Co., Ltd.	None	None	None	None
Trust Division	SVP & Division Head	Li-Ling Lan	R.O.C.	F	20190506	42,625	0	0	0	0	0	Department of Statistics, Tamkang University	None	None	None	None	None

Name of Unit	Title	Name	Nationality	Gender	Effective Date (yy/mm/dd)	Shareholding Amount		Shareholding by Spouse & Minor Children		Shareholding Under Others' Title		Prime Experience & Education	Services Concurrently with the Other Company	The Spouse or Relative within 2 Tiers of General Managers			Remark (Note 1)
						Shares	%	Shares	%	0	0			Title	Name	Relationship	
Domestic Banking Division	SVP & Center Head	Yu-Chin Fan	R.O.C.	F	20210118	10,902	0	0	0	0	0	Institute of Management, National Taiwan University of Science and Technology	None	None	None	None	None
International Banking Division	SVP & Division Head	Rueih-Hwa Cheng	R.O.C.	F	20190501	224,465	0	0	0	0	0	Computer Science, PACE University	None	None	None	None	None
Digital Banking Division	SVP & Division Head	Hsiu-Hsia Tsai	R.O.C.	F	20181001	14,889	0	1,985	0	0	0	Master of Banking & Finance, Tamkang University	None	None	None	None	None
Credit Management Division	SVP & Division Head	Hsiu-Luan Hsieh	R.O.C.	F	20190325	14,157	0	0	0	0	0	Master of Banking & Finance, Tamkang University	Director of Taiwan Asset Management Corporation	None	None	None	None
Risk Management Division	SVP & Division Head	Shwu-Fang Wang	R.O.C.	F	20190325	185,785	0	0	0	0	0	Department of Business Administration, Soochow University	None	None	None	None	None
Loan Asset Management Division	SVP & Division Head	Jui-Chun Wu	R.O.C.	F	20210401 (Note 3)	66,636	0	0	0	0	0	Department of International Trade, Fu Jen Catholic University	None	None	None	None	None
Financial Management Division	SVP & Division Head	Fu-Jinn Chiou	R.O.C.	M	20200301	475	0	0	0	0	0	Business Administration, Chinese Culture University	None	None	None	None	None
IT Division	SVP & Division Head	Hsien-Lung Chen	R.O.C.	M	20171201	0	0	0	0	0	0	Department of Physics, Chung Yuan Christian University	Director of Chang Hwa Bank Venture Capital Co., Ltd.	None	None	None	None
Operations Division	SVP & Division Head	Kuei-Mei Hsu	R.O.C.	F	20200801	16,211	0	0	0	0	0	Accounting, Fu Jen Catholic University	None	None	None	None	None
General Affairs Division	SVP & Division Head	Hsiang-Chun Wu	R.O.C.	F	20161201	0	0	0	0	0	0	Department of Law, National Chengchi University	Director of Taiwan Financial Asset Service Corporation	None	None	None	None
Insurance Agency Division	SVP & Division Head	Hui-Jen Wu	R.O.C.	F	20190909	60,126	0	0	0	0	0	International Trade, Soochow University	None	None	None	None	None
Wealth Management Division	SVP & Division Head	Hui-Yu Chen	R.O.C.	F	20160401	0	0	0	0	0	0	MBA, Tulane University	None	None	None	None	None
Information Security Center	VP & GM	Yao-Ju Lu	R.O.C.	F	20180928	48	0	0	0	0	0	Graduate Institute of Computer Science, National Chengchi University	None	None	None	None	None
Regional Center Northern Area 1	SVP & Center Head	Ruei-Jan Chen	R.O.C.	F	20190909	36,356	0	0	0	0	0	Master of Finance & Banking, Fu Jen Catholic University	None	None	None	None	None



Name of Unit	Title	Name	Nationality	Gender	Effective Date (yy/mm/dd)	Shareholding Amount		Shareholding by Spouse & Minor Children		Shareholding Under Others' Title		Prime Experience & Education	Services Concurrently with the Other Company	The Spouse or Relative within 2 Tiers of General Managers			Remark (Note 1)
						Shares	%	Shares	%	0	0			Title	Name	Relationship	
Regional Center Northern Area 2	SVP & Division Head	Yu-Yeh Lin	R.O.C.	F	20210118	260	0	0	0	0	0	Economics, National Chengchi University	None	None	None	None	None
Regional Center Central Area	SVP & Division Head	Jin-Yu Yeh	R.O.C.	F	20200301	130,137	0	0	0	0	0	EMBA, Feng Chia University	None	None	None	None	None
Regional Center Southern Area	SVP & Division Head	Wen-Chung Huang	R.O.C.	M	20191001	459	0	0	0	0	0	Open Junior College of Continuing Education Affiliated with National Taichung Institute of Technology Application of Business Studies Business & Applied Commerce	None	None	None	None	None
Offshore Banking Branch	VP & GM	Hsiao-Hua Yin	R.O.C.	F	20180904	11,821	0	0	0	0	0	International Trade, Ming Chuan Commercial College for Girls	None	None	None	None	None
Business Department	VP & GM	Li-Fen Tzeng	R.O.C.	F	20200501	26,760	0	0	0	0	0	Republic of Finance, National Chung Hsing University	None	None	None	None	None
Tzungbu Branch	VP & GM	Fang-Yuan Wu	R.O.C.	F	20180301	45,350	0	0	0	0	0	Department of Cooperative Economics, Tamkang University	None	None	None	None	None
Taipei Securities Broker	VP & GM	Shun-Hung Huang	R.O.C.	M	20160501	117,845	0	0	0	0	0	EMBA, National Chengchi University	None	None	None	None	None
Taichung Securities Broker	VP & GM	Shuo-Hung Huang	R.O.C.	M	20160501	44,935	0	0	0	0	0	Department of Food and Nutrition, Chinese Culture University	None	None	None	None	None
Chi-Hsien Securities Broker	VP & GM	Chuen-Lan Fu	R.O.C.	F	20200801	0	0	0	0	0	0	Masters degree, National Kaohsiung First University of Science and Technology	None	None	None	None	None
Taichung Branch	VP & GM	Rong-Hong Way	R.O.C.	M	20190311	19,550	0	0	0	0	0	Institute of Business and Management, Asia University	None	None	None	None	None
Pei-Taichung Branch	VP & GM	Yen-Chun Chen	R.O.C.	F	20190311	19,098	0	0	0	0	0	Department of Foreign Languages and Literature, Providence University	None	None	None	None	None
Nan-Taichung Branch	VP & GM	You-Chen Lee	R.O.C.	M	20190311	21,821	0	0	0	0	0	IMBA, National Changhua University of Education	None	None	None	None	None
Peitun Branch	VP & GM	Shiu-Hwa Chang	R.O.C.	F	20181201	3,418	0	0	0	0	0	Department of Applied Business, National Open College of Continuing Education Affiliated to Taichung University of Science and Technology	None	None	None	None	None
Chung-Kang Branch	VP & GM	Chiung-Hsiao Hung	R.O.C.	F	20200301	74,226	0	0	0	0	0	International Trade, National Taichung Institute of Commerce	None	None	None	None	None

Name of Unit	Title	Name	Nationality	Gender	Effective Date (yy/mm/dd)	Shareholding Amount		Shareholding by Spouse & Minor Children		Shareholding Under Others' Title		Prime Experience & Education	Services Concurrently with the Other Company	The Spouse or Relative within 2 Tiers of General Managers			Remark (Note 1)
						Shares	%	Shares	%	0	0			Title	Name	Relationship	
Shuinan Branch	VP & GM	Mei-Ling Chiu	R.O.C.	F	20200301	12,560	0	0	0	0	0	Executive Master's Program of Business Administration School of Management Development, Feng Chia University	None	None	None	None	None
Nantun Branch	VP & GM	Jiunn-Horng Lin	R.O.C.	M	20200301	37,764	0	0	0	0	0	Department of Banking And Insurance, National Taichung College of Business	None	None	None	None	None
Hsitun Branch	VP & GM	Su-Min Hsin	R.O.C.	F	20180709	12,785	0	24,559	0	0	0	Exexutive Master of Business Administration, Tunghai University	None	None	None	None	None
Keelung Branch	VP & GM	Ai-Ling Wang	R.O.C.	F	20200501	40,025	0	0	0	0	0	Department of International Trade, National Taipei University of Business	None	None	None	None	None
Jenai Branch	VP & GM	Jung-Chen	R.O.C.	F	20190701	835	0	0	0	0	0	Department of Economics, Feng Chia University	None	None	None	None	None
Tung-Keelung Branch	VP & GM	Shinn-Guang Duh	R.O.C.	M	20190909	8,178	0	0	0	0	0	Master of Business Administration, Tamkang University	None	None	None	None	None
Yilan Branch	VP & GM	Kao-Jung Hsu	R.O.C.	M	20210204	10,734	0	1,025	0	0	0	Master of Institute of Law, Chinese Culture University	None	None	None	None	None
Lotung Branch	VP & GM	Tung-Chia Lu	R.O.C.	M	20210204	0	0	0	0	0	0	Department of Finance, Ming Chuan University	None	None	None	None	None
Suao Branch	VP & GM	Zih-Chang Lin	R.O.C.	M	20200801	12,780	0	68,718	0	0	0	Department of Business, National Open University	None	None	None	None	None
Taipei Branch	VP & GM	Shu-Chung Chen	R.O.C.	F	20200201	12,269	0	0	0	0	0	Department International Trading, Fu Jen Catholic University	None	None	None	None	None
Chengnei Branch	VP & GM	Yu-Tang Shen	R.O.C.	M	20191007	0	0	0	0	0	0	EMBA (College of Management), National Sun Yat-Sen University	None	None	None	None	None
Dunhua Branch	VP & GM	Shu-Ju Tsai	R.O.C.	F	20180901	42,947	0	0	0	0	0	Master of Business Management, Yuan Ze University	None	None	None	None	None
Wanhua Branch	VP & GM	Cheng-I Huang	R.O.C.	M	20180301	0	0	0	0	0	0	Department of Electronic and Computer Engineering, National Taiwan University of Science and Technology	None	None	None	None	None
Shuangyuan Branch	VP & GM	Chien-Long Kuo	R.O.C.	M	20190311	1,225	0	0	0	0	0	Department of Statistics, Tamkang University	None	None	None	None	None
Hsimen Branch	VP & GM	Li-Min Cheng	R.O.C.	F	20200501	3,772	0	0	0	0	0	Master of Science in Finance, Ming Chuan University	None	None	None	None	None



Name of Unit	Title	Name	Nationality	Gender	Effective Date (yy/mm/dd)	Shareholding Amount		Shareholding by Spouse & Minor Children		Shareholding Under Others' Title		Prime Experience & Education	Services Concurrently with the Other Company	The Spouse or Relative within 2 Tiers of General Managers			Remark (Note 1)
						Shares	%	Shares	%	0	0			Title	Name	Relationship	
Peimen Branch	VP & GM	Li-Feng Shen	R.O.C.	F	20190311	25,080	0	0	0	0	0	Department of Shipping & Transportation Management, National Taiwan College of Marine Science and Technology	None	None	None	None	None
Yunglo Branch	VP & GM	Shyh-Maw Wang	R.O.C.	M	20200901	12,384	0	0	0	0	0	Department of Applied Business, Open College Affiliated with National Taipei University of Business	None	None	None	None	None
Jiancheng Branch	VP & GM	Ching-Hsiang Liu	R.O.C.	F	20200301	25,174	0	0	0	0	0	EMBA Department of Accounting, National Changhua University	None	None	None	None	None
Tatung Branch	VP & GM	Chang-Ho Wang	R.O.C.	M	20190801	39,790	0	0	0	0	0	Department of Business Administration, Soochow University	None	None	None	None	None
Min-Sheng Branch	VP & GM	I-Hsin Weng	R.O.C.	M	20190201	512	0	0	0	0	0	Department of Republic Administration, National Chung Hsing University	None	None	None	None	None
Chungshan North Rd. Branch	VP & GM	Chang-Cheng Chu	R.O.C.	M	20190506	103,983	0	0	0	0	0	Department of International Trade, Chinese Culture University	None	None	None	None	None
Ching-Kuang Branch	VP & GM	Hueih-Rur Shy	R.O.C.	F	20190506	2	0	0	0	0	0	Economics, Chinese Culture University	None	None	None	None	None
Jianguo Branch	VP & GM	Hsueh-Wen Wang	R.O.C.	M	20191118	1,482	0	0	0	0	0	Department of Financial & Economic Law, Chung Yuan Christian University	None	None	None	None	None
Jilin Branch	VP & GM	Kui-Fang Tsai	R.O.C.	M	20200801	9,847	0	13,374	0	0	0	Business Administration, Chung Yuan Christian University	None	None	None	None	None
Changan E. Road Branch	VP & GM	Huey-Wen Chang	R.O.C.	F	20180709	0	0	0	0	0	0	Department of Business Administration, National Taipei University	None	None	None	None	None
Dongmen Branch	VP & GM	Chiu-Ling Chen	R.O.C.	F	20190305	0	0	0	0	0	0	Master of Business Administration in Banking and Finance, Tamkang University	None	None	None	None	None
Zhongzheng Branch	VP & GM	Kui-Min Hsiao	R.O.C.	F	20190506	1,172	0	0	0	0	0	Business & Applied Commerce, Open Junior College Affiliated with National Taipei College of Business	None	None	None	None	None
Guting Branch	VP & GM	Chia-Chen Shen	R.O.C.	F	20191007	12,134	0	0	0	0	0	Department of Banking and Finance, Tamkang University	None	None	None	None	None
Chung-Hsiao Tung Lu Branch	VP & GM	Hui-Ling Lee	R.O.C.	F	20200901	0	0	452	0	0	0	Master of Business Administration, Tamkang University	None	None	None	None	None
Yongchun Branch	VP & GM	Yung-Ping Lin	R.O.C.	F	20191118	17,444	0	0	0	0	0	Master of Department of Banking and Finance, Tamkang University	None	None	None	None	None

Name of Unit	Title	Name	Nationality	Gender	Effective Date (yy/mm/dd)	Shareholding Amount		Shareholding by Spouse & Minor Children		Shareholding Under Others' Title		Prime Experience & Education	Services Concurrently with the Other Company	The Spouse or Relative within 2 Tiers of General Managers			Remark (Note 1)
						Shares	%	Shares	%	0	0			Title	Name	Relationship	
Wufenpu Branch	VP & GM	Ya-Cheng Chang	R.O.C.	F	20210204	0	0	0	0	0	0	EMBA Department of Risk Management and Insurance, Ming Chuan University	None	None	None	None	None
Daan Branch	VP & GM	Hsi-Lung Wu	R.O.C.	M	20210204	461	0	0	0	0	0	Executive Master of Business Administration, National Ilan University	None	None	None	None	None
Xinyi Branch	VP & GM	Shu-Hsuan Lin	R.O.C.	F	20180709	1,337	0	0	0	0	0	Department of Economics, National Chung Hsing University	None	None	None	None	None
Renhe Branch	VP & GM	Ai-Fen Hu	R.O.C.	F	20190506	11,814	0	0	0	0	0	EMBA Business Administration, Tamkang University	None	None	None	None	None
Taipei World Trade Center Branch	VP & GM	Pi-Chin Shao	R.O.C.	F	20210118	3,341	0	0	0	0	0	Shipping & Transportation Management, National Taiwan Ocean University	None	None	None	None	None
Guanglong Branch	VP & GM	Hui-Fang Chen	R.O.C.	F	20200501	0	0	0	0	0	0	Department of Public Finance, Feng Chia University	None	None	None	None	None
Chengdong Branch	VP & GM	Cheng-Chi Chuang	R.O.C.	M	20200801	744	0	0	0	0	0	Institute of Economics, Feng Chia University	None	None	None	None	None
Zhonglun Branch	VP & GM	Chi-Hsin Chao	R.O.C.	F	20190924	2	0	0	0	0	0	Department of Business Administration, Tung Hai University	None	None	None	None	None
Fuxing Branch	VP & GM	Chi-Tsung Shih	R.O.C.	M	20190311	0	0	0	0	0	0	Agricultural Economics, National Taiwan University	None	None	None	None	None
Songjiang Branch	VP & GM	Ting-Feng Cho	R.O.C.	F	20200201	23,823	0	0	0	0	0	Department of International Trade, Chihlee Institute of Technology	None	None	None	None	None
Chende Branch	VP & GM	Chih-Ning Chang	R.O.C.	F	20191007	1	0	0	0	0	0	Department of Economics, Shih Hsin University	None	None	None	None	None
Shihlin Branch	VP & GM	Szu-Yen Lin	R.O.C.	F	20191007	109,031	0	2,115	0	0	0	Department of Accounting, Takming University of Science and Technology	None	None	None	None	None
Beitou Branch	VP & GM	Chin-Li Lin	R.O.C.	F	20180301	292	0	0	0	0	0	Financial Management, Ming Chuan University	None	None	None	None	None
Tianmu Branch	VP & GM	Su-Jane Lin	R.O.C.	F	20190909	0	0	0	0	0	0	Master of Business and Management, Lunghwa University of Science and Technology	None	None	None	None	None
Songshan Branch	VP & GM	Chun-Feng Lee	R.O.C.	F	20190311	11,583	0	0	0	0	0	Department of Finance, Jinwen University of Science and Technology	None	None	None	None	None



Name of Unit	Title	Name	Nationality	Gender	Effective Date (yy/mm/dd)	Shareholding Amount		Shareholding by Spouse & Minor Children		Shareholding Under Others' Title		Prime Experience & Education	Services Concurrently with the Other Company	The Spouse or Relative within 2 Tiers of General Managers			Remark (Note 1)
						Shares	%	Shares	%	0	0			Title	Name	Relationship	
Xisung Branch	VP & GM	Mei-Ching Chang	R.O.C.	F	20200801	84,183	0	0	0	0	0	Master Program of Business Administration in Practicing, Chinese Culture University	None	None	None	None	None
Dong-Taipei Branch	VP & GM	Huei-Jin Lin	R.O.C.	F	20190201	6,618	0	0	0	0	0	Master of Business Administration for Executive, National Taipei University	None	None	None	None	None
Dongsing Branch	VP & GM	Hui-Chen Tai	R.O.C.	F	20190708	55,650	0	0	0	0	0	Agricultural Economics, National Chung Hsing University	None	None	None	None	None
Hsi-Neihu Branch	VP & GM	Mei-Fen Shieh	R.O.C.	F	20200801	963	0	212	0	0	0	IEMBA, National Taipei University	None	None	None	None	None
Dazhi Branch	VP & GM	Shu-Hua Tsai	R.O.C.	F	20210118	51,844	0	0	0	0	0	Department of Cooperative Economics, Feng Chia University	Director of Chen Chung & Chen Ye Ruei Culture and Education Foundation	None	None	None	None
Nei-Hu Branch	VP & GM	Shu-Fen Liu	R.O.C.	F	20190909	13,374	0	0	0	0	0	Department of Business Administration College of Management, National Taipei University of Business	None	None	None	None	None
Tung-Hu Branch	VP & GM	Pan-Der Chin	R.O.C.	M	20190909	728	0	0	0	0	0	Department of Economics, Fu Jen Catholic University	None	None	None	None	None
Sin-Hu Branch	VP & GM	Jinn-Sheng Wu	R.O.C.	M	20190311	587	0	30	0	0	0	Department of Business, National Open University	None	None	None	None	None
Nankang Branch	VP & GM	Zhen-Dong Jian	R.O.C.	M	20200901	780	0	0	0	0	0	Accounting, Tamkang University	None	None	None	None	None
Mucha Branch	VP & GM	Lan-Zu Lin	R.O.C.	F	20180101	15,392	0	0	0	0	0	Banking & Insurance, Taiwan Provincial Taichung Institute Commerce	None	None	None	None	None
Nankang Science Industrial Park Branch	VP & GM	Ying-Hui Hung	R.O.C.	F	20190201	64,101	0	0	0	0	0	International Trade, TamKang University	None	None	None	None	None
Heping Branch	VP & GM	Tsung-Jen Wang	R.O.C.	M	20200801	494	0	0	0	0	0	Department of Public Administration, Tamkang University	None	None	None	None	None
Hsi-Chih Branch	VP & GM	Shu-Fen Cheng	R.O.C.	F	20190506	5	0	0	0	0	0	Master of Science in Finance, Ming Chuan University	None	None	None	None	None
Xike Branch	VP & GM	Ho-Hsiung Huang	R.O.C.	M	20200501	28,214	0	0	0	0	0	Master of Business Administration for Executive, National Taipei University	None	None	None	None	None

Name of Unit	Title	Name	Nationality	Gender	Effective Date (yy/mm/dd)	Shareholding Amount		Shareholding by Spouse & Minor Children		Shareholding Under Others' Title		Prime Experience & Education	Services Concurrently with the Other Company	The Spouse or Relative within 2 Tiers of General Managers			Remark (Note 1)
						Shares	%	Shares	%	0	0			Title	Name	Relationship	
Tanshui Branch	VP & GM	Chun-Nu Yeh	R.O.C.	F	20200501	1,020	0	0	0	0	0	Finance, China institute of technology	None	None	None	None	None
Juifang Branch	VP & GM	Chun-Yuan Chen	R.O.C.	M	20170901	801	0	0	0	0	0	Department Business Administration, Fu Jen Catholic University	None	None	None	None	None
Sanchungpu Branch	VP & GM	Su-Chen Cheng	R.O.C.	F	20190701	388	0	0	0	0	0	Banking & Insurance, National Taichung Institute of Commerce	None	None	None	None	None
Pei-Sanchungpu Branch	VP & GM	Yao-Shen Hsieh	R.O.C.	M	20200501	0	0	0	0	0	0	Print And Photography, Shih Hsin University	None	None	None	None	None
Tung-Sanchung Branch	VP & GM	Yi-Cheng Chu	R.O.C.	M	20200501	0	0	0	0	0	0	MS in Finance, The University of Maryland, College Park	None	None	None	None	None
Hsi-Sanchung Branch	VP & GM	Tzy-Yun Chen	R.O.C.	F	20160401	446	0	0	0	0	0	Department of Banking, Tamkang University	None	None	None	None	None
Nan-Sanchung Branch	VP & GM	Jenn-Shing Suen	R.O.C.	M	20200925	0	0	0	0	0	0	Department of Accounting, Chinese Culture University	None	None	None	None	None
San Ho Rd. Branch	VP & GM	Lih-Lan Yang	R.O.C.	F	20190506	190	0	1,482	0	0	0	Business & Applied Commerce, Open Junior College Affiliated with National Taipei College of Business	None	None	None	None	None
Lu Chou Branch	VP & GM	Yi-Huei Chiu	R.O.C.	F	20200501	16,234	0	0	0	0	0	Department of International Business Administration, Finance Management Section / Master of Business Administration, Chinese Culture University	None	None	None	None	None
Hsintien Branch	VP & GM	Cheng-Hua Yin	R.O.C.	M	20200501	0	0	0	0	0	0	Master of Science in Finance, National Taiwan University	None	None	None	None	None
Pei Hsin Branch	VP & GM	Shu-Chen Yang	R.O.C.	F	20190506	1,445	0	0	0	0	0	Department of Business Administration, Tamkang University Executive Master's Program of Business Administration (EMBA)	None	None	None	None	None
Chi Cheng Branch	VP & GM	Quei-Ying Ho	R.O.C.	F	20200501	71,839	0	0	0	0	0	Department of Banking, Tamkang University	None	None	None	None	None
Yongho Branch	VP & GM	Tsung-Ming Lai	R.O.C.	M	20200201	0	0	0	0	0	0	Department of Banking and Insurance, Tamsui Institute of Business Administration	None	None	None	None	None
Fuho Branch	VP & GM	Yin-Chao Liao	R.O.C.	M	20190701	578	0	51,871	0	0	0	Department of Management, Fo Guang University	None	None	None	None	None



Name of Unit	Title	Name	Nationality	Gender	Effective Date (yy/mm/dd)	Shareholding Amount		Shareholding by Spouse & Minor Children		Shareholding Under Others' Title		Prime Experience & Education	Services Concurrently with the Other Company	The Spouse or Relative within 2 Tiers of General Managers			Remark (Note 1)
						Shares	%	Shares	%	0	0			Title	Name	Relationship	
Chungho Branch	VP & GM	Su-Man Hsueh	R.O.C.	F	20190311	14,551	0	0	0	0	0	Department of Applied Business, National Taichung University of Science and Technology	None	None	None	None	None
Shuangho Branch	VP & GM	Chyi-Ying Yeh	R.O.C.	F	20181008	31,283	0	0	0	0	0	Economics, Fu Jen Catholic University	None	None	None	None	None
Lide Branch	VP & GM	Feng-Pin Lu	R.O.C.	M	20200801	1,773	0	0	0	0	0	Department of Finance and Finance, Ming Chuan University	None	None	None	None	None
Hsinchuang Branch	VP & GM	Wen-Chieh Chang	R.O.C.	M	20210118	388	0	0	0	0	0	Department of Business Administration, Tamkang University	None	None	None	None	None
Xinshu Branch	VP & GM	Meng-Chen Chiang	R.O.C.	F	20190701	65,121	0	0	0	0	0	Department of Information Management College of Management, Fu Jen Catholic University	None	None	None	None	None
Wugu Industrial Park Branch	VP & GM	Chih-Feng Teng	R.O.C.	M	20200501	7,234	0	0	0	0	0	Department of International Trade, Feng Chia University	None	None	None	None	None
Nan-Hsinchuang Branch	VP & GM	Mei-Hsing Lin	R.O.C.	F	20181008	16,981	0	0	0	0	0	Institute of Finance, National Taiwan University of Science and Technology	None	None	None	None	None
Sy Yuan Branch	VP & GM	Wei-Shuo Luo	R.O.C.	M	20181008	22,198	0	0	0	0	0	Department of International Trade, Chung Yuan Christian University	None	None	None	None	None
Taishan Branch	VP & GM	Mei-Lan Kuan	R.O.C.	F	20200501	12,480	0	0	0	0	0	Department of Information Management, Fu Jen Catholic University	None	None	None	None	None
Linkou Branch	VP & GM	Jia-Jen Hou	R.O.C.	M	20190909	74,560	0	0	0	0	0	Department of Finance, China University of Science and Technology	None	None	None	None	None
New Linkou Branch	VP & GM	Ya-Huei Hung	R.O.C.	F	20190909	9,354	0	0	0	0	0	Department of law, Tunghai University	None	None	None	None	None
Shulin Branch	VP & GM	Jui-Hui Hsu	R.O.C.	F	20180901	13,298	0	7,849	0	0	0	Public Finance, China University of Technology	None	None	None	None	None
Panchiao Branch	VP & GM	Lin-Li Ku	R.O.C.	F	20190909	24,245	0	62	0	0	0	EMBA in Department of Finance, Ming Chuan University	None	None	None	None	None
Kuang-Fu Branch	VP & GM	Shr-Jan Tzeng	R.O.C.	M	20200801	830	0	0	0	0	0	Department of International Trade, Soochow University	None	None	None	None	None
Chiang Tsui Branch	VP & GM	Jiun-Uei Lin	R.O.C.	M	20191118	60,877	0	1,128	0	0	0	Risk Management & Insurance Department. EMBA, Tamkang University	None	None	None	None	None

Name of Unit	Title	Name	Nationality	Gender	Effective Date (yy/mm/dd)	Shareholding Amount		Shareholding by Spouse & Minor Children		Shareholding Under Others' Title		Prime Experience & Education	Services Concurrently with the Other Company	The Spouse or Relative within 2 Tiers of General Managers			Remark (Note 1)
						Shares	%	Shares	%	0	0			Title	Name	Relationship	
Tucheng Branch	VP & GM	Pei-Fen Shieh	R.O.C.	F	20180501	177,542	0	1,000	0	0	0	Business & Applied Commerce, Open Junior College Affiliated with National Taipei College of Business	None	None	None	None	None
Sanhsia Branch	VP & GM	Ai-Hsiu Lai	R.O.C.	F	20190311	0	0	0	0	0	0	Department of Shipping & Transportation Management, National Taiwan Ocean College	None	None	None	None	None
Taoyuan Branch	VP & GM	Yueh-Chiu Lai	R.O.C.	F	20190909	43,013	0	0	0	0	0	Department of Accounting, Tunghai University	None	None	None	None	None
Pei-Taoyuan Branch	VP & GM	Hsiu-O Hsieh	R.O.C.	F	20190909	578	0	11,583	0	0	0	Economics, National Chung Hsing University	None	None	None	None	None
Ba De Branch	VP & GM	Cheng-Chu Wang	R.O.C.	M	20200201	133	0	1,040	0	0	0	Department of Accounting, Chung Yuan Christian University	None	None	None	None	None
Longtang Branch	VP & GM	Yuan-Kuang Pan	R.O.C.	M	20190506	1,120	0	663	0	0	0	Department of Banking and Finance, Tamkang University	None	None	None	None	None
Nankan Branch	VP & GM	Jui-Yueh Wu	R.O.C.	M	20190506	0	0	0	0	0	0	Department of Construction Management, Chung Hua University	None	None	None	None	None
Tung-Linkou Branch	VP & GM	Mei-Chun Tsou	R.O.C.	F	20200201	0	0	0	0	0	0	Master of Business Administration, Soochow University	None	None	None	None	None
Chungli Branch	VP & GM	Chi-Min Chung	R.O.C.	M	20190801	5,516	0	0	0	0	0	Business & Applied Commerce, Open Junior College Affiliated with National Taipei College of Business	None	None	None	None	None
Pei-Chungli Branch	VP & GM	Ya-Fang Lee	R.O.C.	F	20191118	12,822	0	0	0	0	0	EMBA Science in Technology Management, Fu Jen Catholic University	None	None	None	None	None
Hsin-Ming Branch	VP & GM	Ming-Thur Chen	R.O.C.	M	20191118	29,683	0	17,340	0	0	0	Master's Program in Department of Business Administration, Lughwa University of Science and Technology	None	None	None	None	None
Yangmei Branch	VP & GM	Chi-Hsiang Chen	R.O.C.	M	20190506	1,099	0	890	0	0	0	Master of Management Science, Aletheica University	None	None	None	None	None
Pushin Branch	VP & GM	Su-Ming Cheng	R.O.C.	F	20171101	18,860	0	0	0	0	0	Master of Finance, Chang Gung University	None	None	None	None	None
Hsinchu Branch	VP & GM	Feng-Fuh Chang	R.O.C.	M	20200201	988	0	0	0	0	0	Department of Electronic Data Processing, National Taichung College of Business	None	None	None	None	None



Name of Unit	Title	Name	Nationality	Gender	Effective Date (yy/mm/dd)	Shareholding Amount		Shareholding by Spouse & Minor Children		Shareholding Under Others' Title		Prime Experience & Education	Services Concurrently with the Other Company	The Spouse or Relative within 2 Tiers of General Managers			Remark (Note 1)
						Shares	%	Shares	%	0	0			Title	Name	Relationship	
Pei-Hsinchu Branch	VP & GM	Shiow-Ling Kao	R.O.C.	F	20200201	1,178	0	0	0	0	0	Department of Banking, TamKang University	None	None	None	None	None
Hsinchu Science-based Industrial Park Branch	VP & GM	Lin-Ling Chen	R.O.C.	F	20180709	20,498	0	0	0	0	0	Master of Science in Finance, Ming Chuan University	None	None	None	None	None
Jhubei Branch	VP & GM	Kun-Lin Lee	R.O.C.	M	20200301	5,200	0	0	0	0	0	Executive Master of Business Administration, National Sun Yat-sen University	None	None	None	None	None
Chutung Branch	VP & GM	Kuo-Lung Lin	R.O.C.	M	20210204	334	0	0	0	0	0	EMBA, School of Management, Ming Chuan University	None	None	None	None	None
Zhunan Branch	VP & GM	Chiu-Min Shen	R.O.C.	F	20180301	2,028	0	0	0	0	0	Master of Business Administration, Providence University	None	None	None	None	None
Miaoli Branch	VP & GM	Shao-Mao Wang	R.O.C.	M	20161121	98,969	0	58,386	0	0	0	EMBA Business Management Group, National Chung Hsing University	None	None	None	None	None
Yuanli Branch	VP & GM	Tsuey Shya-Jang	R.O.C.	F	20181201	13,456	0	0	0	0	0	Master of Science in Technology Management, Chung Hua University	None	None	None	None	None
Tachia Branch	VP & GM	Pei-Chung Yang	R.O.C.	M	20171101	48,282	0	0	0	0	0	Executive Master's Program of Business Administration (Senior Business Administration), Feng Chia University	None	None	None	None	None
Chingshui Branch	VP & GM	Chun-Hong Yeh	R.O.C.	M	20190311	534	0	0	0	0	0	Executive Master of Business, National Changhua University of Education	None	None	None	None	None
Shalu Branch	VP & GM	Kuen-Shan Wang	R.O.C.	M	20190311	3,492	0	0	0	0	0	Department of International Trade, Tunghai University	None	None	None	None	None
Tatu Branch	VP & GM	Kuo-Heng Hsu	R.O.C.	M	20200501	11,308	0	0	0	0	0	Executive Master of Business Administration, Feng Chia University	None	None	None	None	None
Taiping Branch	VP & GM	Wen-Ching Chen	R.O.C.	M	20180709	41,652	0	0	0	0	0	Master of Finance, National Yunlin University of Science & Technology	None	None	None	None	None
Fengyuan Branch	VP & GM	Shu-Lin Liu	R.O.C.	F	20200301	45,667	0	0	0	0	0	Executive Master of Business Administration, National Changhua University of Education	None	None	None	None	None
Daya Branch	VP & GM	Yu-Fang Chang	R.O.C.	F	20200301	0	0	2,517	0	0	0	Bachelor's Program of Business, Feng Chia University	None	VP & GM	CHIHAO LO	SPOUSE	None

Name of Unit	Title	Name	Nationality	Gender	Effective Date (yy/mm/dd)	Shareholding Amount		Shareholding by Spouse & Minor Children		Shareholding Under Others' Title		Prime Experience & Education	Services Concurrently with the Other Company	The Spouse or Relative within 2 Tiers of General Managers			Remark (Note 1)
						Shares	%	Shares	%	0	0			Title	Name	Relationship	
Tantzu Branch	VP & GM	Li-Mei Chang	R.O.C.	F	20200301	24,654	0	0	0	0	0	Business & Applied Commerce, Open Junior College of Continuing Education Affiliated with National Taichung Institute of Technology	None	None	None	None	None
Tungshih Branch	VP & GM	Tain-Maw Chang	R.O.C.	M	20170801	6,138	0	0	0	0	0	EMBA Master of Finance, National Chung Hsing University	None	None	None	None	None
Wufeng Branch	VP & GM	Yuan-Fen Chen	R.O.C.	F	20181201	14,033	0	0	0	0	0	Master of Finance, Chaoyang University of Technology	None	None	None	None	None
Dali Branch	VP & GM	Yi-Chen Wang	R.O.C.	F	20190311	105,899	0	0	0	0	0	International Trade, Chung Yuan University	None	None	None	None	None
Tsaotun Branch	VP & GM	Chia-Yu Chang	R.O.C.	F	20200301	19,420	0	0	0	0	0	Department of Foreign Languages and Literature, Providence University	None	None	None	None	None
Nantou Branch	VP & GM	Chin-Ping Lai	R.O.C.	F	20190701	47,956	0	0	0	0	0	IMBA, National Changhua University of Education	None	None	None	None	None
Puli Branch	VP & GM	Ruei-Jui Chen	R.O.C.	M	20190701	87,168	0	52,506	0	0	0	IMBA, National Changhua University of Education	None	None	None	None	None
Shuilikeng Branch	VP & GM	Ming-Chuan Lin	R.O.C.	F	20170801	100,442	0	5,630	0	0	0	Department of Business, National Open University	None	None	None	None	None
Changhua Branch	VP & GM	A-R Liu	R.O.C.	F	20190311	18,269	0	3,037	0	0	0	Executive Master of Business Administration, National Changhua University of Education	None	None	None	None	None
Lukang Branch	VP & GM	Chih-Hao Lo	R.O.C.	M	20180709	989	0	1,528	0	0	0	Exexutive Master of Business Administration, Feng Chia University	None	VP & GM	YU FANG CHANG	SPOUSE	None
Hemei Branch	VP & GM	Weng-Chung Chen	R.O.C.	M	20200501	51,638	0	0	0	0	0	EMBA Seminar on Finance, National Chung Hsing University	None	None	None	None	None
Yuanlin Branch	VP & GM	Ji-Ming Huang	R.O.C.	M	20190311	1,456	0	0	0	0	0	Department of Business, National Open University	None	None	None	None	None
Hsihu Branch	VP & GM	Ti-Tien Liao	R.O.C.	M	20181126	2,328	0	25,102	0	0	0	Business Administration, Fu Jen University	None	None	None	None	None
Beidou Branch	VP & GM	Jui-Hung Weng	R.O.C.	M	20190701	5,516	0	0	0	0	0	Department of Finance, Chaoyang University of Technology	None	None	None	None	None
Erlin Branch	VP & GM	Chiou-Shin Liang	R.O.C.	M	20200501	0	0	0	0	0	0	Accounting, Fu Jen Catholic University	None	None	None	None	None



Name of Unit	Title	Name	Nationality	Gender	Effective Date (yy/mm/dd)	Shareholding Amount		Shareholding by Spouse & Minor Children		Shareholding Under Others' Title		Prime Experience & Education	Services Concurrently with the Other Company	The Spouse or Relative within 2 Tiers of General Managers			Remark (Note 1)
						Shares	%	Shares	%	0	0			Title	Name	Relationship	
Hsiluo Branch	VP & GM	Wen-Ling Tsai	R.O.C.	M	20181008	2,058	0	1,843	0	0	0	Department of Business Management, Chinese Culture University	None	None	None	None	None
Touliu Branch	VP & GM	Ming-Jer Lin	R.O.C.	M	20210204	4,867	0	0	0	0	0	Department of Applied Business, National Open College of Continuing Education Affiliated to Taichung University of Science and Technology	None	None	None	None	None
Tounan Branch	VP & GM	Lih-Lan Kuo	R.O.C.	F	20180401	0	0	0	0	0	0	Department of Accounting, Chinese Culture University	None	None	None	None	None
Huwei Branch	VP & GM	Kung-Ming Chang	R.O.C.	M	20181008	56,131	0	0	0	0	0	Department of Business Administration, Chaoyang University of Technology	None	None	None	None	None
Tukoo Branch	VP & GM	Tung-Sheng Huang	R.O.C.	M	20181126	3,964	0	0	0	0	0	Department of Finance, National Chung Cheng University	None	None	None	None	None
Peikang Branch	VP & GM	Shinn-Huei Leu	R.O.C.	M	20170901	13,056	0	0	0	0	0	Finance, National Formosa University of Science and Technology	None	None	None	None	None
Talin Branch	VP & GM	Pin-Shen Ho	R.O.C.	M	20200501	0	0	0	0	0	0	Department of Business Management, Private Feng Chia University	None	None	None	None	None
Chiayi Branch	VP & GM	Chung-Shing Ho	R.O.C.	M	20190909	0	0	0	0	0	0	Department of Public Finance, Feng Chia University	None	None	None	None	None
Tung-Chiayi Branch	VP & GM	Show-Fone Lu	R.O.C.	F	20190909	39,881	0	0	0	0	0	Department of Business, National Open University	None	None	None	None	None
Pei-Chiayi Branch	VP & GM	Shu-Hui Ke	R.O.C.	F	20201001	0	0	0	0	0	0	Master of Money and Banking, National Kaohsiung First University of Science and Technology	None	None	None	None	None
Hsiying Branch	VP & GM	Hsui-Chin Hsu	R.O.C.	F	20190909	0	0	0	0	0	0	Economics, National Chung Hsing University	None	None	None	None	None
Yungkuang Branch	VP & GM	Chen-Ying Wu	R.O.C.	F	20181126	3,855	0	0	0	0	0	EMBA Administration, Southern Taiwan University of Science and Technology	None	None	None	None	None
Chung-Hua Road Branch	VP & GM	Shu-Chuan Lin	R.O.C.	F	20200501	1,111	0	0	0	0	0	Department of Business Administration, National Cheng Kung University	None	None	None	None	None
Tainan Branch	VP & GM	Mei-Hui Wu	R.O.C.	F	20171201	11,422	0	73,164	0	0	0	EMBA, National Chiayi University	None	None	None	None	None
Yenping Branch	VP & GM	Shu-Hui Lin	R.O.C.	F	20190506	0	0	0	0	0	0	Department of International Trade, Chinese Culture University	None	None	None	None	None

Name of Unit	Title	Name	Nationality	Gender	Effective Date (yy/mm/dd)	Shareholding Amount		Shareholding by Spouse & Minor Children		Shareholding Under Others' Title		Prime Experience & Education	Services Concurrently with the Other Company	The Spouse or Relative within 2 Tiers of General Managers			Remark (Note 1)
						Shares	%	Shares	%	0	0			Title	Name	Relationship	
Hsi-Tainan Branch	VP & GM	Yen-Yu Liu	R.O.C.	F	20200501	630	0	0	0	0	0	EMBA, National Chiayi University	None	None	None	None	None
Tung-Tainan Branch	VP & GM	Fen-Lan Lu	R.O.C.	F	20181126	38,053	0	20,029	0	0	0	Department of Business Administration, National Cheng Kung University	None	None	None	None	None
Nan-Tainan Branch	VP & GM	Lun-Jan Lan	R.O.C.	M	20191201	12,539	0	5,010	0	0	0	Industrial Management Section, Southern Taiwan University of Science and Technology	None	None	None	None	None
Pei-Tainan Branch	VP & GM	Li-Chu Shu	R.O.C.	F	20200501	0	0	0	0	0	0	Business Administration, Fu Jen Catholic University	None	None	None	None	None
Guiren Branch	VP & GM	Yu-Tang Wu	R.O.C.	M	20200801	0	0	0	0	0	0	Department of Business Administration, Tunghai University	None	None	None	None	None
AnNan Branch	VP & GM	Hsiu-Chih Huang	R.O.C.	F	20201001	54,978	0	0	0	0	0	Executive Master of Business Administration, Southern Taiwan University of Science and Technology	None	None	None	None	None
Chishan Branch	VP & GM	Chen-Huan Liu	R.O.C.	F	20181008	0	0	5,304	0	0	0	Department of International Trade, Chinese Culture University	None	None	None	None	None
Kangshan Branch	VP&GM	Shu-Li Chang	R.O.C.	F	20191201	15,045	0	53,696	0	0	0	Business & Applied Commerce, Open Junior College of Continuing Education Affiliated with National Taichung Institute of Technology Application of Business Studies	None	None	None	None	None
Fengshan Branch	VP & GM	Hui-Ju Lee	R.O.C.	F	20191007	49,509	0	0	0	0	0	Department of International Trade, National Taichung College of Business	None	None	None	None	None
Luchu Branch	VP & GM	Show-Ching Chen	R.O.C.	F	20200201	42	0	0	0	0	0	Business & Applied Commerce, National Open College of Continuing Education Affiliated to National Taichung Institute of Technology Application of Business Studies	None	None	None	None	None
TaFa Branch	VP & GM	Hsu-Lin Huang	R.O.C.	F	20191118	193,828	0	0	0	0	0	Department of International Trade, International Business College	None	None	None	None	None
Kaohsiung Branch	VP & GM	Su-Chuan Wang	R.O.C.	F	20191007	2,871	0	0	0	0	0	Master of Money and Banking, National Kaohsiung First University of Science and Technology	None	None	None	None	None



Name of Unit	Title	Name	Nationality	Gender	Effective Date (yy/mm/dd)	Shareholding Amount		Shareholding by Spouse & Minor Children		Shareholding Under Others' Title		Prime Experience & Education	Services Concurrently with the Other Company	The Spouse or Relative within 2 Tiers of General Managers			Remark (Note 1)
						Shares	%	Shares	%	0	0			Title	Name	Relationship	
Chi-Hsien Branch	VP & GM	Shwu-Ruu Lee	R.O.C.	F	20181126	58,530	0	0	0	0	0	Business & Applied Commerce, Open Junior College of Continuing Education Affiliated with National Taichung Institute of Technology Application of Business Studies	None	None	None	None	None
Yencheng Branch	VP & GM	Su-Wei Liang	R.O.C.	F	20180901	24,947	0	0	0	0	0	Department of Banking and Insurance, Feng Chia University	None	None	None	None	None
Tung-Kaohsiung Branch	VP & GM	Chih-Ming Kuo	R.O.C.	M	20181126	20,863	0	0	0	0	0	Cooperative Economics, Tamkang College of Arts and Sciences	None	None	None	None	None
Nan-Kaohsiung Branch	VP & GM	Shu-Fen Wu	R.O.C.	F	20180901	18,420	0	0	0	0	0	Department of International Trade, National Chengchi University	None	None	None	None	None
Pei-Kaohsiung Branch	VP & GM	Shen-Hui Lu	R.O.C.	M	20191118	35,901	0	0	0	0	0	Department of Economics, Chinese Culture University	None	None	None	None	None
Sanmin Branch	VP & GM	Shu-Fen Lee	R.O.C.	F	20200901	78,570	0	0	0	0	0	Department of International Business, National Kaohsiung University of Science and Technology	None	None	None	None	None
Hsinhsing Branch	VP & GM	Yung-Sheng Chen	R.O.C.	M	20200201	1,251	0	0	0	0	0	Department of Administration, Tamkang University	None	None	None	None	None
Chanchen Branch	VP & GM	Chia-Hsiang Tsai	R.O.C.	M	20200201	0	0	3,097	0	0	0	Department of Business Administration, National Chung Hsing University	None	None	None	None	None
Chiu-Ju Lu Branch	VP & GM	Ying-Dai Chen	R.O.C.	F	20200901	1,118	0	0	0	0	0	Department of Business Administration, Southern Taiwan University of Science and Technology	None	None	None	None	None
Chienhsing Branch	VP & GM	Shu-Mei Yeh	R.O.C.	F	20190218	0	0	0	0	0	0	Department of International Trade, National Chengchi University	None	None	None	None	None
Po-Ai Branch	VP & GM	Shu-Hei Chang	R.O.C.	F	20200201	52,479	0	0	0	0	0	International Trade, Providence College of Arts and Sciences for Women	None	None	None	None	None
Lingya Branch	VP & GM	Wen-Ko Ho	R.O.C.	M	20200501	0	0	0	0	0	0	Cooperative Economics, National Chung Hsing University	None	None	None	None	None
Ta-Shun Branch	VP & GM	Chiang-An Chang	R.O.C.	M	20180501	96,994	0	0	0	0	0	Business & Applied Commerce, Open Junior College of Continuing Education Affiliated with National Taichung Institute of Technology Application of Business Studies	None	None	None	None	None
Zuoying Branch	VP & GM	Ching-Chung Chen	R.O.C.	M	20180806	990	0	0	0	0	0	Institute of Human Resource Management, National Sun Yat-sen University	None	None	None	None	None

Name of Unit	Title	Name	Nationality	Gender	Effective Date (yy/mm/dd)	Shareholding Amount		Shareholding by Spouse & Minor Children		Shareholding Under Others' Title		Prime Experience & Education	Services Concurrently with the Other Company	The Spouse or Relative within 2 Tiers of General Managers			Remark (Note 1)
						Shares	%	Shares	%	0	0			Title	Name	Relationship	
Pingtung Branch	Manager	Shu-Yun Hsu	R.O.C.	F	20191007	3,695	0	0	0	0	0	Department of Business Administration, National Taiwan University of Science and Technology	None	None	None	None	None
Chaochou Branch	VP & GM	Hsiu-Yun Shih	R.O.C.	F	20200901	1,060	0	0	0	0	0	Master of Finance, National Kaohsiung First University of Science and Technology	None	None	None	None	None
Tungkang Branch	Manager	Ming-Han Tsai	R.O.C.	M	20191201	115	0	0	0	0	0	Master of Finance, National Kaohsiung First University of Science and Technology	None	None	None	None	None
Hengchun Branch	VP & GM	Lien-Chen Shih	R.O.C.	F	20210204	562	0	0	0	0	0	Department of Money and Banking, National Kaohsiung University of Science and Technology	None	None	None	None	None
Hualien Branch	VP & GM	Wen-Ching Chang	R.O.C.	M	20170502	3,790	0	0	0	0	0	Department of International Business, Soochow University	None	None	None	None	None
Taitung Branch	VP & GM	Che-Fang Hung	R.O.C.	M	20191007	21,396	0	0	0	0	0	Department of Financial Knowledge and Information Technology, National Kaohsiung University of Applied Sciences	None	None	None	None	None
New York Branch	VP & GM	Chien-Shan Liu	R.O.C.	M	20180301	0	0	0	0	0	0	Master of Business Administration, National Chung Cheng University	None	None	None	None	None
Los Angeles Branch	VP & GM	Wan-Chin Chang	R.O.C.	F	20161201	176,603	0	0	0	0	0	MBA in Banking and Finance, Tamkang University	None	None	None	None	None
Tokyo Branch	VP & GM	Li-fang Liu	R.O.C.	F	20190311	0	0	0	0	0	0	Department International Trade, Tunghai University	None	None	None	None	None
London Branch	VP & GM	Cheng-Yi Hsieh	R.O.C.	M	20170818	0	0	0	0	0	0	Department of Insurance, National Chengchi University	None	None	None	None	None
HongKong Branch	VP & GM	Chien-Mei Yu	R.O.C.	F	20181023	17,342	0	0	0	0	0	EMBA in International Business, Tamkang University	None	None	None	None	None
Singapore Branch	VP & GM	Chin-Lung Pan	R.O.C.	M	20170113	6,268	0	0	0	0	0	Graduate Institute of Finance, National Taiwan University of Science and Technology	None	None	None	None	None
Manila Branch	VP & GM	Kwang-Wu Liu	R.O.C.	M	20170818	0	0	0	0	0	0	Department of Information Management, Tamkang University	None	None	None	None	None

Note 1: Whether the Chairperson of the board of directors and the general manager or person of an equivalent post (the highest level manager) of a company are the same person, spouses, or relatives within the first degree of kinship.

Note 2: New appointment on March 23, 2021.

Note 3: New appointment on April 1, 2021.

c. Chairperson and President retired from the Bank or related companies returned to consultants: None.



C. Compensation

a. Compensation for Directors

Title	Name	Compensation							
		Rewards (A)		Pension and Separation Pay (B)		Earnings Distribution (C) (Note1)		Business Affair Expenses (D)	
		CHB	All the companies in the financial statement	CHB	All the companies in the financial statement	CHB	All the companies in the financial statement	CHB	All the companies in the financial statement
Members of the 25 term of Board of Directors (The term was effective before June 19, 2020)									
Chairperson	Joanne Ling (Delegate of MOF)								
Managing Director	Cheng-Ching Wu (Delegate of TSFHC)								
Director	Hwai-Chou Chen (Delegate of TSFHC)								
Director	Chia-Chi Hsiao (Delegate of MOF)								
Director	Chien-Yi Chang (Delegate of National Development Fund, Executive Yuan)								
Director	Shih-Tsung Lee (Delegate of Lee Investment Co., Ltd.) The term was effective before February 3, 2020.								
	MOF								
	TSFHC								
	National Development Fund, Executive Yuan								
	Lee Investment Co., Ltd. The term was effective before February 3, 2020.	10,474,150	10,474,150	0	0	28,995,117	28,995,117	0	0
Members of the 26 term of Board of Directors (The term became effective on June 19, 2020)									
Chairperson	Joanne Ling (Delegate of MOF)								
Managing Director	Jui-Mu Huang (Delegate of MOF)								
Director	Chia-Chi Hsiao (Delegate of Chunghwa Post Co., Ltd.)								
Director	Chien-Yi Chang (Delegate of National Development Fund, Executive Yuan)								
Director	Wen-Siung Lee								
Director	Hwai-Chou Chen								
	MOF								
	TSFHC								
	National Development Fund, Executive Yuan								
	(Delegate of Chunghwa Post Co., Ltd.)								

Ratio of total remuneration (A+B+C+D) to net income (%)		Relevant remuneration received by directors who are also employees								Ratio of total compensation (A+B+C+D+E+F+G) to net income (%)		Compensation paid to directors from an invested company or parent company other than the company's subsidiaries
		Salary, Bonus and Special Disbursement (E)		Pension and Separation (F) (Note2)		Employee Bonus Distribution (G)						
CHB	All the companies in the financial statement	CHB	All the companies in the financial statement	CHB	All the companies in the financial statement	CHB		All the companies in the financial statement		CHB	All the companies in the financial statement	
						Cash dividends	Stock dividends	Cash dividends	Stock dividends			
0.56	0.56	3,225,033	3,225,033	54,000	54,000	0	0	0	0	0.61	0.61	117,000



Title	Name	Compensation							
		Rewards (A)		Pension and Separation Pay (B)		Earnings Distribution (C) (Note1)		Business Affair Expenses (D)	
		CHB	All the companies in the financial statement	CHB	All the companies in the financial statement	CHB	All the companies in the financial statement	CHB	All the companies in the financial statement
Members of the 25 term of Board of Independent Directors (The term was effective before June 19, 2020)									
Managing Director (Independent Director)	Kuo-Yuan Liang								
Director (Independent Director)	Jung-Chun Pan								
Director (Independent Director)	Chi-Chang Yu	2,527,000	2,527,000	0	0	0	0	0	0
Members of the 26 term of Board of Independent Directors (The term became effective on June 19, 2020)									
Managing Director (Independent Director)	Jung-Chun Pan								
Independent Director	Jong-Hong Lin								
Independent Director	Chih- Jong Suen								

1. Please describe the policy of payment, system, standards and structures of remuneration for independent directors, and determine the connection between their duties, risks, time input and the amount of remuneration:

In accordance with Item 13 of Article 20 of the Bank's Articles of Incorporation, remunerations for independent directors have been approved by the Board of Directors in line with other financial institutions of equivalent size and scope to the Bank. As to the procedure of remuneration determination, it was totally based on the CHB "Rules of Performance Evaluation of the Board of Directors." In addition to overall operating performance of the Bank, quality of policies issued by functional committees and Board of Directors and effect of internal control system, the result of individual performance evaluation (including responsibilities of Directors, participation in the Bank's operations, management and communication) has been taken into consideration as well. In order to achieve the balance between sustainable development and risk management, adequacy of remuneration should be reviewed by both Remuneration Committee and Board of Directors.

Note 1: The scheme of non-salaried director remunerations for independent directors was approved by the 3rd meeting of the 26th Board of Directors of the Bank held on August 27, 2020.

Note 2: Appropriated amount of pension and separation pay expense in 2020 (10% under the old system and 6% contribution under the new rules): NT\$54,000.



Ratio of total remuneration (A+B+C+D) to net income (%)		Relevant remuneration received by directors who are also employees								Ratio of total compensation (A+B+C+D+E+F+G) to net income (%)		Compensation paid to directors from an invested company or parent company other than the company's subsidiaries
		Salary, Bonus and Special Disbursement (E)		Pension and Separation (F) (Note2)		Employee Bonus Distribution (G)						
CHB	All the companies in the financial statement	CHB	All the companies in the financial statement	CHB	All the companies in the financial statement	CHB		All the companies in the financial statement		CHB	All the companies in the financial statement	
						Cash dividends	Stock dividends	Cash dividends	Stock dividends			
0.04	0.04	0	0	0	0	0	0	0	0	0.04	0.04	0

2. In addition to the disclosure in above table, Board of Directors have received remuneration for providing services for all companies in financial report (for instance, serving as consultants for non-employees status) in the most recent year:
None.

Classification of Directors' Compensation

Classification of Compensation for Directors	Name of Directors			
	Amount of total remuneration (A + B + C + D)		Amount of total remuneration (A + B + C + D + E + F + G)	
	CHB	All the companies in the financial statement	CHB	Parent company and All the companies in the financial statement
Lower than NT\$ 1,000,000	Chien-Yi Chang Chia-Chi Hsiao Shih-Tsung Lee Wen-Siung Lee Cheng-Ching Wu Jung-Chun Pan Chi-Chang Yu Jong-Horng Lin Chih- Jong Suen Kuo-Yuan Liang Lee Investment Co., Ltd.	Chien-Yi Chang Chia-Chi Hsiao Shih-Tsung Lee Wen-Siung Lee Cheng-Ching Wu Jung-Chun Pan Chi-Chang Yu Jong-Horng Lin Chih- Jong Suen Kuo-Yuan Liang Lee Investment Co., Ltd.	Chien-Yi Chang Chia-Chi Hsiao Shih-Tsung Lee Wen-Siung Lee Cheng-Ching Wu Jung-Chun Pan Chi-Chang Yu Jong-Horng Lin Chih- Jong Suen Kuo-Yuan Liang Lee Investment Co., Ltd.	Chien-Yi Chang Chia-Chi Hsiao Shih-Tsung Lee Wen-Siung Lee Cheng-Ching Wu Jung-Chun Pan Chi-Chang Yu Jong-Horng Lin Chih- Jong Suen Kuo-Yuan Liang Lee Investment Co., Ltd.
NT\$ 1,000,000 ~ NT\$ 2,000,000 (Not included)				
NT\$ 2,000,000 ~ NT\$ 3,500,000 (Not included)	Hwai-Chou Chen Chunghwa Post Co., Ltd. National Development Fund, Executive Yuan	Hwai-Chou Chen Chunghwa Post Co., Ltd. National Development Fund, Executive Yuan	Hwai-Chou Chen Jui-Mu Huang Chunghwa Post Co., Ltd. National Development Fund, Executive Yuan	Hwai-Chou Chen Jui-Mu Huang Chunghwa Post Co., Ltd. National Development Fund, Executive Yuan
NT\$ 3,500,000 ~ NT\$ 5,000,000 (Not included)	TSFHC	TSFHC	TSFHC	TSFHC
NT\$ 5,000,000 ~ NT\$ 10,000,000 (Not included)	Joanne Ling	Joanne Ling	Joanne Ling	Joanne Ling
NT\$ 10,000,000 ~ NT\$ 15,000,000 (Not included)				
NT\$ 15,000,000 ~ NT\$ 30,000,000 (Not included)	MOF	MOF	MOF	MOF
NT\$ 30,000,000 ~ NT\$ 50,000,000 (Not included)				
NT\$ 50,000,000 ~ NT\$ 100,000,000 (Not included)				
Over NT\$ 100,000,000				
Total (persons)	17	17	18	18

b. Compensation for President and Executive Vice Presidents

January 1, 2020 ~ December 31, 2020 Unit: NTD; %

Title	Name	Salary (A)		Pension and Separation Pay (B) (Note 1)		Bonus and Special Disbursement (C)		Employee Bonus of Earning Distribution (D)				Ratio of total remuneration (A+B+C+D) to net income (%)		Compensation paid to directors from an invested company other than the company's subsidiaries
		CHB	All the companies in the financial statement	CHB	All the companies in the financial statement	CHB	All the companies in the financial statement	CHB		All the companies in the financial statement		CHB	All the companies in the financial statement	
								Cash dividends	Stock dividends	Cash dividends	Stock dividends			
President	Jui-Mu Huang													
Executive Vice President	Horng-Yao Tu (Application for retirement effective on May 1, 2020)													
	Hom-Gang Wang (Application for retirement effective on April 1, 2020)	15,962,364	15,962,364	21,291,183	21,291,183	9,356,268	9,356,268	990,244	0	990,244	0	0.68	0.68	346,000
	Bin Chen													
	Chang-Hua Cheng													
EVP & Chief Compliance Officer	Jih-Cheng Yang													
EVP & Chief Auditor	Ya-Ling Lin													

Note 1: The information of "pension and separation pay" is disclosed as the following notes:

(1) Actual paid amount of pension and separation pay in 2020: NT\$20,300,926.

(2) Appropriated amount of pension and separation pay expense in 2020 (10% under the old system and 6% contribution under the new rules): NT\$990,257.

Note 2: The remuneration for drivers of senior officers: The Bank paid the 8 drivers in total of NT\$6,889,400 a year. They are not assigned to senior officers only; The Bank can assign them for other business needs.

Classification of Compensation

Classification of Compensation for President and Executive Vice President	Name of President and Executive Vice President	
	CHB	Parent company and All the companies in the financial statement
Lower than NT\$ 1,000,000		
NT\$ 1,000,000 ~ NT\$ 2,000,000 (Not included)		
NT\$ 2,000,000 ~ NT\$ 3,500,000 (Not included)		
NT\$ 3,500,000 ~ NT\$ 5,000,000 (Not included)	Ya-Ling Lin Bin Chen Chang-Hua Cheng Jih-Cheng Yang	Ya-Ling Lin Bin Chen Chang-Hua Cheng Jih-Cheng Yang
NT\$ 5,000,000 ~ NT\$ 10,000,000 (Not included)	Jui-Mu Huang	Jui-Mu Huang
NT\$ 10,000,000 ~ NT\$ 15,000,000 (Not included)	Horng-Yao Tu Hom-Gang Wang	Horng-Yao Tu Hom-Gang Wang
NT\$ 15,000,000 ~ NT\$ 30,000,000 (Not included)		
NT\$ 30,000,000 ~ NT\$ 50,000,000 (Not included)		
NT\$ 50,000,000 ~ NT\$ 100,000,000 (Not included)		
Over NT\$ 100,000,000		
Total (persons)	7	7

c. Members of the Management Team Receiving Employee Bonus & Bonus Distribution

December 31, 2020 Unit: NTD; %

Title	Name				Stock Dividends	Cash Dividends Amount	Total	Total / After-tax Profit (%)
President	Jui-Mu Huang							
Executive Vice President	Bin Chen							
	Chang-Hua Cheng							
EVP & Chief Compliance Officer	Jih-Cheng Yang							
EVP & Chief Auditor	Ya-Ling Lin							
Division Heads and General Managers	Neill-H. Tseng	Hsueh-Ni Hsieh	Yu-Hsueh Liu	Chiou-Yueh Chen				
	Chih-Chen Hsu	Li-Ling Lan	Hsiu-Chuan Teng	Rueih-Hwa Cheng				
	Hsiu-Hsia Tsai	Hsiu-Luan Hsieh	Shwu-Fang Wang	Mei-Fang Wu				
	Fu-Jinn Chiou	Hsien-Lung Chen	Kuei-Mei Hsu	Hsiang-Chun Wu				
	Hui-Jen Wu	Hui-Yu Chen	Yao-Ju Lu	Hsiao-Hua Yin				
	Ruei-Jan Chen	Yu-Chin Fan	Jin-Yu Yeh	Wen-Chung Huang				
	Li-Fen Tzeng	Fang-Yuan Wu	Shun-Hung Huang	Shuo-Hung Huang				
	Chuen-Lan Fu	Rong-Horng Way	Yen-Chun Chen	You-Chen Lee				
	Shiu-Hwa Chang	Chiung-Hsiao Hung	Mei-Ling Chiu	Jiunn-Horng Lin				
	Su-Min Hsin	Ai-Ling Wang	Jung-Chen	Shinn-Guang Duh				
	Hsi-Lung Wu	Kao-Jung Hsu	Zih-Chang Lin	Shu-Chung Chen				
	Yu-Tang Shen	Shu-Ju Tsai	Cheng-I Huang	Chien-Long Kuo				
	Li-Min Cheng	Li-Feng Shen	Shyh-Maw Wang	Ching-Hsiang Liu				
	Chang-Ho Wang	I-Hsin Weng	Chang-Cheng Chu	Hueih-Rur Shy				
	Hsueh-Wen Wang	Kui-Fang Tsai	Huey-Wen Chang	Chiu-Ling Chen				
	Kui-Min Hsiao	Chia-Chen Shen	Hui-Ling Lee	Yung-Ping Lin				
	Yu-Ling Tang	Shu-Hsuan Lin	Ai-Fen Hu	Shu-Hua Tsai				
	Hui-Fang Chen	Cheng-Chi Chuang	Chi-Hsin Chao	Chi-Tsung Shih				
	Ting-Feng Cho	Chih-Ning Chang	Szu-Yen Lin	Chin-Li Lin				
	Su-Jane Lin	Chun-Feng Lee	Mei-Ching Chang	Huei-Jin Lin				
	Hui-Chen Tai	Mei-Fen Shieh	Yu-Yeh Lin	Shu-Fen Liu				
	Pan-Der Chin	Jinn-Sheng Wu	Zhen-Dong Jian	Lan-Zu Lin				
	Ying-Hui Hung	Tsung-Jen Wang	Shu-Fen Cheng	Ho-Hsiung Huang				
	Chun-Nu Yeh	Chun-Yuan Chen	Su-Chen Cheng	Yao-Shen Hsieh				
	Yi-Cheng Chu	Tzy-Yun Chen	Jenn-Shing Suen	Lih-Lan Yang	0	27,263,846	27,263,846	0.39
	Yi-Huei Chiu	Cheng-Hua Yin	Shu-Chen Yang	Quei-Ying Ho				
	Tsung-Ming Lai	Yin-Chao Liao	Su-Man Hsueh	Chyi-Ying Yeh				
	Feng-Pin Lu	Pi-Chin Shao	Meng-Chen Chiang	Chih-Feng Teng				
	Mei-Hsing Lin	Wei-Shuo Luo	Mei-Lan Kuan	Jia-Jen Hou				
	Ya-Huei Hung	Jui-Hui Hsu	Lin-Li Ku	Shr-Jan Tzeng				
	Jiun-Uei Lin	Pei-Fen Shieh	Ai-Hsiu Lai	Yueh-Chiu Lai				
	Hsiu-O Hsieh	Cheng-Chu Wang	Yuan-Kuang Pan	Jui-Yueh Wu				
	Mei-Chun Tsou	Chi-Min Chung	Ya-Fang Lee	Ming-Thur Chen				
	Chi-Hsiang Chen	Su-Ming Cheng	Feng-Fuh Chang	Shiow-Ling Kao				
	Lin-Ling Chen	Kun-Lin Lee	Tung-Chia Lu	Chiu-Min Shen				
	Shao-Mao Wang	Tsuey-Shya Jang	Pei-Chung Yang	Chun-Hong Yeh				
	Kuen-Shan Wang	Kuo-Heng Hsu	Wen-Ching Chen	Shu-Lin Liu				
	Yu-Fang Chang	Li-Mei Chang	Tain-Maw Chang	Yuan-Fen Chen				
	Yi-Chen Wang	Chia-Yu Chang	Chin-Ping Lai	Ruei-Jui Chen				
	Ming-Chuan Lin	A-R Liu	Chih-Hao Lo	Weng-Chung Chen				
	Ji-Ming Huang	Ti-Tien Liao	Jui-Hung Weng	Chiou-Shin Liang				
	Wen-Ling Tsai	Tzu-Chiung Huang	Lih-Lan Kuo	Kung-Ming Chang				
	Tung-Sheng Huang	Shinn-Huei Leu	Pin-Shen Ho	Chung-Shing Ho				
	Show- Fone Lu	Shu-Hui Ke	Hsui-Chin Hsu	Chen-Ying Wu				
	Shu-Chuan Lin	Mei-Hui Wu	Shu-Hui Lin	Yen-Yu Liu				
	Fen-Lan Lu	Lun-Jan Lan	Li-Chu Shu	Yu-Tang Wu				
	Hsiu-Chih Huang	Chen-Huan Liu	Shu-Li Chang	Hui-Ju Lee				
	Show-Ching Chen	Hsu-Lin Huang	Su-Chuan Wang	Shwu-Ruu Lee				
	Su-Wei Liang	Chih-Ming Kuo	Shu-Fen Wu	Shen-Hui Lu				
	Shu-Fen Lee	Yung-Sheng Chen	Chia-Hsiang Tsai	Ying-Dai Chen				
Shu-Mei Yeh	Shu-Hei Chang	Wen-Ko Ho	Chiang-An Chang					
Ching-Chung Chen	Shu-Yun Hsu	Hsiu-Yun Shih	Ming-Han Tsai					
Ming-Jer Lin	Wen-Ching Chang	Che-Fang Hung	Chien-Shan Liu					
Wan-Chin Chang	Li-fang Liu	Cheng-Yi Hsieh	Chien-Mei Yu					
Chin-Lung Pan	Kwang-Wu Liu							

d. Remuneration of the Bank and Its Related Companies from the Financial Statements for Directors, President and Executive Vice Presidents, etc., to be analyzed as the portion of net income after tax for the Past Two Fiscal Years, Remuneration Policy for Directors, President and Executive Vice Presidents, etc. with Information Related to the Policies, Standards, and Portfolios for the Payment of Remuneration, the Procedures for Determining Remuneration, and the Correlation with Business Performance and Future Risks.

1. The ratio of total remuneration paid by the Bank and its related companies from the financial statements for the past two fiscal years to directors, president and executive vice presidents of the company, to the net income:

Unit: NTDS thousand; %

Items	2020				2019				Increase / decrease		Increase / decrease (%)	
	The Bank		All companies in financial statements		The Bank		All companies in financial statements		The Bank	All companies in financial statements	The Bank	All companies in financial statements
	Amount	Percentage of net income after tax (%)	Amount	Percentage of net income after tax (%)	Amount	Percentage of net income after tax (%)	Amount	Percentage of net income after tax (%)				
Remuneration for Directors	41,996	0.60	41,996	0.60	71,574	0.62	71,574	0.62	(29,578)	(29,578)	-41.33	-41.33
Remuneration for President and Executive Vice Presidents	47,600	0.68	47,600	0.68	46,169	0.40	46,169	0.40	1,431	1,431	3.10	3.10

2. Remuneration policy, standards, portfolio, and establishment procedures:

(1) Remuneration of Directors:

① Remuneration of directors (including Chairperson and Independent Directors) is regulated by Item 13, Article 20 of the Bank's Articles of Incorporation. The Board of Directors refers to the average directors' remuneration of other financial institutions at the same scale to determine the remuneration of directors. The Remuneration Committee and the Board of Directors will comply with subparagraph 2, paragraph 1, Article 7 of Rules of Performance Evaluation of the Board of Directors and the result of performance assessment (including five dimensions, participation of the Bank's operation, improvement of the quality of the Board's decision making, structure and composition of Board of Directors, election directors and continuing education and internal control) to evaluate directors' (including chairperson and independent directors) remuneration annually. FY2020, on January 10, and January 21, respectively submitted to the 27th meeting of the 4th Remuneration Committee and the 33rd meeting of the 25th term Board of Directors.

② In conjunction with the election of the Bank's 26th term Board of Directors (including independent directors) on June 19, 2020, the Bank proposed and approved the monthly remuneration for the Chairperson and Directors (including Independent Directors) through the 2nd meeting of the 5th Remuneration Committee on August 18, 2020 and the 3rd meeting of the 26th term Board of Directors Meeting on August 27, 2020, respectively.

(2) Remuneration for President is determined by the Board of Directors in accordance with paragraph 14, Article 20 of the Bank's Articles of Incorporation. To respond to the appointment of the new president by the 2nd interim meeting of the 25th term Board of Directors on April 8, 2019, the Bank set up the remuneration for the president after proposals for approval by the 17th meeting of the 4th Remuneration Committee on April 15, 2019 and adoption by resolution of the 23rd meeting the 25th term Board of Directors on April 26, 2019. Remuneration for President is evaluated periodically, by proposal for the 9th meeting of the 5th Remuneration Committee on February 8, 2021 and the 10th meeting of the 26th term Board of Directors on February 25, 2021.

(3) In accordance with Subparagraph 14, Article 20 of our Articles of Incorporation, remunerations for executive vice presidents are decided by the Board of Directors within the limit of the Bank's "Employee Salary Scheme."

3. Correlations with Operating Performance and Future Risks.

(1) Remuneration of Directors:

In accordance with Article 38 of the Bank's Articles of Incorporation, if the Bank makes profit this year (profit is defined as profit before taxation, before remuneration of employee and directors), it shall distribute not more than 0.8% as the remuneration to directors. Remuneration will be issued to the Directors after deliberation by the Remuneration Committee, and submission of a resolution report from the Board of Directors to the shareholders meeting.



(2) Remuneration of the President and Executive Vice President:

In accordance with Article 38 of the Bank's Articles of Incorporation, if the Bank makes profit this year (profit is defined as profit before taxation, before remuneration of employee and directors), the Bank shall distribute 1% to 6% of the profit as employees' remuneration. Remuneration will be issued to the President and Executive Vice Presidents after deliberation by the Remuneration Committee, and submission of a resolution report from the Board of Directors to the shareholders meeting.

(3) Performance Bonus of President and Executive Vice Presidents:

In accordance with the Bank's "Employee Bonus Distribution Plan," bonuses shall be paid to the President and Executive Vice Presidents based on their individual performance, after deliberation by the Remuneration Committee and submission to the Board of Directors for resolution.

(4) The amount of performance bonus is determined based on the Bank's operating performance, indicators are as follow:

Indicators, includes the achievement rate of earnings targets, return on equity ratio, non-performing loan ratio, coverage ratio of allowances for non-performing loan, performance of innovation and research and specific performance of the reformation etc., and after deliberation by the Remuneration Committee and submission to the Board of Directors for resolution; if there is any policy or other significant factors beyond the control of the Company, the Company should provide a description of the specific facts.

4. Performance evaluation criteria for Directors, Managers and Business Personnel:

(1) Directors:

The performance evaluation standards of the Bank's directors are based on the Bank's "Rules of Performance Evaluation of the Board of Directors," which covers the Board of Directors entirely, individual directors and functional committees, and are evaluated by the performance evaluation of the Board of Directors' operations, self-evaluation of the performance of the Board of Directors' members, appointment of an external evaluation unit or other appropriate means. The evaluation indicators are based on the Bank's practical operations and needs, and the contents of the performance evaluation are appropriate for the implementation of the evaluation, such as participation of the Bank's operation, improvement of the quality of the Board's decision making, internal relationship management and communication, professional and continuing education of the directors, and internal control etc. The evaluation results will be used as a reference for setting or periodically reviewing the remuneration of the directors in order to enhance the efficiency of the Board's operations and the use of the results.

(2) Managers:

The performance evaluation standards of the Bank's President, Executive Vice President, EVP & Chief Auditor, EVP & Chief Compliance Officer, SVP & division heads of the Bank's head office, and the VP & GM of the branches are based on the Bank's "Employee Performance Appraisal Regulations," and appropriate ratings are given based on the performance of individual duty, functional competencies and achievement of goals, and the operating performance of their respective units.

(3) Business Personnel:

- ① The Bank provides bonuses for financial product business personnel in accordance with external relevant remuneration system, and stipulates the distribution of bonuses for wealth management business. The calculation of remuneration is determined by performance indicators; the indicators include financial aspects such as wealth management fee income, goal achievement rate for the team, number of new customers, AUM maintenance rate, and non-financial indicators such as audit/financial examination findings, customer complaints, abnormal transactions, service quality, education and training to balance the possible risks brought by the customer rights or wealth management services which may influence the Bank and customers.
- ② The remuneration of the Bank's non-financial insurance products business personnel is calculated based on a certain percentage of commission for the first year specified when product launches to the market, and then after a comprehensive evaluation of non-financial indicators to balance the possible risks brought by the customer rights, insurance products or services which may influence the Bank and customers.

D. Corporate Governance

a. Board of Directors

The Board of Directors held 14 meetings in 2020.

The 25th term Board of Directors' Meeting was held 6 times in 2020, and the attendance of directors was as follows.

25 th Board of Directors (January 1, 2020– June 19, 2020)					
Title	Name	Attendance in Person	Attendance by Proxy	Actual Attendance % (Note)	Remark
Chairperson	Joanne Ling (Delegate of MOF)	6	0	100	
Managing Director	Cheng-Ching Wu (Delegate of TSFHC)	6	0	100	
Managing Director (Independent Director)	Kuo-Yuan Liang	6	0	100	
Director	Hwai-Chou Chen (Delegate of TSFHC)	6	0	100	
Director	Chia-Chi Hsiao (Delegate of MOF)	6	0	100	
Director	Chien-Yi Chang (Delegate of National Development Fund, Executive Yuan)	6	0	100	
Director	Shih-Tsung Lee (Delegate of Lee Investment Co., Ltd.)	0	1	0	Dismissal on February 3, 2020
Director (Independent Director)	Jung-Chun Pan	6	0	100	
Director (Independent Director)	Chi-Chang Yu	6	0	100	

Note: The actual attendance rate (%) is calculated based on the number of board meetings and the actual attendance during the term of their incumbency.

The 26th term Board of Directors' meeting was held 8 times in 2020, and the attendance of directors was as follows.

26 th Board of Directors (June 19, 2020– December 31, 2020)					
Title	Name	Attendance in Person	Attendance by proxy	Actual Attendance % (Note)	Remark
Chairperson	Joanne Ling (Delegate of MOF)	8	0	100	
Managing Director (and President)	Jui-Mu Huang (Delegate of MOF)	8	0	100	Dismissal of directorship on March 12, 2021, and dismissal of President on March 15, 2021.
Managing Director (Independent Director)	Jung-Chun Pan	8	0	100	
Director	Chia-Chi Hsiao (Delegate of CHUNGHWA POST CO., LTD.)	8	0	100	
Director	Chien-Yi Chang (Delegate of National Development Fund, Executive Yuan)	8	0	100	
Director	Wen-Siung Lee	8	0	100	
Director	Hwai-Chou Chen	8	0	100	
Director (Independent Director)	Chih-Jong Suen	8	0	100	
Director (Independent Director)	Jong-Horng Lin	8	0	100	

Note: The actual attendance rate (%) is calculated based on the number of meetings of the Board of Directors and their actual attendance during the term of their incumbency.

【Other matters required to be recorded】

1. If the Board of Directors' meeting is held under any of the following circumstances, date, ordinal number of meeting, content of the resolutions and opinions of all independent directors and the Company's handling of the opinions of the independent directors shall be stated:

(1) Matters listed in Article 14-3 of the Securities and Exchange Act:

Please refer to "D. Corporate Governance, Important Resolutions of the 2020 Board of Directors Meeting."

(2) Except for the matters listed above, other resolutions of the Board of Directors that are opposed or reserved by the independent directors of which records or written statements are as follow:

Date and Time	Resolution	Independent directors' opinion	Measures taken by the Bank
June 19, 2020 1 st meeting of the 26 th term Board of Directors	The directors elected from among themselves Independent Director Jung-Chun Pan, Director Joanne Ling and Director Jui-Mu Huang as Managing Directors.	Independent director Jong-Hong Lin: The election item No.1 of the Board of Directors meeting, the election of managing directors, was voting under the concern of conflict with Paragraph 2 and 3, Article 9 of the Regulations Governing Qualification Requirements and Concurrent Serving Restrictions and Matters for Compliance by the Responsible Persons of Banks and the statement expressed that "... if a bank has managing director(s), then at least three persons shall meet the qualifications of natural-person professional directors" in the announcement of 2020 CHB annual shareholders' meeting receiving the nomination of candidates for the 26 th term of directors (including independent directors) announced on 2020/3/23. Therefore, the objection to the voting result was raised. Please record the objection in the meeting minutes. (The opinion of Director Hwai-Chou Chen, please refer to D. Corporate Governance.)	The bank has completely complied with the Company Act and the Regulations Governing Qualification Requirements and Concurrent Serving Restrictions and Matters for Compliance by the Responsible Persons of Banks. (1) According to Paragraph 2 and 3, Article 9 of the Regulations Governing Qualification Requirements and Concurrent Serving Restrictions and Matters for Compliance by the Responsible Persons of Banks (hereinafter "Regulations"), a bank, if the total assets of the previous year as audited by a CPA have exceeded NT\$ one trillion, shall have three of the directors that meet one of the qualifications set out in the Paragraph 1 of the article mentioned previously when the number of the bank's directors is less than five persons. If the number of directors of a bank exceeds five, at least one more of the directors for each additional three directors shall meet one of the qualifications set out in the Paragraph 1 of the same article. If a bank has managing director (s), then at least three of the directors shall meet one of the qualifications set out in the Paragraph 1 of the same article. The number of a bank's directors, who are not government, legal persons or representatives thereof, that meet the qualifications set out in Paragraph 1, shall comply with the preceding two Paragraphs. In other words, the provisions require a bank with 9 directors to have natural-person professional directors not less than 4 among all the directors, which does not mean that a bank with managing director (s) shall have 3 or more managing directors who are natural-person professional directors. Therefore, the voting result of election item No. 1 in the 1 st meeting of the 26 th term Board of Directors fully complies with the Regulations. (2) In the "Section 4. Others" of the announcement of 2020 CHB annual shareholders' meeting receiving the nomination of candidates for the 26 th term of directors (including independent directors) announced on 2020/3/23, the bank simply stated Paragraph 2, Article 9 of the Regulations to shareholders. The meaning of the announcement is no different to the Regulations, which does not require managing directors to be 3 or more natural-person professional directors.

2. The Implementation of directors' Avoidance to Proposals of Conflicts of Interest or Integrity:

Avoidance of Conflicts of Interest or Integrity of the 25 th Board of Directors		(January 1, 2020- June 19, 2020)	
Issue	Name	Reason for Avoidance	Voting Results
Periodically evaluate the compensation and benefits of the Chairperson	Chairperson Joanne Ling	If the content of the motion is related to the director's own interest, he/ she should avoid himself / herself in accordance with Article 206 of the Company Act and Article 178 of the same Act.	Except for Directors who abstained on the ground of conflict of interest, all other Directors in attendance unanimously approved the motion as proposed.
Regular evaluation of monthly remuneration for managing directors (excluding managing independent directors) and directors (excluding general independent directors)	Managing Director Cheng-Ching Wu Director Chia-Chi Hsiao Director Chien-Yi Chang Director Hwai-Chou Chen Chairperson Joanne Ling was appointed by Director Shih-Tsung Lee to attend the meeting, and Chairperson Joanne Ling did not exercise her voting rights on behalf of Director Shih-Tsung Lee.		
Regularly evaluation of the monthly remuneration of independent directors	Managing Director (independent director) Kuo-Yuan Liang, Independent Director Jung-Chun Pan Independent Director Chi-Chang Yu		
Review of the list of candidates for election as directors (including independent directors) of the Bank	Chairperson Joanne Ling Director Chia-Chi Hsiao Director Chien-Yi Chang Managing Director Cheng-Ching Wu Director Hwai-Chou Chen Independent Director Chi-Chang Yu Independent Director Jung-Chun Pan		

8 cases of stakeholder credit	Director Chien-Yi Chang	Content of the motion does not involve the personal interest of director. Avoidance shall be applied from a highly rigorous corporate governance perspective.	With the exception of Director Chien-Yi Chang, who avoid himself, all other Directors in attendance unanimously approved the motion as proposed.
-------------------------------	-------------------------	---	--

Avoidance of Conflicts of Interest or Integrity of the 26th term Board of Directors

(June 19, 2020 –December 31,2020)

Issue	Name	Reason for Avoidance	Voting Results
Appointing the 5 th Remuneration Committee members and setting their attendance fees	Managing Director (Independent Director) Jung-Chun Pan Independent Director Chih-Jong Suen	If the content is related to the director's own interest, he / she should avoid himself / herself in accordance with Article 206 to comply Article 178 of the Company Act.	Except for Directors who abstained on the ground of conflict of interest, all other Directors in attendance unanimously approved the motion as proposed.
Appointment of the Chairperson, three independent directors and the President as 5 members of the Bank's Sustainable Development Committee To amend the attendance fee for the members of the 3th Audit Committee of the Bank	Chairperson Joanne Ling Managing Director (Independent Director) Jung-Chun Pan Managing Director and President Jui-Mu Huang Independent Director Jong-Hong Lin Independent Director Chih- Jong Suen		
To amend the attendance fee for the members of the 2th Sustainable Development Committee of the Bank	Managing Director (Independent Director) Jung-Chun Pan Independent Director Jong-Hong Lin Independent Director Chih-Jong Suen Chairperson Joanne Ling Managing Director (Independent Director) Jung-Chun Pan Managing Director and President Jui-Mu Huang Independent Director Jong-Hong Lin Independent Director Chih-Jong Suen		
To amend the remuneration and benefits of the Chairperson, Joanne Ling	Chairperson Joanne Ling		
To amend the monthly remuneration for managing directors (excluding managing independent directors) and directors (excluding general independent directors)	Managing Director and President Jui-Mu Huang Director Chia-Chi Hsiao Director Chien-Yi Chang Director Wen-Siung Lee Director Hwai-Chou Chen		
To amend the monthly remuneration for independent directors	Managing Director (Independent Director) Jung-Chun Pan Independent Director Jong-Hong Lin Independent Director Chih-Jong Suen		
7 cases of stakeholder credit	Director Chien-Yi Chang		
The Bank's 2021 annual audit plan	Managing Director and President Jui-Mu Huang	Content does not involve the personal interest of Director. However, due to the confidential nature of the case, the Director as President should avoid himself to maintain the confidentiality of the case.	With the exception of Director Jui-Mu Huang, who avoid himself, all other Directors in attendance unanimously approved the motion as proposed.

3. Evaluation on the implementation of the Board of Directors:

Evaluation Period	Evaluation term	Evaluation Scope	Evaluation Method	Evaluation Content
Internal evaluations are conducted annually and external evaluations are conducted at least once every three years by an external professional independent organization or a team of external experts and scholars.	To evaluate the performance of the Board of Directors of the Bank from January 1, 2020 to December 31, 2020.	The performance evaluation of the Bank's Board of Directors includes the entire Board of Directors, functional committees (including the Audit Committee, the Remuneration Committee and the Sustainable Development Committee), and individual Board members and functional committee members.	The 2020 annual evaluation methods include performance evaluation of the Board of Directors' operation, self-evaluation of the Board members' performance, evaluation of the functional committee's operation performance and self-evaluation of the functional committee members' performance.	According to the evaluation indicators stipulated in Article 6 of the Bank's Rules of Performance Evaluation of the Board of Directors: 1. The evaluation of the performance of the Bank's Board of Directors includes five dimensions, participation of the Bank's operation, improvement of the quality of the Board's decision making, structure and composition of Board of Directors, election directors and continuing education and internal control. 2. (1) Self-evaluation of board members' performance is measured in six dimensions, including "mastery of the Bank's objectives and tasks," "awareness of directors' responsibilities," "participation of the Bank's operation," "internal relationship management and communication," "professional and continuing education of directors," and "internal control." (2) The self-evaluation of functional committee performance includes 14 self-evaluation indicators in five dimensions, including "participation of the Bank's operations," "awareness of functional committee responsibilities," "improvement of the quality of functional committee decision making," "composition and selection of functional committee members," and "internal control." 3. The evaluation of the performance of the Bank's functional committees includes five dimensions: "participation of the Bank's operations," "awareness of functional committee responsibilities," "improvement of the quality of functional committee decision making," "composition and selection of functional committee members," and "internal control."

4. Assessment of the objectives and implementation of enhancing the Board of Directors' functions for the current and most recent years:

- (1) The Bank's official website has a "Corporate Governance" area, which discloses information on the Board of Directors, important resolutions of the Board of Directors, internal audit and internal control systems, and corporate governance-related rules and regulations.
- (2) The Bank has three independent directors with financial and legal expertise to provide independent and professional advice on the supervision and management of the Bank's business; and three independent directors form the Audit Committee to consider major resolutions of the Bank in accordance with the Securities and Exchange Act to enhance the Bank's corporate governance.
- (3) The Bank has established the "Implementation Guidelines for Directors' Continuing Education Program." Directors of the Bank continue to attend courses and seminars on corporate governance related to finance, risk management, business, commerce, legal affairs, accounting, consumer rights, corporate social responsibility and sustainable governance (ESG) to enrich their professional knowledge and further strengthen the functions of the Board of Directors. All directors have completed required training hours with rules in 2020.
- (4) In order to strengthen corporate governance, the Bank has appointed a corporate governance officer who is responsible for providing information necessary for directors to carry out their duties effectively. The "Rules of Procedures for Board of Directors Meetings" of the Bank stipulates the terms and conditions of standard procedures for handling directors' requests in order to enhance the effectiveness of the Board.
- (5) The Bank has established the Sustainable Development Committee under the Board of Directors, with the Chairperson as the convener and three independent directors and the President as members, to promote the integration of integrity management, corporate ethics, ESG and CSR values into the Bank's business strategies and to oversee the implementation and effectiveness of integrity management and CSR-related issues. The Bank's Sustainable Development Committee held three meetings in 2020, with 100% attendance of committee members.



- (6) The Bank's "Audit Committee Charter" were amended and approved at the 35th meeting of the 25th term Board of Directors on March 20, 2020, to amend the Bank's second quarter and annual financial report shall be submitted with the signatures or seals of the Chairperson, President and accounting officer; amend any matters related with conflict of interest of Audit Committee member's spouses or second degree consanguinity shall regard as their own conflict of interest; regulate the minutes of the meetings shall be submitted to the Board of Directors for their information and in compliance with the current regulations.
- (7) In order to enhance the functions of the Board of Directors of the Bank, establish performance targets, and strengthen the efficiency of the Board of Directors, the Bank has formulated the "Rules of Performance Evaluation of the Board of Directors," which was amended and approved by the 5th meeting of the 26th Board of Directors on October 20, 2020. As required to revise the text and amend to disclose the implementation status in the annual report in accordance with the current laws and regulation, and cooperate with the establishment of the Sustainable Development Committee under the Board of Directors of the Bank to update relevant evaluation indicators and projects. After prudential evaluation by the Bank based on the actual operation of the Board of Directors and functional committees in 2020 and the results of the self-evaluation of directors (including independent directors) and members, the overall evaluation results are all "exceeding standards." The results of the previous performance evaluation were reported to the 9th meeting of the 26th term Board of Directors on January 28, 2021, and were disclosed on the Bank's official website.

b. Operation of the Audit Committee

The 2nd Audit Committee held 5 meetings in 2020, and the attendance of independent directors is as follows:

2 nd Audit Committee				(January 1, 2020 – June 19, 2020)	
Title	Name	Attendance in Person	Attendance by Proxy	Actual Attendance (%) (Note)	Remark
Independent Director	Kuo-Yuan Liang	5	0	100	
Independent Director	Jung-Chun Pan	5	0	100	
Independent Director	Chi-Chang Yu	5	0	100	

Note: The actual attendance rate (%) is calculated based on the number of meetings of the Audit Committee and the actual attendance of the Audit Committee during the term of incumbency.

The 3rd Audit Committee held 8 meetings in 2020, and the attendance of independent directors is as follows:

3 rd Audit Committee				(June 19, 2020 – December 31, 2020)	
Title	Name	Attendance in Person	Attendance by Proxy	Actual Attendance (%) (note)	Remark
Independent Director	Jung-Chun Pan	8	0	100	
Independent Director	Jong-Horng Lin	8	0	100	
Independent Director	Chih-Jong Suen	8	0	100	

Note: The actual attendance rate (%) is calculated based on the number of meetings of the Audit Committee and the actual attendance of the Audit Committee during the term of his incumbency.

【Other matters required to be Recorded】

1. If the Audit Committee operates under any of the following circumstances, it shall state the date and session of the Board of Directors' meeting, the content of the resolution, the result of the Audit Committee's resolution and the Company's handling of the Audit Committee's opinion:

(1) The matters listed in Article 14-5 of the Securities and Exchange Act:

The results of the Audit Committee's resolution on the above significant motion are as follows:

- ① The 34th meeting of 2nd Audit Committee on February 18, 2020 (submitted to the 34th meeting of the 25th term Board of Directors on February 25, 2020)
- I. Approved the proposal for the shareholders' meeting to recognize the Bank's 2019 Business Report and Financial Statements.
 - II. Approved the change of the Bank's accounting officer (SVP & Division Head of Financial Management Division).
 - III. Approved the amendment of the Bank's "Internal Control System for Securities Firms."



- ② The 35th meeting of the 2nd Audit Committee on March 13, 2020 (submitted to the 35th meeting of the 25th term Board of Directors on March 20, 2020)
 - I. Approved the "Statement of Internal Control System" of the Bank for 2019.
 - II. Approved the Bank's Statement on Internal Control System for AML/CFT for 2019.
 - III. Approved the appointment and remuneration of the Bank's financial and tax accountant officers for 2020.
- ③ The 36th meeting of the 2nd Audit Committee on April 10, 2020 (submitted to the 36th meeting of the 25th term Board of Directors on April 17, 2020)
 - I. Approved the amendment of the Bank's "Internal Control System for Securities Firms."
 - II. Approved the amendment of the Bank's "Internal Control System for Trust Industry."
 - III. Passed the proposal of the shareholders' meeting to recognize the Bank's 2019 earnings distribution.
 - IV. Passed on the proposal of the Bank's issuance of new shares through capitalization of earnings.
- ④ The 37th meeting of the 2nd Audit Committee on May 22, 2020 (submitted to the 38th meeting of the 25th term Board of Directors on June 12, 2020)
 - I. Approved the amendment of the Bank's "Three thresholds of Internal Control Management Policy."
 - II. Approved the amendment of the Bank's "Ethical Corporate Management Best Practice Principles."
 - III. Approved the amendment of the Bank's "Internal Control System for Securities Firms."
- ⑤ The 2nd meeting of the 3rd Audit Committee on July 20, 2020 (submitted to the 2nd meeting of the 26th term Board of Directors on July 27, 2020)
 - I. Approved the amendment of the Bank's "Internal Control System for Securities Firms."
 - II. Approved the amendment of the Bank's "Internal Control System for Trust Industry."
- ⑥ The 3rd meeting of the 3rd Audit Committee on August 18, 2020 (submitted to the 3rd meeting of the 26th term Board of Directors on August 27, 2020)
 - I. Approved the Bank's semi-annual financial report of FY2020.
 - II. Approved the amendment of the "Internal Control System for Securities Brokerage Firm's Auxiliary Business of Futures Trading."
 - III. Approved the amendment of the Bank's "Internal Control System for Securities Firms."
- ⑦ The 4th meeting of the 3rd Audit Committee on September 15, 2020 (submitted to the 4th meeting of the 26th term Board of Directors on September 22, 2020)

Approved the appointment of Ms. Mei Fang Wu as the Chief Auditor of the Bank.
- ⑧ The 6th meeting of the 3rd Audit Committee on November 2, 2020 (submitted to the 6th meeting of the 26th term Board of Directors on November 12, 2020)

Approved the amendment of the Bank's "Internal Control System for Securities Firms."
- ⑨ The 7th meeting of the 3rd Audit Committee on November 30, 2020 (submitted to the 7th meeting of the 26th term Board of Directors on December 15, 2020)

Approved the amendment of the "Internal Control System for the Trust Industry" of the Bank.
- ⑩ The 8th meeting of the 3rd Audit Committee on December 18, 2020 (submitted to the 8th meeting of the 26th term Board of Directors on December 29, 2020)
 - I. Approved the Bank's FY2021 budget proposal.
 - II. Approved the Bank's FY2021 audit plan.

【The Bank's response to Audit Committee's opinion】 The Bank complied with Audit Committee's opinion.

(2) In addition to the foregoing, other resolutions not approved by the Audit Committee and approved by two-thirds or more of all directors:

None.

2. Cases in which any of the independent directors has abstained on the ground of conflict of interest, with his or her name, content of motion, reasons for abstention and voting that should be clearly stated.

None.

3. Communication between the independent directors and internal auditing officer and accountant (Should include the significant matters, methods and results of communication on the bank's financial and business status, etc.):

(1) Between the independent directors and internal auditing officer:

- ① The Bank's internal audit reports are submitted to the Audit Committee and independent directors for review after the Chairperson's review in accordance with the regulations.
- ② The Audit Division proposes to the Board of Directors to report on the improvement of the external audit opinions, and the independent directors actively supervise and follow up on the improvement parts listed in the inspection reports.
- ③ The Chief Auditor reports to the Board of Directors and the Audit Committee on a quarterly basis on the execution of the audit.
- ④ The independent directors maintain close contact and well communication with the chief auditor and SVP & Division Head of Internal Auditing Division.
- ⑤ With respect to the deficiencies in the Bank's internal control system, the Bank's directors (including independent directors) have regularly held meetings with the internal auditors with discussions recorded for report to the Board of Directors.

(2) Between independent directors and CPAs:

The independent directors of the Bank meeting with the CPAs at least twice a year through seminars on the status of the Bank's financial report audits; other issues such as business conditions and internal control system are discussed from time to time.

4. The work of the Audit Committee focuses on:

- (1) To assist the Board of Directors on decision making and inspecting on proper financial reporting, the selection (dismissal) and independence and performance of the certified public accountant (CPA), the effective implementation of internal controls, compliance with laws and regulations, and risk management, and to consider critical motions required by the Bank or the competent authorities.
- (2) To make specific recommendations on the effectiveness of the Bank's internal control system, including the control practices of overseas subsidiaries and significant reported cases, and to request the Managing department to handle the reports.
- (3) To review the Bank's guarantee of loans to interested parties under Article 33 of the Banking Act, if the amount of the guarantee exceeds the amount required by the central authority and if the Bank's directors have an interest in the matter.

c. Composition, Responsibilities and Operation of the Sustainable Development Committee

1. Composition of the Sustainable Development Committee:

The Committee is composed of five members, including all independent directors, who are directors and senior managers of the Bank. The members of this committee have professional backgrounds in law, accounting, finance, marketing, and technology, and each has ESG (environmental, social, and governance) and integrity management capabilities based on their professional backgrounds.

2. Terms of Reference of the Sustainable Development Committee:

- (1) To promote the integration of ethical management, corporate ethics and corporate social responsibility values into the Bank's business strategy.
- (2) To oversee and coordinate the establishment of the Bank's integrity management and CSR related systems.
- (3) To supervise and review the implementation and effectiveness of the Bank's ethical management and CSR policies.
- (4) To regularly review the implementation reports related to integrity management and CSR.
- (5) Other related matters for consideration or review.

3. Operation of the Sustainable Development Committee:

The 1st Sustainable Development Committee held 2 meetings in 2020, and the attendance of the members and their professional competencies are as follows



1 st Sustainable Development Committee and related professional competencies					(January 1, 2020 – June 19, 2020)		
Title	Name	Actual attendance	Attendance by proxy	Actual Attendance (%) (Note)	Professional Competencies		
					Governance	Social	Environment
Chairperson (Convener)	Joanne Ling	2	0	100	✓	✓	✓
Independent Director	Kuo-Yuan Liang	2	0	100	✓	✓	✓
Independent Director	Jung-Chun Pan	2	0	100	✓	✓	✓
Independent Director	Chi-Chang Yu	2	0	100	✓	✓	✓
President	Jui-Mu Huang	2	0	100	✓	✓	✓

Note: The actual attendance rate (%) is calculated based on the number of meetings of the Sustainable Development Committee and their actual attendance during the term of his or her incumbency.

The 2nd Sustainable Development Committee held 1 meeting in 2020, and the attendance of the members and their professional competencies are as follows

2 nd Sustainable Development Committee and related professional competencies					(July 27, 2020 – December 31, 2020)		
Title	Name	Actual attendance	Attendance by proxy	Actual Attendance (%) (Note)	Professional Competencies		
					Governance	Social	Environment
Chairperson (Convener)	Joanne Ling	1	0	100	✓	✓	✓
Managing Director and President	Jui-Mu Huang	1	0	100	✓	✓	✓
Independent Director	Jung-Chun Pan	1	0	100	✓	✓	✓
Independent Director	Jong-Horng Lin	1	0	100	✓	✓	✓
Independent Director	Chih-Jong Suen	1	0	100	✓	✓	✓

Note: The actual attendance rate (%) is calculated based on the number of meetings of the Sustainable Development Committee and the actual number of attendances during the term of his or her incumbency.

4. The motions of the Sustainable Development Committee in 2020:

- (1) The 2nd meeting of the 1st Sustainable Development Committee on January 14, 2020 (submitted to the 33rd meeting of the 25th term Board of Directors on January 21, 2020)
 - ① Noted the report on the Bank's "Performance of Integrity Management in 2019."
 - ② Approved the "Corporate Social Responsibility Policy" of the Bank.
 - ③ Approved the Bank's "Corporate Social Responsibility Work Plan for 2020".
- (2) The 3rd meeting of the 1st Sustainable Development Committee on May 19, 2020 (submitted to the 38th meeting of the 25th term Board of Directors on June 12, 2020)
 - ① Approved the amendment to the Bank's "Ethical Corporate Management Best Practice Principles."
 - ② Approved the amendment to the Bank's "Corporate Social Responsibility Best Practice Principles."
- (3) The 1st meeting of the 2nd Sustainable Development Committee on December 3, 2020 (submitted to the 7th meeting of 26th term Board of Directors on December 15, 2020)
 - ① Noted the report on the "Results of Corporate Social Responsibility-related Activities in 2019."
 - ② Noted the report on the Bank's "Communication with Stakeholders in 2020."
 - ③ Noted the report on the Bank's "FY2020 Intellectual Property Management Plan and Implementation Status." (Submitted to the 8th meeting of the 26th term Board of Directors on December 29, 2020)
 - ④ Noted the report on the Bank's "Implementation of the Task Force on the Climate-related Financial Disclosure (TCFD) Proposal."

【The Bank's handling of the recommendations of the Sustainable Development Committee】 The Bank has done as suggested.

- d. Information to be disclosed in accordance with the Corporate Governance Best-Practice Principles of the Bank
Please refer to the “Corporate Governance” section of the Bank’s official website (<https://www.bankchb.com>) for the items that the Bank is required to disclose.
- e. The Bank’s corporate governance practices and the differences between the Banking Industry’s Corporate Governance Best-Practice Principles and the reasons for the differences

Evaluating Items	Implementation Status		Abstract Description	Difference from the Corporate Governance Best-Practice Principles and the reasons
	yes	no		
I. Structure of the Bank’s shareholders and equities				
(1) Has the Bank established internal procedures to handle shareholders’ proposals, questions, disputes and litigation, and implement them in accordance with the procedures?	✓		(1) The Bank has a dedicated unit to handle shareholders’ suggestions, questions, disputes and litigations, and the contact information disclosed in “Investor Relations” portal on official website.	(1) No difference
(2) Does the Bank have a list of the major shareholders and the ultimate controllers of the major shareholders who actually control the Bank?	✓		(2) Based on the Bank’s shareholders’ register (after the book closure date) and the information on the changes of shareholding declared by the insiders and major shareholders according to regulations, the Bank has grasped its list of major shareholders which is disclosed on the Market Observation Post System (MOPS), the Bank’s annual report or official website.	(2) No difference
(3) Has the Bank established and implemented risk control mechanism and firewall mechanisms with its affiliates?	✓		(3) The Bank has established the “Long-term Equity Investment and Overseas Subsidiary Bank Management Guideline” and the “Management Guidelines for Overseas Subsidiaries” to regulate business transactions between the Bank and its subsidiaries or overseas subsidiaries in compliance with relevant laws and regulations: in the case of interested party transactions, the Bank’s “Guideline of Practice for Handling Interested Party Credit” and “Guideline of Practice for Handling Transactions Other than Interested Party Credit” and relevant regulations of the competent authorities are followed. In addition, the Bank has established an information segregation mechanism between the Bank and its affiliates, and controls access to sensitive information under the “Need-to-know” and “Separation of Powers and Responsibilities” principles to maintain information security.	(3) No difference
II. Composition and Responsibilities of the Board of Directors				
(1) In addition to the Remuneration Committee and the Audit Committee, does the Bank voluntarily establish other functional committees?	✓		(1) In addition to the Remuneration Committee and the Audit Committee, the Bank’s Board of Directors has also established the Sustainable Development Committee, which is responsible for promoting the integration of integrity, corporate ethics and corporate social responsibility values into the Bank’s business strategies in order to implement the Bank’s sustainable management philosophy.	(1) No difference
(2) Has the Bank established “Rules of Performance Evaluation of the Board of Directors” and its assessment methods, and conducts performance evaluations annually and regularly, and submits the results of the performance evaluations to the Board of Directors for reference in the compensation of individual directors and their nomination for reappointment?	✓		(2) The Bank has established the “Rules of Performance Evaluation of the Board of Directors,” which stipulates that the Board of Directors of the Bank shall conduct an internal evaluation once a year and an external evaluation by an external professional and independent organization or a team of external experts and scholars at least once every three years, and shall complete and report to the Board of Directors before the first quarter of the following year. 1. The performance evaluation methods include performance evaluation of the operation of the Board of Directors and functional committees, self-evaluation of the performance of the members of the Board of Directors and functional committees, appointment of an external evaluation unit or other appropriate methods for performance evaluation.	(2) No difference



Evaluating Items	Implementation Status			Difference from the Corporate Governance Best-Practice Principles and the reasons
	yes	no	Abstract Description	
			2.The results of the performance evaluation of the Board of Directors of the Bank shall be used as a reference for the selection or nomination of candidates for election as directors or for the Remuneration Committee to determine or periodically review the compensation of directors (including the Chairperson, managing directors, independent directors and non-independent directors). The Bank has applied the results of the 2020 performance evaluation of the Board of Directors as a reference of regularly review the individual directors' remuneration.	
(3) Does the Bank regularly evaluate the independence of Certified Public Accountants (CPAs)?	✓		(3) When appointing the CPA, the Bank shall, in addition to confirming that the members of the audit team have no material financial interests or business relationships with the Bank that would affect independence, periodically (at least once a year) critically assess the independence of the CPA appointed for audit and submit to the Audit Committee and the Board of Directors for consideration as the following matters: 1.The CPA does not hold any shares, money loans, co-investment or benefit-sharing relationship with the Bank. 2.The CPA is not a responsible person, director, manager or officer of the Bank. 3.The CPA does not violate the "Code of Ethics No. 10 Integrity, Fairness, Objectivity and Independence" of the National Federation of Certified Public Accountants of the Republic of China.	(3) No difference
III.Does the Bank have a suitable and appropriate number of corporate governance personnel and designate a corporate governance officer to be responsible for corporate governance-related matters (including but not limited to providing information necessary for directors and supervisors to perform their business, assisting directors and supervisors to comply with laws and regulations, conducting board and shareholders' meeting-related matters in accordance with the law, and preparing minutes of board and shareholders' meetings, etc.)?	✓		(1) The Bank has designated SVP & Division Head of Secretariat Division as the corporate governance officer, which was approved by the Bank's Board of Directors on June 21, 2019, and the corporate governance officer has more than 3 years of experience as a unit head of a financial institution or a public company engaged in legal, parliamentary and legal compliance related matters. The Bank also has a suitable and appropriate number of corporate governance staff to handle corporate governance related matters. (2) The management matters are as follows: 1.To handle matters related to the meetings of the Board of Directors and the shareholders' meeting in accordance with the law. 2.To prepare minutes of the Board of Directors' meetings and shareholders' meetings. 3.To assist directors in their induction and continuing education. 4.To provide information necessary for the directors to carry out their business. 5.Assist directors in complying with laws and regulations. 6.Manage stipulation and amendment of corporate governance regulations. 7.Other matters as provided for in the Articles of Incorporation or contract. (3) Continuing education: The total number of hours of continuing education completed by the Bank's corporate governance officer in FY2020 is 18.5 hours and is disclosed on the Market Observation Post System and the Bank's official website.	No difference
IV. Has the Bank established communication channels with stakeholders (including but not limited to shareholders, employees, customers and suppliers), set up a stakeholder area on the company's website, and appropriately responded to important CSR issues of concern to stakeholders?	✓		(1) The Bank has set up a "Stakeholders" section on its official website to provide a contact information for the public, shareholders, employees, customers and suppliers as a channel to communicate with relevant stakeholders. The Bank's ESG activities are disclosed in the "CSR" section, and material CSR issues stakeholders concern about are also disclosed in the CSR report.	No difference

Evaluating Items	Implementation Status			Difference from the Corporate Governance Best-Practice Principles and the reasons
	yes	no	Abstract Description	
			<p>(2) The Bank's communication with various stakeholders in 2020 has been reported to the Bank's 1st meeting of the 2nd Sustainable Development Committee on December 3, 2020 and the 7th meeting of the 26th term Board of Directors on December 15, 2020.</p> <p>(3) The Bank also compiled the English and Chinese versions of the 2020 ESG Summary (Sustainability Governance Summary), which is posted on the "Corporate Social Responsibility" section of the Bank's official website to provide real-time, summarized ESG information to enhance the Bank's multifaceted communication with stakeholders.</p>	
<p>V. Information Disclosure</p> <p>(1) Has the Bank set up a website to disclose information on financial operations and corporate governance?</p> <p>(2) Has the Bank adopted other methods of information disclosure (e.g., setting up an English website, designating a person responsible for the collection and disclosure of corporate information, implementing a spokesperson system, placing the corporate presentation on the corporate website, etc.)?</p> <p>(3) Does the Bank announce and report its annual financial report within the deadline after the end of the fiscal year in accordance with the Banking Act of The Republic of China and the Securities and Exchange Act, and announce and report its first, second and third quarterly financial reports and monthly operations well in advance of the prescribed deadline?</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>(1) The Bank has set up an "Investor Relations" and "Corporate Governance" section on its official website to disclose detailed annual and quarterly financial reports, important business information and corporate governance-related information.</p> <p>(2) 1. The Bank has English version and Chinese version official websites, and the relevant units are responsible for collecting and disclosing financial information in accordance with their business responsibilities. Regarding material information, the Bank designates dedicated unit to conduct and dedicated person for making disclosure in both English and Chinese on the MOPS website.</p> <p>2. The Bank has a spokesperson system, and in accordance with the Bank's "Guidelines for Handling Disclosure of Material Information on the Market Observation Post System," the spokesperson will explain the Bank's financial, business and material information to the public within the scope of authorization.</p> <p>3. The Bank held two online investor conference in 2020, and the related video and presentation materials were disclosed on the MOPS and the Bank's official website in accordance with the regulations.</p> <p>(3) 1. The Bank's annual and quarterly financial reports of first, second, third and monthly operations are published on the MOPS and the Bank's official website in accordance with the regulations.</p> <p>2. The Bank's annual financial report which was approved by the Bank's Audit Committee and Board of Directors, was audited and announced in February 2021 in advance.</p>	<p>(1) No difference</p> <p>(2) No difference</p> <p>(3) No difference</p>



Evaluating Items	Implementation Status			Difference from the Corporate Governance Best-Practice Principles and the reasons
	yes	no	Abstract Description	
VI. Does the Bank have other important information that can help understand the operation of corporate governance (including but not limited to employee rights, employee care, investor relations, stakeholder rights, director and supervisor on-the-job education, implementation of risk management policies and risk measurement standards, implementation of customer policies, the bank's purchase of liability insurance for directors and supervisors, donations to political parties, stakeholders and public welfare organizations, etc.)? (e.g., donations to political parties, interested parties and public welfare organizations)?	✓		<p>(1) Matters related to the Board of Directors</p> <ol style="list-style-type: none"> 1. Implementation of the policy on diversity of board members. The Bank's policy on diversity of board members is set forth in Paragraph 2 and 3 of Article 29 of the Bank's "Corporate Governance Best Practice Principles," and is disclosed on the Bank's official website. The implementation of the Board of Directors' Diversity Policy and the specific management objectives are also disclosed in the attached table. 2. The attendance of the Bank's directors (including independent directors) at the Board of Directors meetings and the attendance of independent directors at the Audit Committee are disclosed on the MOPS in accordance with the regulations. 3. The Bank's directors (including independent directors) recuse themselves from the Board of Directors' meetings and do not participate in discussions or voting on matters in which they or the legal entities they represent have an interest. 4. In accordance with the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies," the Bank has established the "Directions for the Implementation of Continuing Education for Directors." In FY2020, the Bank's directors (including independent directors) completed their continuing education hours in accordance with the aforementioned guidelines and disclosed their further education on the MOPS. 5. In order to improve the corporate governance of the Bank and to reduce the risk of the Bank, its directors and managers in assuming management responsibilities, the Bank has taken out "Directors', Supervisors' and Managers' Liability Insurance" for its directors and managers. 6. All directors (including independent directors) and the convener of the Audit Committee of the Bank attended the 2020 shareholders' meeting. <p>(2) Employee Rights and Benefits, and Employee Care Please refer to "V. Operations Overview, F. Labor Relations, a. The Bank's various employee benefits and retirement systems and their implementation, as well as the agreements between employers and employees and measures to protect the rights and interests of employees."</p> <p>(3) Investor Relations The Bank's official websites in English and Chinese include "Investor Relations," "Corporate Governance" and "Corporate Social Responsibility" sections, which provide financial, business, corporate governance and ESG-related information for domestic and foreign investors.</p> <p>(4) Stakeholder Rights</p> <ol style="list-style-type: none"> 1. The Bank conducts its business in accordance with the Banking Act and approved by the central authorities. Based on the overall interests of the fund providers (including the entrusted customers, beneficiaries or shareholders of the Bank), the Bank has established "Due Diligence Guidelines" and declares to follow the "Code of Institutional Investor Due Diligence" in order to implement shareholder actions to urge investee companies to strengthen their corporate governance. In addition, the Bank regularly discloses on its official website the status of due diligence, including interactions with investee companies and participation in voting at their shareholders' meetings and other significant events. 2. For stakeholder information, please refer to "IV. Establish communication channels with stakeholders, set up a stakeholder area on the Company's website, and respond appropriately to important CSR issues of concern to stakeholders" in this table. 	No difference

Evaluating Items	Implementation Status			Difference from the Corporate Governance Best-Practice Principles and the reasons
	yes	no	Abstract Description	
			<p>(5) Risk Management Policy and Implementation</p> <p>1. In order to establish a professional and complete risk management function, the Bank has established three risk management divisions, Credit Management Division, Risk Management Division, and Loan Asset Management Division. (1) Credit Management Division is responsible for credit case review, business unit credit case review, and management and maintenance of the e-Loan credit automation system, in order to strictly monitor the credit checking and credit review process; (2) Risk Management Division is responsible for policy formulation and risk control of integration risk, credit risk, market risk, and operational risk; (3) Loan Asset Management Division is responsible for the control of overdue loans, collections, and bad debts, as well as non-performing debts (including the e-Loan Debt Management Subsystem). All divisions can faithfully enforce them in accordance with regulations.</p> <p>2. The Bank has a Risk Management Committee, which is responsible for assessing and monitoring the Bank's risk capacity and current risk exposure, determining risk response strategies and compliance with risk management procedures, and submitting risk management reports to the Board of Directors on a quarterly basis. The Bank's risk management policies are reviewed and discussed by the Risk Management Committee and approved by the Board of Directors for implementation.</p> <p>(6) Implementation of Customer Policy</p> <p>In order to establish a corporate culture that values financial consumer protection, the Bank has established the "Code of Fairness for Customers," "Financial Consumer Protection Policy," "Financial Consumer Protection Practice Guidelines" and "Consumer Complaint Handling Guidelines" to protect the rights and interests of financial consumers and effectively handle financial consumer disputes. The Board of Directors shall report to the Board of Directors to review the adequacy of the Bank's financial consumer protection system.</p> <p>(7) Donations to political parties, stakeholders and public welfare organizations</p> <p>1. Donations to political parties: None. 2. Donations to interested parties: None. 3. Donations to public welfare organizations: Please refer to "V. Operations Overview C. Corporate Responsibility and Moral Behavior."</p>	
<p>VII. Please provide information on the results of the corporate governance assessment released by the Corporate Governance Center of the Taiwan Stock Exchange Corporation in the most recent year, and propose priorities and measures for improvement</p> <p>The Bank was ranked in the top 5% of listed companies and top 10% of financial and insurance companies (top 4) in the 6th Corporate Governance Evaluation. In order to continue to strengthen the Bank's corporate governance, the Bank has been actively reviewing and improving the indicators not scored in the 6th Corporate Governance Evaluation, and the improvements are summarized as follows:</p> <p>(1) All independent directors of the Bank shall be appointed for a term of not more than 9 years.</p> <p>(2) Continuously strengthen the integrity management, corporate social responsibility, internal control system and corporate governance, and strive to comply with relevant laws and regulations.</p>				

【Attached list】

The implementation of the board member diversity policy

The Bank's Board of Directors consists of 9 directors and 3 independent directors (33.3%), with professional backgrounds in law, accounting, finance, marketing, and technology with operational judgments, accounting and financial analysis, business management, crisis management, industrial knowledge, international market outlook, leadership and decision-making capabilities. The 26th Board of Directors has one female member (11.1% of all directors), two new independent directors, and two natural persons in the Board of Directors, all of whom are R.O.C. citizens and aged 50-80.

Name	Qualifications	Professional Background					Professional Ability							
		Law	Accounting	Finance	Marketing	Technology	Operational Judgment	Accounting and Financial Analysis	Management	Risk Management	Crisis Management	Industry knowledge	International market perspective	Leadership and Decision Making
Joanne Ling	F	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Chao-Chung Chou	M		✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓
Jung-Chun Pan	M	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Chia-Chi Hsiao	M		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Chien-Yi Chang	M		✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓
Wen-Siung Lee	M	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Hwai-Chou Chen	M	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Jong-Hong Lin	M	✓				✓		✓		✓	✓	✓	✓	✓
Chih-Jong Suen	M		✓	✓			✓	✓	✓	✓	✓	✓	✓	✓

Specific management objectives of the Bank's Board of Directors' diversity policy and the achievement of these objectives:

Specific management goal: Gender equality and diversity of professional background of the Board of Directors.

Current status: The Bank's Board of Directors has achieved the goal of diversity policy and has one female board member.

f. Composition, duties and operations of the Remuneration Committee

1. Composition of the Remuneration Committee:

Term	Identity	Qualifications Name	Qualifications (Note 1)			Independent Status (Note 2)										Numbers as Serving as the Member of Remuneration Committee for Other Public Companies	Note		
			A	B	C	1	2	3	4	5	6	7	8	9	10				
The 4 th term	Independent Director	Kuo-Yuan Liang	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
	Independent Director	Jung-Chun Pan			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
	Independent Director	Chi-Chang Yu	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	
The 5 th term	Independent Director	Jung-Chun Pan			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
	Independent Director	Chih-Jong Suen			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
	Remuneration Committee Member	Yu-Xue Wu	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	

Note 1: Directors and Supervisors shall meet one of the following professional requirements, together with at least five-year work experience:

- An instructor or higher in a department of commerce, law, finance, accounting, or other academic department related to the banking business in a public/private junior college, college, or university.
- A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialist who has passed a national examination and has been awarded a certificate in a professional necessary for the banking business.
- With work experience in the fields of commerce, law, finance, accounting, or other profession necessary for the banking business.

Note 2: For each member who has met the following criteria during the two years prior to and during his or her term of office, a "✓" is marked in the space below each criteria code.

- Not an employee of the Bank or its affiliates.
- Not a director or supervisor of the Bank or its affiliates. (Except in the case where the Bank and its parent company, subsidiary or subsidiary of the same parent company are serving as independent directors in accordance with the Securities and Exchange Act or local laws and regulations.)
- A natural person shareholder who is not himself/herself, his/her spouse, minor children, or a person who holds more than one percent of the Bank's total issued shares in the name of another person or who holds the top ten shares).
- Not a manager listed in (1) or a spouse, a relative within the second degree of consanguinity or a relative within the third degree of consanguinity of a person listed in (2) or (3).
- Shareholders that directly hold 5% or more of the total outstanding share amount of the bank, directors, supervisors, or employees of a juristic person shareholder that hold the total outstanding shares of the bank ranks among the top 5, or appointed delegates to be the Bank's Director or supervisor according to Paragraph 1 or Paragraph 2, Article 27 of Company Act among the juristic person shareholders are excluded. (This restriction does not apply to mutual independent director positions in the bank, its parent company, subsidiary, or subsidiaries belong to the same parent company, which have been appointed in accordance with Securities and Exchange Act or laws of the registered country.)
- Directors, supervisors or employees of other companies not controlled by the same person as the Bank in terms of directorships or more than half of the voting shares (except in the case where the independent directors of the Bank or its parent company, subsidiary or subsidiary of the same parent company established under the Securities and Exchange Act or local laws and regulations are concurrently appointed).
- The Bank's Chairman and President or in line with position is the same person or spouse of the company or institution's directors, supervisors or employees, are excluded. (However, if the Bank and its parent company, subsidiary, or subsidiaries belong to the same parent company according to Securities and Exchange Act or Independent Director also served as each other set up of local Act are excluded.)
- Directors, supervisors, the managerial officer, or the shareholder holding 5% or more shares of a specific company or institution that also have financial or business dealings with the bank are excluded. (However, specific company or institution has outstanding shares of more than 20% and less than 50%, its parent company, subsidiary, or subsidiaries belong to the same parent company, which have been appointed in accordance with Securities and Exchange Act or laws of the registered country are excluded.)
- A professional, owner, partner, director, supervisor, or the managerial officer and his/her spouse of a sole proprietorship, partnership, company, or institution that provides commercial, legal financial, accounting or consulting related services of audit or accumulated profits reached less than NTS 500 thousand in most recent two years to the bank or its affiliates is excluded. However, members implemented duties of Remuneration Committee and Public Tender Offer Review Committee or Merger/Consolidation and Acquisition Committee according to Securities and Exchange Act or Business Mergers and Acquisitions Act related Acts are excluded.
- Any of the circumstances in the subparagraphs of Article 30 of the Company Act doesn't regulate.

2. The Duties of the Remuneration Committee:

The members of the Remuneration Committee shall faithfully perform the following duties and responsibilities with the attention of good stewardship:

- (1) To evaluate and review the Bank's overall salary and compensation policy.
- (2) To establish and periodically review the performance evaluation (including performance evaluation standards) and compensation policies, systems, standards and structures of the Directors, President, Executive Vice Presidents, Chief Auditor, Chief Compliance Officer, consultants, and heads of head office divisions and branches of the Bank, and to fully disclose the performance evaluation standards to shareholders in the annual report.
- (3) Periodically evaluate and set the compensation of Directors, President, Executive Vice Presidents, Chief Auditor, Chief Compliance Officer, consultants, and heads of head office divisions and branch offices.
- (4) To establish performance evaluation standards and remuneration standards for the Bank's sales staff of various financial products and services, and to fully disclose the principles, methods and objectives of such standards or structures and systems to shareholders in the annual report.
- (5) To consider the following matters of the Bank's subsidiaries:
 - ① Decision on salary and remuneration levels of Directors, Supervisor, Chairperson, President, and Executive Vice Presidents.
 - ② Formulation and revision of rules governing salary, bonus and remuneration for employees.

3. Operation of the Remuneration Committee:

- (1) There are 3 members of the Remuneration Committee of the Bank. (All members of the fourth term are independent directors; more than half of the members of the fifth term are independent directors)
- (2) The term of the 4th Remuneration Committee member was from July 21, 2017 to June 15, 2020; the term of the 5th Remuneration Committee member was from July 27, 2020 to June 18, 2023. The Remuneration Committee held 12 meetings in 2020 and the attendance of the members is as follows:

Operation of the 4 th Remuneration Committee (January 1, 2020-June 19, 2020)					
Title	Name	Actual attendance	Attendance by Proxy	Actual attendance rate (%)	Remark
Convener	Kuo-Yuan Liang	5	0	100	Independent Director
Committee Member	Jung-Chun Pan	5	0	100	Independent Director
Committee Member	Chi-Chang Yu	5	0	100	Independent Director

Operation of the 5 th Remuneration Committee (July 27, 2020-December 31, 2020)					
Title	Name	Actual attendance	Attendance by proxy	Actual attendance rate (%) (note)	Remark
Convener	Jung-Chun Pan	7	0	100	Independent Director
Committee Member	Chih-Jong Suen	7	0	100	Independent Director
Committee Member	Yu-Xue Wu	7	0	100	

Note: The actual attendance rate (%) is calculated based on the number of meetings of the Remuneration Committee and the number of actual attendances during the period of incumbency.

4. The Remuneration Committee's 2020 meeting date, period, the content of the proposal, the outcome of the resolution, and the Bank's dealing with the opinions of the Remuneration Committee:

- (1) The 27th meeting of the 4th Remuneration Committee on January 10, 2020 (submitted to the 33rd meeting of the 25th term Board of Directors on January 21, 2020):
 - ① Approved the regular evaluation of the monthly remuneration of the Bank's Managing Directors (excluding the Managing Independent Directors) and Directors (excluding the General Independent Directors).
 - ② Approved the regular evaluation of the monthly remuneration of the Bank's Independent Directors.
 - ③ Approved the regular evaluation of the compensation and benefits of the Bank's Chairperson.
 - ④ Approved the amendment of the Bank's "Employee Compensation Plan."
 - ⑤ Approved the amendment of the Bank's "Employee Bonus Plan."
- (2) The 28th meeting of the 4th Remuneration Committee on February 18, 2020 (submitted to the 34th meeting of the 25th term Board of Directors on February 25, 2020):
 - ① Approved the Bank's 2019 Annual Employee Performance Bonus.



- ② Approved the Bank's special incentive payment rate and the payment rate between business units and other units for FY2019.
- (3) The 29th meeting of the 4th Remuneration Committee on March 13, 2020 (submitted to the 35th meeting of the 25th term Board of Directors on March 20, 2020).
- ① Approved the proposal of "Health Examination Subsidy for Supervisors" of the Bank's subsidiary CHB Venture Capital Co., Ltd.
- ② Approved the amendment to the "Regulations on Employee Bonus" of Chang Hua Commercial Bank, Ltd.
- ③ Approved the ratio and amount of directors' and employees' remuneration to be distributed in 2019.
- (4) The 30th meeting of the 4th Remuneration Committee on April 30, 2020 (submitted to the 36th meeting of the 25th term Board of Directors on April 17, 2020):
- ① Approved the amendment of the Bank's "Compensation Plan for Insurance Personnel."
- ② Approved the compensation and benefits of the Chairperson, Chiao-Hsiang Chang of CHB Venture Capital Co., Ltd.
- ③ Approved the special incentive payment for the Bank's President, Chief Auditor, Executive Vice Presidents, Chief Compliance Officer, Division Head of head office, supervisors of commercial regional centers, and business units.
- (5) The 31st meeting of the 4th Remuneration Committee on May 22, 2020 (submitted to the 38th meeting of the 25th term Board of Directors on June 12, 2020):
- ① Approved the annual salary adjustment for the Bank's employees for FY2020.
- (6) The 1st meeting of the 5th Remuneration Committee on August 6, 2020.
- Mr. Pan Jung-Chun was elected as the convener and Chairperson of the 5th and Remuneration Committee of the Bank.
- (7) The 2nd meeting of the 5th Remuneration Committee on August 18, 2020 (submitted to the 3rd meeting of the 26th term Board of Directors on August 27, 2020).
- ① Approved the amendment of the Bank's "Wealth Management Bonus Implementation Guidelines" and the change of the name to "Wealth Management Compensation Method."
- ② Approved the attendance fee for the 3rd Audit Committee of the Bank.
- ③ Approved the attendance fee for members of the Bank's 2nd Sustainable Development Committee.
- ④ Approved the amendment to the "Employee Compensation Allocation Rules" of CHB Venture Capital Co., Ltd.
- ⑤ Approved the amendment to the "Schedule of Employee Salaries, Allowances and Bonuses" of CHB Venture Capital Co., Ltd.
- ⑥ Approved the annual salary adjustment for employees of CHB Venture Capital Co., Ltd.
- ⑦ Approved the Bank's 2019 annual compensation plan for Directors.
- ⑧ Approved the compensation and benefits for the Bank's Chairperson, JoanneLing.
- ⑨ Approved the monthly remuneration for managing directors (excluding managing directors (independent directors)) and directors (excluding independent directors).
- ⑩ Approved the proposal of monthly remuneration for independent directors.
- (8) The 3rd meeting of the 5th Remuneration Committee on September 15, 2020 (submitted to the 4th meeting of the 26th term Board of Directors on September 22, 2020).
- ① Approved the 2020 salary adjustment for employees and senior management of Chang Hua Commercial Bank, Ltd.
- ② Approved the amendment of "Salary and other allowances for seconded transfer employees" of Chang Hua Commercial Bank, Ltd.
- (9) The 4th meeting of the 5th Remuneration Committee on October 12, 2020 (submitted to the 5th meeting of the 26th term Board of Directors on October 20, 2020).
- ① Approved the regular review of the evaluation indicators of the Bank's "Rules of Procedures for Board of Directors Meetings" and the revision of the evaluation indicators in accordance with the establishment of the Bank's Sustainable Development Committee.

- ② Approved the special incentive payment of 2019 to the former President, Jung-Chien Hu of CHB Venture Capital Co., Ltd.
 - ③ Approved the amendment of the Bank's "Retiree's Pension Deposit Plan."
 - ④ Approved the amendment of the Bank's "Rules for the Payment of Bonus to Staff who Have Reached the Top Target".
 - ⑤ Approved the Bank's "Epidemic Preparedness Compensation" for overseas staff.
 - ⑥ Approved the amendment to the "Regulations on the Employment of Hong Kong Financial Talents."
- (10) The 5th meeting of the 5th Remuneration Committee on November 2, 2020 (submitted to the 6th meeting of the 26th term Board of Directors on November 12, 2020):
- Approved the amendment to the "Employee Bonus Payment Regulations" of CHB Venture Capital Co., Ltd.
- (11) The 6th meeting of the 5th Remuneration Committee on November 30, 2020 (submitted to the 7th meeting of the 26th term Board of Directors on December 15, 2020).
- ① Approved the amendment of the lower limit of the salary for the first grade of the Bank's "Salary Schedule for Current Employees" in accordance with the statutory basic wage adjustment.
 - ② Approved to re-submit the "Regulations for the Employment of Hong Kong Financial Talents" to the Bank.
- (12) The 7th meeting of the 5th Remuneration Committee on December 18, 2020 (submitted to the 8th meeting of the 26th term Board of Directors on December 29, 2020).
- ① Approved the amendment to the "Standards of Compensation and Benefits for the Chairperson of the Board of Directors" of Chang Hua Commercial Bank, Ltd.
 - ② Approved the "Revitalization Economic Assistance Fund."

【The Bank's handling of the Remuneration Committee's opinion】 The Bank has done as suggested.

【Other items to be recorded】

1. If the Board of Directors does not adopt or revise the recommendations of the Remuneration Committee, the meeting date, the ordinal number of the meeting, content of motion, and resolution result of the Board of Directors as well as the Bank's handling of the Remuneration Committee's opinions (e.g. to state the differences and reasons if the remuneration adopted by the Board of Directors is better than that recommended by the Remuneration Committee) shall be all stated:

None.

2. With respect to any resolution by the Remuneration Committee, if any member has dissenting or qualified opinion that is on record or in a written statement, the meeting date, the ordinal number of the meeting, and content of motion for the Remuneration Committee as well as all the members' opinions with whose handling shall all be stated:

None.

g. Implementation of Performing Social Responsibility and Differences & Reasons of TWSE/GTSM-listed companies' Corporate Social Responsibility Best Practice Principles.



Evaluation Items	Implementation Status			Deviations from Corporate Social Responsibility Best Practice Principles for TWSE / GTSM Listed Companies" with Reasons
	Y	N	Summary Information	
1. Does the Bank conduct risk assessment on environmental, social and corporate governance issues related to the company's operations in accordance with the principle of materiality, and establish relevant risk management policies or strategies?	✓		<p>1. With reference to the principles of GRI Sustainability Reporting Guidelines, the Bank collects concerns through stakeholder surveys and identifies major environmental, social and corporate governance issues related to the operations of the Bank's stakeholders, and conducts risk assessments and formulates risk management strategies in response to the major GRI themes.</p> <p>2. In addition, the Bank has established a mechanism to manage emerging risk issues. The Bank identifies emerging risk issues (including but not limited to infectious diseases, extreme weather, etc.) annually, evaluates their potential risks and opportunities, and formulates response strategies and establishes risk control mechanisms based on their significance to ensure effective control of risks related to the Bank's operations.</p>	No difference
2. Has the Bank set up a special (part-time) unit to promote corporate social responsibility, which is authorized by the board of directors to be handled by senior management, and to report to the board of directors on the handling of the situation?	✓		The Bank has established the Sustainable Development Committee under the Board of Directors to promote CSR implementation, coordinate the establishment of relevant systems and supervise the review of CSR policy implementation and its effectiveness, and regularly review relevant implementation reports. In addition, in order to implement the CSR policy, a CSR Task Force has been established under the Sustainable Development Committee, and a vice president has been assigned as the chief responsible person, and each unit of the head office is responsible for the implementation of CSR in accordance with its work group (corporate governance, customer care, employee care, social welfare, and sustainable environment), The work plans and implementation results are regularly reported to the Sustainable Development Committee and presented to the Board of Directors in accordance with the regulations.	No difference
3. Environmental Issues (1) Has the bank established an appropriate environmental management system in accordance with the characteristics of its industry? (2) Does the Bank strive to improve the efficiency of resource utilization and use recycled materials with low impact on the environment?	✓ ✓		<p>(1) To fulfill its corporate social responsibility, the Bank has established "Corporate Social Responsibility Best Practice Principles" and an appropriate environmental management system in accordance with the characteristics of the financial industry. The Bank has also set up a dedicated environmental management unit to develop, promote and maintain the relevant environmental management system and specific action plans, and to review the effectiveness of its operation. In addition, the Bank is regularly certified to ISO 14001: 2015 for environmental management system (certificate period: 2018/12/21-2021/12/20) and ISO 50001:2018 for energy management system (certificate period: 2019/11/14-2022/10/24) to ensure the Bank's compliance with international ISO environmental and energy management standards.</p> <p>(2) In order to achieve the goal of environmental sustainability, the Bank continues to purchase environmentally friendly products and improve the efficiency of resource utilization, and the related actions are as follows: 1. In order to fulfill our social responsibility for environmental protection, the Bank purchases photocopying paper that is certified by the FSC or PEFC, and uses recycled hand towels in our head office, Taipei building. 2. We use "green building materials" when decorating our business units and office premises. 3. In response to the Environmental Protection Bureau's active promotion of green purchasing (purchasing environmentally friendly products with environmental labels, carbon labels, energy-saving labels, water-saving labels, green building materials labels, and sustainability labels), the purchase amount reached \$30.98 million in 2020, an increase of 51.94% over 2019, and was awarded the honor of "Green Purchasing Enterprise with Excellent Performance" by the Environmental Protection Department of Taipei City and New Taipei City.</p>	(1) No difference (2) No difference

Evaluation Items	Implementation Status			Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" with Reasons
	Y	N	Summary Information	
(3) Has the bank assessed the potential risks and opportunities of climate change to the enterprise now and in the future, and taken measures to address climate related issues?			<p>(3) 1. In the face of climate change, the Bank has been participating in the Carbon Disclosure Project (CDP) Climate Change Questionnaire since 2018 to disclose the risk assessment, response measures and implementation status of the possible risk impacts and development opportunities brought by climate change, the Bank has received a recognition of score B/Management from CDP in 2019 and 2020.</p> <p>2. In addition, to systematically review the impact of climate change on our operations, the Bank has adopted the Task Force on Climate-related Financial Disclosures (TCFD) framework issued by the Financial Stability Board (FSB) since 2020. Through the four core elements of TCFD: governance, strategy, risk management, and indicators and targets, the Bank will regularly assess and manage the risks of climate change, explore the business opportunities it brings, and propose relevant actions to achieve the goal of environmental sustainability.</p> <p>3. The Bank evaluates the emerging risks that may affect the Bank's operations with reference to domestic and international risk research data, and evaluates the operating conditions and business experience every year. The Bank stipulates countermeasures and supervision mechanism based on its materiality, so as to alleviate occurrence frequency and impact, climate change risk is the first priority among all risk. By reference to climate change information and TCFD structure, the Bank assesses possible risks and opportunities, the following strategies have been developed:</p> <p>(1) In view of the extreme climate change caused by global warming and the extended summer season, record of high temperature and possible aggravation of natural disasters in Taiwan, the Bank prioritizes the use of environmentally friendly and energy-efficient products in response to the risk of increased electricity costs due to high summer temperatures, with the hope of improving energy efficiency and reducing costs caused by climate-related risks. In addition, in order to prevent damage to the Bank's assets and equipment from natural disasters that may intensify in the future, the Bank has taken measures to ensure that the emergency generators are operating properly, to secure windows, doors, signboards and advertising signs, to place sandbags at the entrances, and to install waterproof gates to minimize the financial losses caused by disasters.</p> <p>(2) The Bank's information division has a major goal of creating a green server room that saves energy and reduces carbon emissions. It continues to expand its virtual server environment, gradually replaces existing physical hosts, and reduces the number of physical hosts to improve energy efficiency in order to reduce the environmental impact of the Company's operations.</p> <p>(3) In response to the transformation risks brought about by climate change, the Bank continues to pay attention to the development of green industries, increases the credit ratio of green industries, and introduces green industry-related financing schemes, such as the "Solar Power Equipment Project Loan," "Taoyuan City Green Energy Industry Project Loan," "Low Carbon Sustainable Home Project Loan," and "Green Enterprise Project Loan," etc. In addition, the Bank responds to the voluntary reduction cooperation mechanism for climate change, through the concept of responsible investment, we actively invest in green bonds and sustainable development bonds to assist enterprises in investing funds in green investment projects or social benefit investment projects, so as to promote the development of green industries and further reduce the potential risks of climate change.</p>	(3) No difference



Evaluation Items	Implementation Status			Deviations from Corporate Social Responsibility Best Practice Principles for TWSE / GTSM Listed Companies" with Reasons
	Y	N	Summary Information	
(4) Has the Bank compiled statistics on greenhouse gas emissions, water consumption and total weight of waste for the past two years, and formulated policies for energy conservation and carbon reduction, greenhouse gas reduction, water use reduction or other waste management?			<p>(4) 1. The Bank has compiled information on the use of greenhouse gas emissions, water consumption and total weight of waste in the past two years, and has formulated various policies on energy saving and carbon reduction, greenhouse gas reduction and water consumption, electricity consumption and waste management, and the relevant information has been disclosed on the Bank's official website under "Corporate Social Responsibility" section → Environment.</p> <p>2. In response to climate change and the national greenhouse gas reduction policy, the Bank has voluntarily introduced a greenhouse gas inventory since 2017 and passed the ISO 14064-1: 2018 verification, and with the expansion of the inventory scope to 2019 as the base year, the Bank set quantitative management targets for the future, expecting to reduce carbon emissions by 30,000~60,000 kgCO₂e per year, and reduce water, electricity and waste by 1% of each, and to reduce carbon emissions by 10% by 2030, in order to promote sustainable development through concrete actions. In 2020, the Bank's greenhouse gas emissions were 17,158.302 tonsCO₂e, a 2.4% decrease from 2019.</p> <p>3. The specific management strategies adopted by the Bank are as follows:</p> <p>(1) Replace old energy-consuming air-conditioning equipment, improve the efficiency of use, and set the indoor temperature at 26 degrees or higher to reduce the electricity load of air-conditioning;</p> <p>(2) Replace old energy-consuming lighting fixtures with high-efficiency LED lighting fixtures, and appropriately adjust the time of turning on and off the lights of advertising signs, and install power timing controllers in drinking water equipment to reduce energy consumption;</p> <p>(3) Install water-saving devices to regulate the amount of water discharged from water faucets;</p> <p>(4) Promote paperless documents and e-training materials;</p> <p>(5) Provide environmentally friendly tableware in staff cafeterias to reduce waste generation and implement waste separation.</p> <p>4. In FY2020, the Bank's energy saving and carbon reduction results (taking the Taipei Building as an example) were as follows.</p> <p>(1) In FY2020, we replaced about 320 LED lighting fixtures, reducing CO₂ emissions by 31,509.1 KgCO₂e.</p> <p>(2) In FY2020, the amount of CO₂e emissions converted from electricity consumption was approximately 1,357,299.4 KgCO₂e, a decrease of 107,597.8 KgCO₂e or 7.35% compared to FY2019.</p> <p>(3) Resource recycling increased by 3.4 tons in FY2020 compared to FY2019, with a 20.57% increase in recycling volume; general waste decreased by 0.23 tons compared to FY2019, with a reduction of 0.19%.</p> <p>(4) The amount of green procurement in FY2020 was approximately \$30.98 million, an increase of \$ 10.59 million compared with FY2019, representing an increase of approximately 51.94%.</p>	(4) No difference
<p>4. Social Issues</p> <p>(1) Has the Bank established relevant management policies and procedures in accordance with relevant laws and regulations and international human rights treaties?</p>			<p>(1) 1. In order to support the spirit and fundamental principles of human rights protection enshrined in International Bill of Human Rights, the Bank has established "Human Rights Policy" to establish an honest, fair, respectful and open working environment and to implement its commitment to human rights protection. The Bank stipulates "Human Rights Due Diligence" in order to take attention on human rights related issues and process on relevant risk assessment and management and protect human rights of labor.</p>	(1) No difference

Evaluation Items	Implementation Status			Deviations from Corporate Social Responsibility Best Practice Principles for TWSE / GTSM Listed Companies" with Reasons
	Y	N	Summary Information	
(2) Does the Bank establish and implement reasonable welfare measures (including salary, leave and other benefits) and appropriately reflect business performance or results in employee compensation?			<p>2. Based on the characteristics and development strategies of the financial industry, the Bank has formulated the following issues of concern: "human rights protection in the workplace," "healthy and safe workplace," "support for freedom of association," "protection of personal privacy," "anti-corruption, prohibition of dishonest practices such as accepting/taking bribery," and "promotion of human rights policies."</p> <p>(2) 1. For details of the Bank's employee benefits, including leave and other benefits, please refer to "V. Operations Overview, F. Labor Relations." 2. The salaries of the Bank's employees are determined in accordance with the "Salary Schedule for Current Employees," and the Bank provides reasonable and competitive compensation for different levels of employees to ensure that employees are not treated differently based on gender, age, or race, and that all employees meet the statutory basic wage standards. The Bank determines the annual salary level based on the estimated market rate of salary adjustment, the consumer price index, the Bank's annual operating condition, performance, and affordability. 3. The Bank has established the "Employee Performance Evaluation Regulation," "Employee Bonus Payment Regulation," and "Employee Compensation Allocation Regulation," and based on indicators of "Employee Performance Evaluation Regulation" to combine employee performance and performance evaluation, and considerate the Bank's operating performance and individual performance to allocate performance bonus and remuneration.</p>	(2) No difference
(3) Does the Bank provide a safe and healthy working environment for employees and implement safety and health education for employees on a regular basis?			<p>(3) 1. The Bank has established "Safety and Health Code of Practice" and has set up an Occupational Safety and Health Committee and a dedicated Occupational Safety and Health Unit to improve the working environment and facilities in accordance with the "Occupational Safety and Health Management Plan" every year, to carry out various occupational safety and health management tasks, and to conduct regular occupational safety and health education and training to safeguard the safety of employees. 2. In order to take care of employees' physical and psychological health, the Bank regularly conducts health checkups for employees, invite specialists to hold health education seminars from time to time, and appoint professional psychological counseling organizations to provide psychological counseling for employees in order to protect employees' health. 3. For information on employee safety and security, please refer to "V. Operations Overview, F. Labor Relations a.3. Protection of Employees' Safety."</p>	(3) No difference
(4) Does the Bank have an effective career development program for the employees?			<p>(4) The Bank attaches great importance to the career development of its employees. During their service with the Bank, employees are provided with diversified training channels to enhance their professional knowledge. Employees are encouraged to participate various occupational course, license & certificate courses and online English learning lessons, "LeaderCampus digital platform courses" in order to develop autonomous learning atmosphere and cultivate cross field talents. If employees end their careers for any other reason, they can still have the ability to stay competent for employment.</p>	(4) No difference



Evaluation Items	Implementation Status			Deviations from Corporate Social Responsibility Best Practice Principles for TWSE / GTSM Listed Companies" with Reasons
	Y	N	Summary Information	
(5) Does the Bank comply with relevant laws and regulations and international standards regarding customer health and safety, customer privacy, marketing and labeling of products and services, and established relevant consumer protection policies and complaint procedures?			<p>(5)The Bank follows the relevant laws and regulations of the competent authorities and international standards for financial products and services in order to protect the rights of consumers:</p> <ol style="list-style-type: none"> 1.The Bank has established the "Code of Fairness for Customers," "Financial Consumer Protection Policy," "Financial Consumer Protection Practice Guidelines" and "Consumer Complaint Handling Guidelines" to ensure that each department and the financial products or services provided by the Bank treat customers fairly and reasonably in the overall transaction process, including design, advertising, sales, contract performance, service consultation and customer complaint handling, and comply with the relevant regulations on financial consumer protection. The Bank will comply with the relevant regulations on financial consumer protection, protect the rights and interests of financial consumers, and enhance the quality of the Bank's services. 2.The Bank's marketing and labeling of financial products and services include important information and disclosure of risks in the contract, and are presented in prominent letters or in a manner that indicates the channels for consumer disputes arising from the financial products or services provided by the Bank. 3.In order to implement the security maintenance and management of personal information files, the Bank has established "Security Maintenance Plan for Personal Information Files" and "Personal Information Management Regulations," established procedures for the management of personal information collected, processed, and utilized in business activities, and measures for the security management of personal information, and established a mechanism for responding to, notifying, and preventing personal information security incidents to protect the privacy of customers. 4. In order to protect the rights and interests of our customers, we require our suppliers to produce product inspection reports and comply with national standards when purchasing various types of heat-sensitive paper rolls. 	(5) No difference
(6) Does the Bank have a supplier management policy that requires suppliers to follow relevant regulations on environmental protection, occupational safety and health, or labor human rights, and reveal its implementation status?			<p>(6) 1.In order to work with our suppliers to fulfill corporate social responsibility and comply with the laws and regulations related to integrity management, environmental protection, occupational safety and health, labor and human rights, the Bank has established the "Corporate Social Responsibility Standards of the Supplier of Chang Hwa Bank," which stipulates that when the Bank signs a contract with a supplier, the supplier shall be required to sign "Undertaking to Commit to Social Responsibility by the Supplier," and that the contents of the contract shall comply with the Bank's Ethical Corporate Management Best Practice Principles and the CSR policies of both parties. The Bank may terminate or cancel the contract at any time if the supplier violates the aforementioned policies and has a significant impact on the environment and society in the supplying community, or if the supplier is involved in dishonest behavior.</p>	(6) No difference

Evaluation Items	Implementation Status			Deviations from Corporate Social Responsibility Best Practice Principles for TWSE /GTSM Listed Companies" with Reasons
	Y	N	Summary Information	
			2.In order to fulfill the Bank's commitment and responsibility for supplier management, the Bank has also established the "Guideline for Chang Hwa Commercial Bank Encouraging Suppliers to Carry out Corporate Social Responsibility" to promote CSR policies through communication meetings with suppliers; to require suppliers to fill out the "Supplier CSR Self-Assessment Form" and to conduct actual transactions only after the Bank has examined that there is no violation of laws and regulations; and to conduct occasional visits to suppliers with large transactions. In addition, the Bank conducts occasional visits to suppliers with large transactions and fills out "Supplier Visit Report" based on the visit results to confirm the current status of CSR implementation by suppliers and to promote the implementation of CSR by suppliers.	
5. Does the Bank make reference to the international standards or guidelines for report preparation and prepare reports that disclose non-financial information of the Bank, such as CSR reports? Has the former report obtained a third-party verification unit's confirmation or assurance opinion?			<p>(1) The Bank's CSR report is prepared in accordance with the GRI Standards (GRI Standards: Core Options) published by the Global Reporting Initiative (GRI) in 2016, and includes the " Rules Governing the Preparation and Filing of Corporate Social Responsibility Reports by TWSE Listed Companies" and the United Nations Sustainable Development Goals (SDGs) mapping table in order to align with the global sustainability trend.</p> <p>(2) The Bank's 2019 CSR Report was certified with an independent assurance statement by the British Standards Institution (BSI), a third-party verification institute, and passed the AA1000 Type 2 and GRI (GRI Standards) standards. This is to demonstrate the Bank's efforts in fulfilling its corporate social responsibility.</p>	No difference
6. If the Bank has its own Corporate Social Responsibility Best Practice Principles based on the "Corporate Social Responsibility Best Practice Principles for TWSE /GTSM Listed Companies," please describe the differences of the operation status and Best Practice Principles: The Bank's "Corporate Social Responsibility Best Practice Principles" has been formulated with reference to "Corporate Social Responsibility Best Practice Principles for TWSE /GTSM Listed Companies," and the Bank's current operations are in accordance with the Best Practice Principles without any differences.				
7. Other important information for understanding CSR operations: For other information on the Bank's CSR operations, please refer to "V. Operations Overview, C. Corporate Responsibility and Moral Behavior" and the Bank's 2020 CSR Report.				

h. Implementation of Business Integrity and Deviations from “Ethical Corporate Management Best Practice Principles for TWSE /GTSM Listed Companies” with Reasons.

Evaluation Items	Implementation Status		Summary Information	Deviations from “Ethical Corporate Management Best Practice Principles for TWSE /GTSM-Listed Companies” with Reasons
	Y	N		
1. Policies and strategies established to ensure business integrity				
1.1 Has the bank formulated ethical management policies which is approved by the Board of Directors and stated in its internal bylaws or external publications about the policies and practices it has to maintain business integrity? Are the Board of Directors and the top management committed in fulfilling this commitment?	✓		1.1 To implement the policy of business integrity, and actively guard against unethical behavior, the Bank has formulated the “Ethical Corporate Management Best Practice Principles,” and approved by the Board of Directors, stipulating that the Bank’s personnel (including directors, supervisors, managerial persons, employees, appointees, etc.) shall stick to principles of fairness, honesty, trustworthiness, and transparency, when conducting business and commercial activities, and shall establish a good corporate governance and risk control mechanism, so as to create a business environment for sustainable development; the Principles also stipulates the Bank’s Board of Directors and management to actively realize business doing with integrity as discipline based on the Best Practice Principles for the internal management and external commercial activities to actually follow.	1.1 No difference.
1.2 Has the bank established risk assessment mechanism of unethical conducts and regularly analyzed and assessed high-level unethical conducts risk among operation? Does the bank have any measures which at least include the preventive measures in Paragraph 2, Article 7 of “Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies”?	✓		1.2 a. The Bank implements compliance risk assessment mechanism, regularly analyzes and assesses risks in every aspect of business operation, including internal risk management of unethical and corruptive misconduct annually. According to business operation status of the year, internal audit performance, implementation status of inspection by competent authority, the Bank shall amend risk factors and indicators, the Bank’s business operation division shall stipulate and amend relevant preventive measures based on the assessment results, which include in Paragraph 2, Article 7 of “Ethical Corporate Management Best Practice Principles for TWSE /GTSM-Listed Companies,” and the Bank’s “Ethical Corporate Management Best Practice Principles” which stipulates: that the Bank’s personnel shall not provide or receive, either directly or indirectly command or require, any unreasonable presents, hospitality or other improper benefits; that they shall abide by related regulations pertaining to intellectual property rights, the Bank’s guidelines and contract regulations; nor can they engage in unfairly competitive conduct, that they shall comply with the “Securities and Exchange Act” and shall not use privileged and undisclosed information to engage in inside trading, or disclose it to any third party in order to prevent other parties from using such undisclosed information for inside trading, etc. b. The Bank’s “Employee Code of Conduct” stipulates the following related guidelines: (a) Employees need to obtain the Bank’s permission before taking part in political campaign activities, political fund-raising activities, charitable activities, non-for-profit activities or volunteer activities in the name of the Bank. (b) Employees shall not promise customers on sharing interest and undertaking financial losses, and refrain from demanding, offering or receiving, directly or indirectly, any improper funds, things of value, donations, hospitality or other benefits, which may impact their professional judgment and the objectivity of executing duties. (c) Employees shall protect the Bank’s assets as well as other assets under his / her dutiful custody. (d) Employees shall provide premium customer service and innovative products, and shall not seek competitive benefits via unethical or illicit business activities, and shall not promise customer on providing specific interest, consideration, undertaking losses, promoting investment of specific financial products. c. The Bank has formulated the “Regulations for External Donation,” stipulates any donation shall be examined beforehand, each business division who is being a donor shall examine eligibility of the donee, donation purpose, rationality of the donation amount, and shall assess whether the donation is benefit for the morality, which have substantial benefits or devotions for the Bank’s corporate image and business promotion are allowed to perform or recognize. In 2020, relevant donations meet standard of the Bank’s relevant regulations, none of them are provided with illicit political donations, charitable donations, bribes in disguise.	1.2 No difference.
1.3 Does the bank have any measures against dishonest conducts? Are these measures supported by proper procedures, behavioral guidelines, disciplinary actions and complaint systems and regularly review aforementioned measures?	✓		1.3 a. The Bank has formulated the “Ethical Corporate Management Best Practice Principles” and the relevant regulations to guard against dishonest behavior, which include the “ Rules of Procedure for Board of Directors Meetings,” “ Code of Ethical Conduct,” “Employee Code of Conduct,” “Work Rules,” “Directions for Treasury Division to Conduct Financial Transactions,” “Operating Guidelines for Business with the Interested Parties as Defined by the Banking Act,” “Operating Guidelines for Transactions with the Interested Parties Other than Credit Extension,” etc., in order to actually prevent dishonest behavior, and periodically review aforesaid related regulations. b. The Bank has also adopted the “Implementation Regulations of Employees Reward and Punishment” as a basis for rewards, punishments and remedies; any employee who is found and proved to have committed a dishonest act will be transferred to the Personnel Review Committee for punishment. If the abovementioned employee refuses to accept the disciplinary disposition, he / she has to file an appeal with the reasons and the relevant evidence to such committee for a new review.	1.3 No difference.



Evaluation Items	Implementation Status		Summary Information	Deviations from "Ethical Corporate Management Best Practice Principles for TWSE / GTSM-Listed Companies" with Reasons
	Y	N		
2. Actions to ensure ethical management				
2.1 Does the bank evaluate the ethical credits of all counterparties it has business relationships with? Are there any integrity clauses stipulated in the agreements it signs with business partners?	✓		2.1 The Bank's "Ethical Corporate Management Best Practice Principles" stipulates that prior to engaging commercial relations with any third party, the Bank shall examine whether the parties have been implicated in prior incidents of unethical behavior in accordance with the Bank's related rules and regulations (for example: "Guidelines for Suppliers' Corporate Social Responsibility"), and shall formulate terms with respect to good faith in contracts (for example: related activity contracts of retail channel, etc.) Relevant clauses were included in important commercial contracts established by all divisions of the Bank in the year.	2.1 No difference.
2.2 Does the bank have a specialized unit that promotes ethical management? Does this unit report its performance to the Board of Directors on a regular basis (at least once a year) of integrity operation policy and program of preventing unethical conduct and implementation of monitoring?	✓		2.2 The Bank's "Sustainable Development Committee" is instituted under the Board which is responsible for business integrity, and designates Compliance Division to report to Sustainable Development Committee and the Board of Directors annually and shall responsible for the following matters: a. To assist relevant divisions to comply with legal system and incorporate honest and ethical values into the Bank's business operation, and stipulate related anti-misconduct measures. b. To assist business units to stipulate related regulations on prevention of unethical behavior. c. To assist in reviewing internal organization, establishment and responsibility, and set forth a mechanism for checks and balances involving a degree of multilateral supervision between internal organizations of the Bank with higher risks of unethical behavior in business activities. d. To promote and coordinate integrity policy for propaganda and training. e. To plan whistleblower mechanism, ensuring effectiveness of its implementation. f. To assist the Board of Directors and management to audit and assess the precaution measures set for implementing business integrity are operating effectively, regularly assess the compliance status of related business process, and present a report. The Bank's FY 2020 ethical management performance was reported to the Sustainable Development Committee and the Board of Directors on January 14 and January 28, 2021 for their recognition.	2.2 No difference.
2.3 Does the bank have any policy that prevents conflict of interest, and channels that facilitate the reporting of conflicting interests?	✓		2.3 a. The Bank's "Ethical Corporate Management Best Practice Principles" specifically stipulates articles for avoiding conflict of interest, as the Bank's Board of Directors, management and all employees shall abide by relevant regulations such as the Bank's "Code of Ethical Conduct," "Rules of Procedure for Board of Directors Meetings," "Operating Guidelines for Business with the Interested Parties as Defined by the Banking Act," and "Operating Guidelines for Transactions with the Interested Parties Other than Credit Extension," in order to prevent conflict of interest. Directors shall also exercise self-discipline and refrain from coming to each other's rescue improperly. b. The Bank's "Rules of Procedure for Board of Directors Meetings," specifically stipulates that in the event, a director, or a corporate entity represented by a director, is considered an interested party to the matter of discussion, the said director must disclose material facts about his /her interests involved during the current meeting and shall be deterred from all discussions and voting if it contradicts the Bank's interests, in which, the said director may not exercise voting rights on behalf of other directors. c. The Bank's "Employee Code of Conduct" outlines its policy against conflict of interest, specifically requiring employees to prioritize seeking the best interest of the Bank in performing their business operations, as well as to prevent conflict or contradiction between an employee's personal interest and the Bank's interest, including possible conflict of interest involving customers, trading counterparties, competitors or other employees as a result of the performance of duties on his /her post. Once employee alerts incidents happen stipulated in "Employee Code of Conduct," or other possible incidents involved in conflict of interest, shall avoid and resort confirmation to manager or compliance supervisor of the unit at once, and make sure after exclusion of possible conflict of interest, employee shall proceed to former conduct or activity. d. The Bank shall comply with relevant regulations set forth by the Banking Act and stipulated by competent authority when conducting credit-rendering business with the Bank's interested party.	2.3 No difference.
2.4 Has the bank implemented effective accounting and internal control systems for maintaining business integrity? Are these systems formulated with related audited plan according to the result of unethical conduct risk, and apply it to prevent unethical conduct of implementation of program, or by external auditors?	✓		2.4 a. The Bank establishes its accounting policies and amended it in a timely manner in accordance with regulations as bookkeeping guidelines for business operations and management. Furthermore, multiple layers of authority and accountability have been implemented to ensure sound internal control so that all employees can conduct the Bank's various business operations in good faith. b. The Bank's "Ethical Corporate Management Best Practice Principles" stipulates: "The Bank shall establish an effective accounting system and internal control system, and shall not keep external books or retain secret accounts. Furthermore, it shall review these systems at all times in order to ensure the continued effectiveness of the design and enforcement of these systems. The Bank's internal audit units shall audit whether the aforementioned systems are in compliance with a regular basis and compile audit reports for submission to the Board of Directors." In line with the aforementioned regulation, the Bank's internal audit shall regularly audit compliance with regard to the accounting system and the internal control system. The Bank shall plan and implement related audit plan according to the risk assessment performance of compliance and implementation of prevention of unethical behavior program, and report to the Bank's Board of Directors.	2.4 No difference.



Evaluation Items	Implementation Status		Summary Information	Deviations from "Ethical Corporate Management Best Practice Principles for TWSE / GTSM-Listed Companies" with Reasons
	Y	N		
2.5 Does the bank organize internal or external training regarding ethical management on a regular basis to maintain business integrity?	✓		2.5 a. The Bank regularly conducts education training in relation to ethical management, and also promotes the value of integrity through the Bank's ATM, digital branch multimedia signage system, Facebook fan group, official website and online learning website for employees by broadcasting the microfilm "Embrace Sunshine, Rotate Happiness" of the Agency Against Corruption of the Ministry of Justice. In FY2020, the Bank conducted 13,053 training sessions for 17,805 person-hours for employees and new employees on important issues related to ethical management. (including compliance with laws and regulations, "Ethical Corporate Management Best Practice Principles," "Code of Ethical Conduct," "Code of Conduct for Employees," and "Internal Reporting Rules.") b. The Bank collects the material disciplinary actions in the financial industry announced by the FSC for references of business units to evaluate the legality of their business operations, and publishes those disciplinary actions on the Bank's internal website. c. In addition to reviewing the causes of misconducts in financial institutions and explaining the Bank's internal control practices, the training session also discusses the key points of misconduct prevention and internal control mechanism, so as to effectively perform self-reviewing, strengthening the internal control of business units, and prevent the occurrence of unethical acts.	2.5 No difference.
3. Implementation of a misconduct reporting system				
3.1 Does the bank provide incentives and means for employees to report misconducts? Does the bank assign dedicated personnel to investigate the reported misconducts?	✓		3.1 The Bank has formulated the "Ethical Corporate Management Best Practice Principles" and "Rules of Internal Whistle-blowing," setting up address, mailbox, hotlines, related channel for complaints. In the circumstances unethical behavior is identified, including commit crime, misconduct, violation of regulation, the Bank's Internal Auditing Division which is the receiving unit shall designate appropriate personnel to deal with the incident. If the whistle-blower meets the standard of "Implementation Regulations of Employees Reward and Punishment," the Bank would give reward based on practical circumstance.	3.1 No difference.
3.2 Has the bank implemented any standard procedures, subsequent measures after the procedures, or confidentiality measures for handling reported misconducts?	✓		3.2 a. The Bank has formulated "Rules of Internal Whistle-blowing," which clarified on the investigated whistle-blowing cases, organization responsibilities of the reviewing unit, avoidance of interest, whistleblower protection, file management. The investigation of whistle blowing cases' review or reexamination which identifies to be true would be proceeded by the aforementioned regulation, related investigative unit shall review its internal control system and operational procedure, and submit improvement measures to prevent from occurrence of identical conduct. In addition, respondent and relevant respondent are required to stop doing related behavior and shall be proper handled by related personnel management regulation, and shall be handled by legal procedure for loss claim or dealing by prosecution authority. Receiving unit of complaints shall summarize and report, results of review, related information of improvement measures suggested by relevant unit, should submit to the Audit Committee and the Board of Directors regularly. In 2020, the Bank did not receive any report of violations of ethical conduct. b. The Bank has formulated the "Ethical Corporate Management Best Practice Principles" and "Rules of Internal Whistle-blowing," which ensure the confidentiality of the identity of whistle-blowers and the content of complaints, while investigations in line with regulations and public announcement by competent authority should be revealed.	3.2 No difference.
3.3 Does the bank assure employees who report misconducts that they will not face repercussions for making such reports?	✓		3.3 The Bank has formulated the "Ethical Corporate Management Best Practice Principles" and "Rules of Internal Whistle-blowing," which ensure the confidentiality of all information with regard to whistle-blowers; the Bank also makes sure that they will not suffer improper treatment including not to be fired, dismissed, degraded, salary reduction, and shall not be deprived from entitled interest of its legal regulations, contracts or habits, and other inadequate arrangements.	3.3 No difference.
4. Enhanced information disclosure Has the Bank disclosed its Ethical Corporate Management Best Practice Principles on its website and MOPS?	✓		The "Ethical Management Guidelines" formulated by the Bank have been disclosed on the Bank's official website as well as MOPS. In addition, the Bank's implementation of ethical management operations is also disclosed in the "Corporate Governance Report" section of the annual report as well as on the Bank's official website. An electronic version of the annual report is also disclosed on the Bank's official website and MOPS.	4. No difference.
5. If the Bank has its own Ethical Corporate Management Best Practice Principles of Listed Companies, please describe the differences between its operation and the Code. The Bank has made reference to the "Code of Conduct for Listed and OTC Companies", and the Bank's operations regarding "Ethical Corporate Management Best Practice Principles" have been conducted in accordance with the Code and there is no difference.				
6. Other information relevant to understanding the Bank's business integrity (e.g.: reviews over the bank's Ethical Corporate Management Best Practice Principles, etc.): The Bank shall follow the development of domestic and international guidelines regarding ethical management as a basis for review and improvement of the Bank's ethical management regulations, and for its implementation, to improve the effectiveness of ethical management.				

i. If the Bank has adopted corporate governance best-practice principles or related bylaws, disclose how these are to be searched.

The Bank has made related rules of corporate governance, please visit the corporate governance on the official website (<https://www.bankchb.com>) or please refer to MOPS (<https://mops.tse.com.tw>).

j. Other significant information that will provide a better understanding of the implementation Bank's corporate governance may also be disclosed.

Please refer to this chapter "D. Corporate Governance, e. The Bank's corporate governance practices and the differences between the Banking Industry's Corporate Governance Best-Practice Principles and the reasons for the differences. "VI. Does the Bank have other important information that can help understand the operation of corporate governance?" "

k. Execution of Internal Control System

1. INTERNAL CONTROL SYSTEM STATEMENT:

Chang Hwa Commercial Bank, Ltd.
Internal Control Statement

March 26, 2021

To : Financial Supervisory Commission, R.O.C.

I .On behalf of Chang Hwa Commercial Bank, Ltd. (the "Bank"), we hereby declare that from January 1, 2020 to December 31, 2020, the Bank has duly complied with the "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries" in establishing its internal control system, implementing risk management, designating an independent and objective department to conduct audits, and regularly reporting to the Board of Directors and the Audit Committee.

II .With respect to the securities business, evaluation of the effectiveness of the design and implementation of its internal control system has been done in accordance with the criteria for evaluating effectiveness of internal control systems described in the "Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets," promulgated by the Securities and Futures Bureau, Financial Supervisory Commission.

III .Regarding insurance agent business:

A.The Bank determines if the effectiveness of the design and execution of the internal control system according to "Regulations Governing the implementation of Internal Control and Audit System and Business Solicitation System of Insurance Agent Companies and Insurance Broker Companies" (the "Regulations"). According to the judgment criteria for internal control systems stipulated in the Regulations, there shall be at least the following elements: 1. a controlled environment, 2. risk analysis, 3. controlled operations, 4. information and communication, and 5. monitoring operations.

B.The Bank investigates the effectiveness of the design and execution of the internal control system by adopting the internal control system judgment criteria listed above.

C.Based on the results of the investigation described in the previous item, the Bank determined that the design and execution of the internal control system (including the integrity of operations, the reliability of reports, and the compliance of relevant rules and regulations) during the said period is effective, and the goals listed above is reasonably confirmed to have been achieved.

IV .After prudent evaluation, except for items listed in the table attached below, the internal control and legal compliance systems of each department have been in effect during the year.

V .This Statement will be included as the main content of the Bank's annual report and prospectus and make public. If there is any illegal activity such as fraud or concealment, liabilities under Article 20, 32, 171, and 174 of the Securities and Exchange Act or aforementioned Regulations will be involved.

VI .This Statement has been approved by the Board of Directors on March 26, 2021.

Chairman : *Jong - yuan Ling*

President : *Chao - Chung Chou*

Executive Vice President &
Chief Auditor : *Mew - Fang Wu*

Executive Vice President &
Chief Compliance Officer : *Jib - Cheng Yang*

【 Attached list】

Chang Hwa Commercial Bank, Ltd. Issue and Corrective Actions for Internal Control Statement

(As of December 31, 2020)

Issue for Improvement	Corrective Actions	Target Completion Date
<p>1. The former financial advisor of Pei-Taichung Branch involved in misappropriation of customer funds, abnormal transfer of funds with customers, and improper behavior of solicit insurance business. Since the Bank was against the provisions of Article 45-1 of the Banking Act, Financial Supervisory Commission (FSC) imposed an administrative fine of NT\$12 million according to Article 129, Paragraph 7 of the above Act on July 7, 2020.</p>	<ol style="list-style-type: none"> The Bank had reviewed the types of deficiencies involved by the former financial advisor, and consecutively strengthened or established related control measures, such as monitoring of financial advisors' accounts, prohibiting them from handling customers' deposit and withdrawal, paying attention to wealth management customers, and monitoring of insurance policy transactions. In addition, the Bank had conducted compliance training for the personnel at all levels. In accordance with the instructions of the Competent Authority, the Bank had strengthened the functions and measures of the second and third lines and reported to the 26th meeting of the 3rd session of the Board of Directors on August 27, 2020. 	<p>The Bank has completed improving the issue in accordance with the remediation actions.</p>
<p>2. FSC conducted a full-scope examination on the Bank in 2019, and found the deficiencies in handling to open corporate account and to monitor sanction lists continuously, which may disturb the sound operation of the Bank. On August 10, 2020, FSC issued a reprimand letter in accordance with the provisions of Article 61-1, Paragraph 1 of the Banking Act, after considering that the Bank has adopted relevant reinforcement measures.</p>	<ol style="list-style-type: none"> The Bank had established a system control mechanism when corporate customers open accounts, and conducted relevant training regarding confirming customer identities. The Bank had strengthened the management to monitor and confirm customers or their related parties as sanction lists, and supervised branches to report suspicious transaction or to freeze accounts. To timely report the sanction lists, the Bank had revised the procedures regarding that the substantial beneficiaries should be identified when terminating the business relationship with customers of non-natural person. The Compliance Division of Head Office constantly supervises the branches to complete customer due diligence and update the relevant information promptly, so as to implement customer continuous review. The Bank had submitted the relevant remediation actions to the 33rd meeting of the 25th session of the Board of Directors on January 21, 2020, and the 38th meeting of the 25th session of the Board of Directors on June 12, 2020. The above remediation actions had been reported to FSC. 	<p>The Bank has completed improving the issue in accordance with the remediation actions.</p>
<p>3. The deficiencies listed by FSC on the Bank's "Engaging in Securities Business limited-scope examination report" in 2020, which was against Securities Management regulations. As a result, FSC issued a reprimand letter, on December 24, 2020, in accordance with Article 65 of the Securities and Exchange Act.</p>	<ol style="list-style-type: none"> The Bank had established an insiders' data verification mechanism in the securities system, adjusted verification parameters of existing reports, and provided abnormal statements to facilitate verification. The Bank had revised account opening contract documents of the securities brokers, and required all securities brokers to implement them. The Bank had incorporated the relevant regulations with the self-inspection items of securities brokers. The Bank had coped with the securities specialists' registration and pre-employment and on-the-job training in accordance with regulations. The Bank had submitted the relevant remediation actions to the 38th Board of Directors Meeting of the 25th term on June 12, 2020, and reported to FSC. 	<p>The Bank has completed improving the issue in accordance with the remediation actions.</p>



2. Report of Independent Auditor appointed to conduct special audit on the Bank's internal control system:

Independent Auditor's Report on Applying Agreed-Upon Procedures

The Board of Directors and Shareholders

Chang Hwa Commercial Bank, Ltd. (hereinafter refer as "CHB")

Pursuant to the agreed-upon procedures, we have performed CHB's the correctness of the report submitted to the competent authority for the banking business, the execution status of internal control system and compliance officer system, the appropriateness of policies for loan loss reserves, and the execution status of personal information protection in 2020. Your company made the final decision in these procedures; therefore, we do not express our opinions regarding whether these procedures were sufficient. This work is conducted in accordance with the Statement on Auditing Standard No. 34 "Perform Agreed-Upon Procedures Regarding Financial Information," and its purpose is to assist your company in evaluating the compliance with "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries," promulgated by the Financial Supervisory Commission. Complying with the aforementioned regulation is the responsibility of your company's management. We have provided the procedures and the associated findings in the attachments herein, respectively.

The audits we performed are not in accordance with Generally Accepted Auditing Standards; hence, we do not assure your company of the correctness of the report submitted to the competent authority for the banking business, the execution status of internal control system and compliance officer system, the appropriateness of policies for loan loss reserves, and the execution status of personal information protection. If we perform additional procedures or the audits in accordance with Generally Accepted Auditing Standards, we may have other findings.

This report provides your company as the use for the purpose of the first paragraph mentioned only, and should not distribute to any third parties for any purposes whatsoever.

Deloitte & Touche

March 26, 2021

- I. For the last two years and as of the date of the annual report, the Company has been punished for violations of the law and the major malfeasant and improvements:
1. The responsible person or employee was prosecuted by the prosecutor for business-related crimes:
None.
 2. Violations of laws and regulations fined by the FSC, or penalties imposed by the FSC under Article 61-1 of the Banking Act, or penalties imposed by the Bank on its internal personnel for violations of the internal control system, the results of which may have a significant impact on shareholders' equity or securities prices or meet the requirements of Article 2 of the FSC's Regulations on the Public Disclosure of Significant Penalties for Violations of Financial Laws and Regulations:

Major malfeasant cases and operational improprieties	Countermeasures
The FSC conducted a special inspection on the Bank's operation of insurance agent business and found that a policyholder had purchased investment insurance products by borrowing money and that the KYC of the customer had not been done properly. On September 16, 2019, it was approved for correction within a period of one month, and a fine of NT\$ 200,000 was imposed.	<ol style="list-style-type: none"> 1. The Bank has strengthened KYC education training for employees. 2. Establish a systematic review to prevent insurance buyer from purchasing investment-linked products by using loan financing.
On July 7, 2020, the FSC imposed a fine of NT\$ 12 million due to the violation of Article 45-1, Paragraph 1 and Act Article 129, Paragraph 7 of the Banking on the Bank's Pei-Taichung Branch. The cause was former Financial Advisor, Lin ○-qing, for misappropriation of customer funds, unusual fund transactions with customers, and improper insurance solicitation practices.	<ol style="list-style-type: none"> 1. We have conducted a review of the deficiencies of the former financial advisor surnamed Lin, and have strengthened or initiated relevant control measures and implemented them with respect to the management and account control of financial advisors, the deposit and withdrawal operations on behalf of customers, the care operations for financial customers, and the monitor of policy transactions. 2. In accordance with the reprimand of the competent authority's letter of disposition, the functions and measures to strengthen the second and third lines of internal control have been discussed and submitted to the Bank for consideration and approval at the 3rd Board of Directors Meeting of the 26 term on August 27, 2020.
The FSC made an "inspection recommendation on the Bank's general business inspection report" in FY2019, which stated that the deficiencies in the handling of corporate clients' account opening and continuous examination of accounts may hinder sound operation. On August 10, 2020, in accordance with the Article 61-1, Paragraph 1 of the Banking Act, the deficiencies should be corrected.	<ol style="list-style-type: none"> 1. Establish a systematic control for corporate customers when opening accounts and strengthen education, training and promotion for Know Your Customer (KYC) process. 2. Strengthen the monitoring and management of customers or their related parties who are identified to be sanctioned, so as to supervise the sales units in reporting suspicious transactions or freezing accounts. 3. To add the requirement that non-natural person customers should identify their related parties, such as the actual beneficiaries, during the termination process, in order to avoid the risk that the Bank may not be able to report immediately if the aforesaid person is on the sanctioned list. 4. The dedicated unit continues to supervise sales units to complete customer due diligence and fill in missing values as soon as possible to implement continuous customer review operations. 5. The improvement measures have been submitted to the Bank's 33rd Board of Directors Meeting of 25 term on January 21, 2020 and the 38th Board of Directors Meeting of 25 term on June 12, 2020 for consideration and approval, and have been reported to the FSC.
On December 24, 2020, the FSC issued a report to the Bank on the "Report on the Ad Hoc Inspection of Securities Business" of FY2020 and found that the deficiencies listed in the report were in violation of the Securities Act and should be corrected in accordance with Article 65 of the Securities and Exchange Act.	<ol style="list-style-type: none"> 1. Set up internal personnel data verification mechanism in the securities system, adjust the existing report verification parameters, and provide reports for reviewing anomaly. 2. Complete the revision of the contract documents for opening accounts with securities brokers, and communicate the relevant regulations to require the implementation by all securities brokers. 3. Include the implementation of the relevant regulations in the stockbrokers' self-audit items. 4. Registration and pre-employment and on-the-job training of business personnel are conducted in accordance with regulations. 5. The improvement measures have been submitted to the Bank's 38th Board of Directors Meeting of 25 term on June 12, 2020 for consideration and approval, and have been reported to the FSC.

3. Any person whose individual or total actual loss exceeds \$50 million in each year due to personnel fraud, major incidental cases or failure to perform safety maintenance work:
None.
4. Any other matters designated by the FSC that should be disclosed:
None.

m. Significant resolutions of the General Shareholders' Meeting and Board of Directors' Meeting in 2020 and the status of implementation

1. Resolutions of the 2020 General Shareholders' Meeting:

Date	Resolution	Resolution Results	Implementation and Review
June 19, 2020	Adoption of the Bank's 2019 Business Report and Financial Statement.	Voted and acknowledged as proposed.	The relevant registers have been filed with the competent authorities for inspection and announcement in accordance with the Company Act and the Securities and Exchange Act.
	Adoption of the Bank's distribution of 2019 profit.	Voted and acknowledged as original proposed.	The Shareholders' Meeting resolved to distribute NT\$ 3,994,124,464 in cash dividends (NT\$0.4 per share) and \$ 3,944,124,460 in stock dividends (NT\$0.4 per share) to the shareholders; The Board of Directors decided on August 17, 2020 as the record date for cash dividend distribution, stock dividend distribution and surplus to capital increasing, and were allocated on September 11, 2020.
	Discussion and ratification of the Bank's issuance of new shares through capitalization of earnings.	Voted and approved as proposed.	In accordance with the resolutions of the Shareholders' Meeting, it was reported to the FSC to declare and take effect on July 20, 2020, and was approved by the Ministry of Economic Affairs on August 26, 2020 to change the registration. The new shares were delivered and listed for trading on September 11, 2020.
	In order to cooperate in the amendment to the Company Act and the development of corporate governance of the Bank, it is proposed to revise some of the articles of the Bank's Articles of Incorporation to be submitted for discussion and approval.	Voted and approved as original proposed.	The Company completed the change of registration with the Ministry of Economic Affairs on August 7, 2020 and operated in accordance with the amended Articles of Incorporation.
	Election of 26 th term of the Bank's Directors (including Independent Directors).	Nine directors (including independent directors) shall be elected for the 26 th term, and the names of the elected directors are as follows: Joanne Ling (Delegate of Ministry of Finance) Jui-Mu Huang (Delegate of Ministry of Finance) Chien-Yi Chang (Delegate of National Development Fund, Executive Yuan) Chia-Chi Hsiao (Delegate of Chunghwa Post Co., Ltd.) Wen-Siung Lee Hwai-Chou Chen Independent Directors: Jung-Chun Pan Jong-Horng Lin Chih- Jong Suen	The term of the 26 th Directors (including Independent Directors) began on June 19, 2020 and ended on June 18, 2023, and the change of registration was completed with the Ministry of Economic Affairs on August 7, 2020 in accordance with the regulations.
	The release of non-competition restrictions for the Bank's directors (including independent directors) of the 26 th term is proposed for approval.	Voted and approved as proposed.	None.

2. Important Resolutions of the 2020 Board of Directors Meeting:

(1) The 33rd Board of Directors Meeting of the 25th Term was held on January 21, 2020:

- ① Approved the amendment of the "Management Guidelines for Long-term Equity Investment Business and Subsidiaries."
- ② Approved the amendment of the "Management Guidelines for Overseas Subsidiaries" of the Bank.

- ③ Approved the Bank's private placement of common stock for public offering.
 - ④ Approved the formulation of the "Corporate Social Responsibility Policy" of the Bank.
 - ⑤ Approved the addendum to the "Group Agreement" negotiated between the Bank and the Bank's corporate unions.
 - ⑥ Approved the annual assessment of the monthly remuneration of the Bank's managing directors (excluding managing independent directors) and directors (excluding general independent directors).
 - ⑦ Approved the annual assessment of the Bank's independent directors' monthly remuneration.
 - ⑧ Approved the annual assessment of compensation and welfare of the Chairperson of the Bank.
- (2) The 34th Board of Directors Meeting of the 25th Term was held on February 25, 2020:
- ① Approved the retirement of Ms. Tsai-Feng Lin, SVP & Division Head of Financial Management Division.
 - ② Approved the "Statement of Risk Appetite of Chang Hwa Bank for FY 2020."
 - ③ Approved the proposal for the shareholders' meeting to recognize the Bank's 2019 Annual Report of Operations and Financial Statements.
 - ④ Approved the amendment of the Bank's "Internal Control System for Securities Firms."
 - ⑤ Approved the change of the Bank's Accounting Officer (SVP & Division Head of Financial Management).
- (3) The 35th Board of Directors Meeting of the 25th Term was held on March 20, 2020:
- ① Approved the amendment of some articles of the Bank's Articles of Incorporation.
 - ② Approved the amendment of the Bank's "Audit Committee Organization Regulations."
 - ③ Approved the Bank's "Statement on Internal Control System for Anti-Money Laundering and Countering Financing of Terrorism (AML/CFT)" for FY 2019.
 - ④ Approved the Bank's Statement of Internal Control System for FY 2019.
 - ⑤ Approved the appointment and remuneration of the Bank's financial and tax accountants for the year 2020.
 - ⑥ Approved the election of the Bank's 26th term directors (including independent directors).
 - ⑦ Approved the release of the 26th term directors (including independent directors) from the prohibition of competition at the 2020 Annual General Meeting of Shareholders of the Bank.
 - ⑧ Approved the proposal to hold the 2020 General Meeting of Shareholders of the Bank.
- (4) The 36th Board of Directors Meeting of the 25th Term was held on April 17, 2020:
- ① Approved the amendment of the Bank's "Internal Control System for the Trust Enterprises."
 - ② Approved the amendment of the Bank's "Internal Control System for Securities Firms."
 - ③ Approved the proposal of the Shareholders' Meeting to approve the distribution of the Bank's 2019 earnings.
 - ④ Approved the proposal to issue new shares by transferring surplus to shareholders.
 - ⑤ Noted the report on the Bank's implementation of the "Fair Trade Policy" in FY 2020.
- (5) The 37th Board of Directors Meeting of the 25th Term was held on May 7, 2020:
- ① Reviewed and approved the list of candidates for directors (including independent directors) of the Bank.
 - ② Approved the amendment of the Bank's Information Security Policy.
 - ③ Approved the amendment of the Bank's "Organizational Rules and Regulations."
 - ④ Approved the renewal of the Bank's directors' and officers' liability insurance.
- (6) The 38th Board of Directors Meeting of the 25th Term was held on June 12, 2020:
- ① Approved the amendment of the Bank's "Ethical Corporate Management Best Practice Principles."
 - ② Approved the amendment of the Bank's "Three Lines of Internal control Management Policy."
 - ③ Approved the amendment of the Bank's "Corporate Social Responsibility Best Practice Principles."
 - ④ Approved the amendment of the Bank's "Corporate Governance Best Practice Principles."
 - ⑤ Approved the amendment of the Bank's "Internal Control System for Securities Firms."
- (7) The 1st Board of Directors Meeting of the 26th Term was held on June 19, 2020:
- ① The Board of Directors elected from among themselves Independent Director Jung-Chun Pan, Director Joanne Ling, and Director Jui-Mu Huang as Managing Directors.
 - ② The Board of Directors elected Joanne Ling, Managing Director, as Chairperson of the Bank.
- (8) The 2nd Board of Directors Meeting of the 26th Term was held on July 27, 2020:
- ① Approved the amendment of the Bank's "Internal Control System for the Trust Enterprises."
 - ② Approved the amendment of the Bank's "Anti-Money Laundering and Countering Financing of Terrorism."

- ③ Approved the Bank's 2019 Annual Cash Dividend Distribution, Stock Dividend Allotment and Earnings Transfer Date, and the Common Stock Cash Dividend Payment Date.
 - ④ Approved the appointment of Mr. Jung-Chun Pan, an independent director, Mr. Chih-Jong Suen, an independent director, and Mr. Yu Xue Wu, a lawyer, as members of the Bank's 5th term Remuneration Committee.
 - ⑤ Approved the appointment of the Chairperson, three Independent Directors and the President of the Bank as members of the Bank's 2nd term Sustainable Development Committee.
 - ⑥ Approved the amendment of the Bank's "Internal Control System for Securities Firms."
- (9) The 3rd Board of Directors Meeting of the 26th Term was held on August 27, 2020:
- ① Approved the amendment of the Bank's "Internal Control System for Securities Firms."
 - ② Approved the amendment of the Bank's "Regulations on the Implementation of Compliance System."
 - ③ Approved the financial report of the Bank for the first half year of 2020.
 - ④ Approved the amendment of the "Internal Control System for Securities Brokerage Firm's Auxiliary Business of Futures Trading."
 - ⑤ Approved the 2019 Bank's annual directors' remuneration distribution plan.
 - ⑥ Approved the compensation and benefits for the Chairperson of the Board of Directors.
 - ⑦ Approved the monthly remuneration for managing directors (excluding managing independent directors) and directors (excluding general independent directors).
 - ⑧ Approved the monthly remuneration for independent directors.
- (10) The 4th Board of Directors' Meeting of the 26th Term was held on September 22, 2020:
- ① Approved the "Business Plan," "Capital Adequacy Assessment Results" and "Self-Assessment of Risk Indicators" for FY 2020.
 - ② Approved the amendment of the "Long-term Investment and Subsidiaries Management Guidelines" of the Bank.
 - ③ Approved the renewal of the application for the issuance of non-cumulative subordinated financial debentures with no maturity date of NT\$20 billion.
 - ④ Approved the appointment of Ms. Ya-Ling Lin and Ms. Hsiu-Chuan Teng as Vice President of the Bank.
 - ⑤ Approved the appointment of Ms. Mei-Fang Wu as the Chief Auditor of the Bank.
- (11) The 5th Board of Directors Meeting of the 26th Term was held on October 20, 2020:
- ① Approved the amendment of the Bank's "Management Guidelines for Overseas Subsidiaries."
 - ② Approved the amendment of the "Organizational Rules of the Remuneration Committee" of the Bank.
- (12) The 6th Board of Directors Meeting of the 26th Term was held on November 12, 2020:
- ① Approved the amendment of the Bank's "Financial Consumer Protection Policy."
 - ② Approved the amendment of the Bank's "Internal Control System for Securities Firms".
- (13) The 7th Board of Directors Meeting of the 26th Term was held on December 15, 2020:
- ① Approved the "Statement of Risk Appetite of Chang Hwa Bank for FY 2021."
 - ② Approved the amendment of the Bank's "Internal Control System for the Trust Enterprises."
 - ③ Noted the report on the Bank's communication with various stakeholders in 2020.
 - ④ Noted the report on the implementation of the Bank's Task Force on Climate-related Financial Disclosures (TCFD) proposal.
- (14) The 8th Board of Directors Meeting of the 26th Term was held on December 29, 2020:
- ① Approved the Bank's FY 2021 budget proposal.
 - ② Approved the Bank's FY 2021 audit plan.
 - ③ Noted the report on the Bank's Management Plan and Its Performance of IPs of 2020.
- (15) The 9th Board of Directors Meeting of the 26th Term was held on January 28, 2021:
- ① Noted the report on implementation of the Bank's Ethical Corporate Management Best Practice Principles for FY 2020.
 - ② Noted the report on the implementation of Human Rights Due Diligence for the year ended December 31, 2020.
 - ③ Approved the amendment of the Bank's "Internal Control System for Securities Firms."
 - ④ Approved the Bank's Corporate Social Responsibility working plan of 2021.
 - ⑤ Noted the result of the performance evaluation for the Board of Director and Functional Committees of 2020.

3. Important resolutions of the Board of Directors from January 1, 2021 to the date of publication of the Annual Report:

Please refer to the "Corporate Governance" section of the Bank's official website → Material Resolutions of the Board of Directors.

n. For the most recent year and as of the date of publication of the annual report, the directors had different opinions on important resolutions passed by the Board of Directors, and there are records or written statements of such opinions.

Date and Term	Resolution	Directors' opinion
June 19, 2020 The 1 st Board of the Directors' Meeting of 26 th term	The Directors elected from among themselves Independent Director Jung-Chun Pan, Director Joanne Ling and Director Jui-Mu Huang as Managing Directors.	1. Director Hwai-Chou Chen's opinion: As a natural person director, I oppose the election of the delegate director of the Ministry of Finance as a managing director because I think it is inconsistent with the interpretation of the laws and regulations. 2. Independent Director Jong-Horng Lin's opinion: Please refer to "D.a.1.(2) Except for the matters listed above, other resolutions of the Board of Directors that are opposed or reserved by the independent directors of which records or written statements."

o. Disclosures the resignation or dismissal of managerial officer

March 31, 2021

Title	Name	Date of Appointment	Date of Dismissal	Reasons for Resignation or Dismissal
Financial Management Division SVP & Division Head	Tsai-Feng, Lin	August 1, 2007	March 1, 2020	Mandatory Retirement
EVP & Chief Auditor	Ya-Ling, Lin	July 26, 2016	January 18, 2021	Job Relocation
President	Jui-Mu, Huang	April 12, 2019	March 15, 2021	Relief of office

E. Information on the Professional Fees of the CPAs

Professional Fees of the CPAs

Name of Accounting Firm	Name of the CPAs		Audit Period	Remarks
Deloitte & Touche	Jimmy S.Wu	Titan Lee	1/1/2019-31/12/2019	Internal adjustment of the accounting firm
Deloitte & Touche	Amanda Wu	Titan Lee	1/1/2020-31/12/2020	

Note: Reason for independent auditor replacement is internal organizational adjustment for Deloitte & Touche.

Unit: NT\$ thousand

Professional Fee Item		Audit Fee	Non-Audit Fee	Total
Fee Range				
1	Less than 2,000			
2	2,000 (inclusive) ~ 4,000			
3	4,000 (inclusive) ~ 6,000			
4	6,000 (inclusive) ~ 8,000			
5	8,000 (inclusive) ~ 10,000	9,440		9,440
6	10,000 (inclusive)		14,230	14,230

a. Whether non-audit fees paid to the CPA, to the accounting firm of the CPA, and to any affiliated enterprise of such accounting firm are equivalent to one quarter or more of the audit fees paid to them:

Accounting Firm	Name of the CPAs	Audit	Non-audit fees					CPAs review period	Remarks	
			System Design	Corporate Registration	Human Resources	Other	Subtotal			
Deloitte & Touche	Amanda Wu	9,440	1,590				12,640	14,230	109.1.1-109.12.31	Non-audit "Other" services fees include: information security and penetration testing project, network security compliance review project, anti-money laundering and counter financing terrorism reporting project, personal data protection system implementation project, etc.
	Titan Lee									

b. Change in accounting firm and decrease in audit fees in the year of change compared to the audit fees in the year before the change:

None.

c. In the event that the audit fee is reduced by 10% or more from the previous year:

None.

F. Information on Change of Accountant

a. About the former accountant

Replacement Date	March 20, 2020		
Reasons for the change and explanation	Internal organizational adjustment of the accounting firm		
To state whether the appointment was terminated or not accepted by the appointor or the accountant	Event	Accountant	Appointer
	Terminate the appointment voluntarily	Not applicable	
	No longer accept (continue) the appointment	Not applicable	
Opinions on audit reports other than unqualified opinions issued within the last two years and the reasons for them	None		
Whether there is any disagreement with the Bank	Yes		Accounting Principles and practices
			Disclosure of Financial Reports
			Scope or Procedure of Audit
			Other
	None	✓	
	Reason		
Other disclosures (to be disclosed under Article 10.6.A.d of the Regulations Governing Information to be Published in Annual Reports of Bank.)	None		

b. About the successor to the accountant

Name of Firm	Deloitte & Touche
Name of Accountant	Amanda Wu
Date of appointment	March 20, 2020
Matters on which we have consulted prior to the appointment regarding the accounting treatment or accounting principles for specific transactions and the possible issuance of opinions on financial reports and the results there of	None
Written opinion of the successor accountant on matters on which the predecessor accountant disagreed	None

c. The former accountant's response to Point 3, Item 2 and Item 1, Subparagraph 6, Article 10 of the Regulations Governing Information to be Published in Annual Reports of Bank:

None.

G. The Bank's Chairperson, President, or any Managerial Officer in Charge of Finance or Accounting Matters Has in the Most Recent Year Held a Position at the Accounting Firm of Its Certified Public Accountant or at an Affiliated Enterprise

None.

H. The Changes in Shareholding

- a. Changes in Shareholdings of Directors, Executive Officers, and Shareholders Conform to the Regulations Governing the Same Person or Same Concerned Party Holding the Issued Shares with Voting Rights over a Particular Ratio of a Bank, Article 11

Title	Name	2020		As of Mar. 31, 2021	
		Changes in shareholding	Changes in pledged shareholding	Changes in shareholding	Changes in pledged shareholding
Chairperson (Delegate of Ministry of Finance (MOF))	Joanne Ling	0	0	0	0
Managing Director and President (Delegate of MOF)	Chao-Chung Chou (Note 1)	-	-	0	0
Managing Director (Independent Director)	Jung-Chun Pan	0	0	0	0
Director (Delegate of National Development Fund, Executive Yuan)	Chien-Yi Chang	0	0	0	0
Director (Delegate of Chunghwa Post Co., Ltd.)	Chia-Chi Hsiao	0	0	0	0
Director	Wen-Siung Lee	0	0	0	0
Director	Julius Chen	6,432	0	0	0
Director (Independent Director)	Jong-Horng Lin	0	0	0	0
Director (Independent Director)	Chih- Jong Suen	0	0	0	0
Executive Vice President	Bin Chen	9,000	0	0	0
	Chang-Hua Cheng	4,158	0	0	0
	Ya-Ling Lin	56	0	0	0
	Hsiu-Chuan Teng	27	0	0	0
EVP & Chief Compliance Officer	Jih-Cheng Yang	630	0	0	0
EVP & Chief Auditor	Mei-Fang Wu	0	0	0	0
SVP & Division Head	Nell-H. Tseng	0	0	0	0
	Hsueh-Ni Hsieh	1,628	0	0	0
	Yu-Hsueh Liu	1,069	0	0	0
	Chiou-Yueh Chen	909	0	0	0
	Chih-Chen Hsu	0	0	0	0
	Li-Ling Lan	1,639	0	0	0
	Yu-Chin Fan	1,419	0	0	0
	Rueih-Hwa Cheng	8,633	0	0	0
	Hsiu-Hsia Tsai	572	0	0	0
	Hsiu-Luan Hsieh	544	0	0	0
	Shwu-Fang Wang	7,145	0	0	0
	Fu-Jinn Chiou	18	0	0	0
	Hsien-Lung Chen	0	0	0	0
	Kuei-Mei Hsu	623	0	0	0
	Hsiang-Chun Wu	0	0	0	0
Hui-Jen Wu	2,312	0	0	0	

Title	Name	2020		As of Mar. 31, 2021	
		Changes in shareholding	Changes in pledged shareholding	Changes in shareholding	Changes in pledged shareholding
SVP & Division Head	Hui-Yu Chen	0	0	0	0
	Ruei-Jan Chen	1,398	0	0	0
	Yu-Yeh Lin	10	0	0	0
	Jin-Yu Yeh	5,005	0	0	0
	Wen-Chung Huang	17	0	0	0
VP & GM	Yao-Ju Lu	1	0	0	0
	Shun-Hung Huang	4,532	0	0	0
	Shuo-Hung Huang	1,728	0	0	0
	Chuen-Lan Fu	0	0	0	0
	Hsiao-Hua Yin	454	0	0	0
	Li-Fen Tzeng	10,644	0	0	0
	Fang-Yuan Wu	1,744	0	0	0
	Rong-Horng Way	751	0	0	0
	Yen-Chun Chen	(8,364)	0	0	0
	You-Chen Lee	839	0	0	0
	Shiu-Hwa Chang	131	0	0	0
	Chiung-Hsiao Hung	2,854	0	0	0
	Mei-Ling Chiu	483	0	0	0
	Jiunn-Horng Lin	1,452	0	0	0
	Su-Min Hsin	491	0	0	0
	Ai-Ling Wang	1,539	0	0	0
	Jung-Chen	32	0	0	0
	Shinn-Guang Duh	314	0	0	0
	Kao-Jung Hsu	412	0	0	0
	Tung-Chia Lu	0	0	0	0
	Zih-Chang Lin	491	0	0	0
	Shu-Chung Chen	471	0	0	0
	Yu-Tang Shen	0	0	0	0
	Shu-Ju Tsai	1,651	0	0	0
	Cheng-I Huang	0	0	0	0
	Chien-Long Kuo	47	0	0	0
	Li-Min Cheng	145	0	0	0
	Li-Feng Shen	964	0	0	0
	Shyh-Maw Wang	476	0	0	0
	Su-Man Hsueh	559	0	0	0
	Chang-Ho Wang	1,530	0	0	0
	I-Hsin Weng	19	0	0	0
	Chang-Cheng Chu	3,999	0	0	0
	Hueih-Rur Shy	0	0	0	0
	Hsueh-Wen Wang	57	0	0	0
	Kui-Fang Tsai	378	0	0	0
	Huey-Wen Chang	0	0	0	0
	Chiu-Ling Chen	0	0	0	0
	Kui-Min Hsiao	45	0	0	0
	Chia-Chen Shen	466	0	0	0
	Hui-Ling Lee	0	0	0	0
	Yung-Ping Lin	670	0	0	0
	Ya-Cheng Chang (Note 1)	-	-	0	0



Title	Name	2020		As of Mar. 31, 2021	
		Changes in shareholding	Changes in pledged shareholding	Changes in shareholding	Changes in pledged shareholding
VP & GM	Hsi-Lung Wu	17	0	0	0
	Shu-Hsuan Lin	51	0	0	0
	Ai-Fen Hu	454	0	0	0
	Pi-Chin Shao	128	0	0	0
	Hui-Fang Chen	0	0	0	0
	Cheng-Chi Chuang	28	0	0	0
	Chi-Hsin Chao	0	0	0	0
	Chi-Tsung Shih	0	0	0	0
	Ting-Feng Cho	916	0	0	0
	Chih-Ning Chang	0	0	0	0
	Szu-Yen Lin	4,193	0	0	0
	Chin-Li Lin	11	0	0	0
	Su-Jane Lin	0	0	0	0
	Chun-Feng Lee	445	0	0	0
	Mei-Ching Chang	3,237	0	0	0
	Huei-Jin Lin	254	0	0	0
	Hui-Chen Tai	2,140	0	0	0
	Mei-Fen Shieh	37	0	0	0
	Shu-Hua Tsai	1,994	0	0	0
	Shu-Fen Liu	514	0	0	0
	Pan-Der Chin	28	0	0	0
	Jinn-Sheng Wu	22	0	0	0
	Zhen-Dong Jian	30	0	0	0
	Lan-Zu Lin	592	0	0	0
	Ying-Hui Hung	2,465	0	0	0
	Tsung-Jen Wang	19	0	0	0
	Shu-Fen Cheng	0	0	0	0
	Ho-Hsiung Huang	1,085	0	0	0
	Chun-Nu Yeh	39	0	0	0
	Chun-Yuan Chen	30	0	0	0
	Su-Chen Cheng	14	0	0	0
	Yao-Shen Hsieh	0	0	0	0
	Yi-Cheng Chu	0	0	0	0
	Tzy-Yun Chen	17	0	0	0
	Jenn-Shing Suen	0	0	0	0
	Lih-Lan Yang	7	0	0	0
	Yi-Huei Chiu	624	0	0	0
	Cheng-Hua Yin	0	0	0	0
	Shu-Chen Yang	55	0	0	0
	Quei-Ying Ho	2,763	0	0	0
Tsung-Ming Lai	0	0	0	0	
Yin-Chao Liao	22	0	0	0	
Su-Man Hsueh	559	0	0	0	
Chyi-Ying Yeh	1,203	0	0	0	
Feng-Pin Lu	68	0	0	0	
Wen-Chieh Chang (Note 1)	-	-	0	0	
Meng-Chen Chiang	2,504	0	(1,000)	0	

Title	Name	2020		As of Mar. 31, 2021	
		Changes in shareholding	Changes in pledged shareholding	Changes in shareholding	Changes in pledged shareholding
VP & GM	Chih-Feng Teng	278	0	0	0
	Mei-Hsing Lin	653	0	0	0
	Wei-Shuo Luo	853	0	0	0
	Mei-Lan Kuan	2,480	0	0	0
	Jia-Jen Hou	2,867	0	0	0
	Ya-Huei Hung	359	0	0	0
	Jui-Hui Hsu	511	0	0	0
	Lin-Li Ku	932	0	0	0
	Shr-Jan Tzeng	31	0	0	0
	Jiun-Uei Lin	2,341	0	0	0
	Pei-Fen Shieh	6,828	0	0	0
	Ai-Hsiu Lai	0	0	0	0
	Yueh-Chiu Lai	1,654	0	0	0
	Hsiu-O Hsieh	22	0	0	0
	Cheng-Chu Wang	5	0	0	0
	Yuan-Kuang Pan	43	0	0	0
	Jui-Yueh Wu	0	0	0	0
	Mei-Chun Tsou	0	0	0	0
	Chi-Min Chung	212	0	0	0
	Ya-Fang Lee	493	0	0	0
	Ming-Thur Chen	1,141	0	0	0
	Chi-Hsiang Chen	42	0	0	0
	Su-Ming Cheng	725	0	0	0
	Feng-Fuh Chang	38	0	0	0
	Shiow-Ling Kao	45	0	0	0
	Lin-Ling Chen	788	0	0	0
	Kun-Lin Lee	200	0	7,000	0
	Kuo-Lung Lin (Note 1)	-	-	0	0
	Chiu-Min Shen	78	0	0	0
	Shao-Mao Wang	3,806	0	0	0
	Tsuey Shya-Jang	517	0	0	0
	Pei-Chung Yang	1,857	0	0	0
	Chun-Hong Yeh	20	0	0	0
	Kuen-Shan Wang	134	0	0	0
	Kuo-Heng Hsu	434	0	0	0
	Wen-Ching Chen	1,602	0	0	0
	Shu-Lin Liu	1,756	0	0	0
	Yu-Fang Chang	0	0	0	0
	Li-Mei Chang	948	0	0	0
	Tain-Maw Chang	236	0	0	0
Yuan-Fen Chen	539	0	0	0	
Yi-Chen Wang	4,073	0	0	0	
Chia-Yu Chang	(26,254)	0	0	0	
Chin-Ping Lai	(25,156)	0	0	0	
Ruei-Jui Chen	3,352	0	0	0	
Ming-Chuan Lin	3,863	0	0	0	
A-R Liu	702	0	0	0	



Title	Name	2020		As of Mar. 31, 2021	
		Changes in shareholding	Changes in pledged shareholding	Changes in shareholding	Changes in pledged shareholding
VP & GM	Chih-Hao Lo	38	0	0	0
	Weng-Chung Chen	1,986	0	0	0
	Ji-Ming Huang	56	0	0	0
	Ti-Tien Liao	89	0	0	0
	Jui-Hung Weng	212	0	0	0
	Chiou-Shin Liang	0	0	0	0
	Wen-Ling Tsai	79	0	0	0
	Ming-Jer Lin	187	0	0	0
	Lih-Lan Kuo	0	0	0	0
	Kung-Ming Chang	4,158	0	0	0
	Tung-Sheng Huang	152	0	0	0
	Shinn-Huei Leu	502	0	0	0
	Pin-Shen Ho	0	0	0	0
	Chung-Shing Ho	0	0	0	0
	Show- Fone Lu	(38,851)	0	0	0
	Shu-Hui Ke	0	0	0	0
	Hsui-Chin Hsu	0	0	0	0
	Chen-Ying Wu	148	0	0	0
	Shu-Chuan Lin	42	0	0	0
	Mei-Hui Wu	439	0	0	0
	Shu-Hui Lin	0	0	0	0
	Yen-Yu Liu	24	0	0	0
	Fen-Lan Lu	1,463	0	0	0
	Lun-Jan Lan	482	0	0	0
	Li-Chu Shu	11	0	0	0
	Yu-Tang Wu	0	0	0	0
	Hsiu-Chih Huang	2,114	0	0	0
	Chen-Huan Liu	0	0	0	0
	Shu-Li Chang	578	0	0	0
	Hui-Ju Lee	1,904	0	0	0
	Show-Ching Chen	1	0	0	0
	Hsu-Lin Huang	7,454	0	0	0
	Su-Chuan Wang	110	0	0	0
	Shwu-Ruu Lee	2,251	0	0	0
	Su-Wei Liang	959	0	0	0
	Chih-Ming Kuo	(9,198)	0	0	0
	Shu-Fen Wu	708	0	0	0
	Shen-Hui Lu	1,380	0	0	0
	Shu-Fen Lee	3,021	0	0	0
	Yung-Sheng Chen	48	0	0	0
	Chia-Hsiang Tsai	0	0	0	0
Ying-Dai Chen	0	0	0	0	
Shu-Mei Yeh	0	0	0	0	
Shu-Hei Chang	2,018	0	0	0	
Wen-Ko Ho	0	0	0	0	
Chiang-An Chang	3,730	0	0	0	
Ching-Chung Chen	38	0	0	0	

Title	Name	2020		As of Mar. 31, 2021	
		Changes in shareholding	Changes in pledged shareholding	Changes in shareholding	Changes in pledged shareholding
VP & GM	Shu-Yun Hsu	142	0	0	0
	Hsiu-Yun Shih	0	0	0	0
	Ming-Han Tsai	4	0	0	0
	Lien-Chen Shih (Note 1)	-	-	0	0
	Wen-Ching Chang	145	0	0	0
	Che-Fang Hung	822	0	0	0
	Chien-Shan Liu	0	0	0	0
	Wan-Chin Chang	6,792	0	0	0
	Li-fang Liu	0	0	0	0
	Cheng-Yi Hsieh	0	0	0	0
	Chien-Mei Yu	667	0	0	0
	Chin-Lung Pan	241	0	0	0
	Kwang-Wu Liu	0	0	0	0
The Government or Juristic Person Shareholder Representative by Director (Major Shareholder) (Note 2)	Ministry of Finance	48,700,301	0	0	0
The Government or Juristic Person Shareholder Representative by Director (Major Shareholder) (Note 2)	National Development Fund, Executive Yuan	10,982,204	0	0	0
The Government or Juristic Person Shareholder Representative by Director (Major Shareholder) (Note 2)	Chunghwa Post Co., Ltd.	23,966,445	0	0	0
Same Person or Same Concerned Party holding 10% or more of the shares (Note 3)	Taishin Financial Holding Co., Ltd.	90,052,278	0	0	0
	Taishin International Bank Co., Ltd. (Note 4)	1,061,330	0	0	0

Note 1: New appointment in 2021.

Note 2: The shareholder holding 1% or more of the Bank's shares.

Note 3: Shareholders conform to the Regulations Governing a Same Person or Same Concerned Party Holding the Issued Shares with Voting Rights over a Particular Ratio of a Bank, Article 11.

Note 4: Subsidiary of TSFHC.

b. Information of shareholding transfer

None.

c. Information for shareholding pledge

None.

I. Information Disclosing the Relationship between Any of the Bank's Top Ten Shareholders

April 20, 2021

Name	Shareholding		Shareholding by Spouse & Minor Children		Shareholding under Others' Name		Names and the Relationship among the Top Ten Shareholders in the Relationship of Related Parties or Spouses, Blood Relatives within the Second Degree of Kinship		Note
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Taishin Financial Holding Co., Ltd. (Representative Thomas T.L. Wu)	2,341,359,234	22.55	0	0	0	0	Excel Chemical Co., Ltd.	Chairman of Excel Chemical Co., Ltd. as representative of a Juristic Person Director and major shareholder's Chairman of Taishin Financial Holding Co., Ltd.	None
Ministry of Finance (Representative Jain-Rong Su)	1,266,207,840	12.19	0	0	0	0	First Commercial Bank Co., Ltd.	Ministry of Finance as a Shareholder representative by Director of First Commercial Bank Co., Ltd.'s parent company, First Financial Holding Co., Ltd.	None
							Taiwan Tobacco & Liquor Corporation	Taiwan Tobacco & Liquor Corporation, a state-owned enterprise, 100% owned by the Ministry of Finance	
							Mega International Commercial Bank Co., Ltd.	Ministry of Finance as a Shareholder representative by Director of Mega International Commercial Bank's parent company, Mega Financial Holding Co., Ltd.	
							Taiwan Cooperative Bank, Co., Ltd.	Ministry of Finance as a Shareholder representative by Director of Taiwan Cooperative Bank's parent company, Taiwan Cooperative Financial Holding Co., Ltd.	
							Hua Nan Commercial Bank, Co., Ltd.	Ministry of Finance as a Shareholder representative by Director of Hua Nan Commercial Bank's parent company, Hua Nan Financial Holding Co., Ltd.	
Chunghwa Post Co., Ltd. (Representative Hong-Mo Wu)	623,127,589	6.00	0	0	0	0	Mega International Commercial Bank Co., Ltd.	Chunghwa Post Co., Ltd. as a Juristic Person Shareholder representative by Director of Mega International Commercial Bank's parent company, Mega Financial Holding Co., Ltd.	None
First Commercial Bank Co., Ltd. (Representative Ye-Chin Chiou)	401,000,567	3.86	0	0	0	0	Ministry of Finance	Ministry of Finance as a Shareholder representative by Director of First Commercial Bank's parent company, First Financial Holding Co., Ltd.	None
Excel Chemical Co., Ltd. (Representative Cheng-Ching Wu)	286,434,279	2.76	0	0	0	0	Taishin Financial Holding Co., Ltd.	Chairman of Excel Chemical Co., Ltd. as representative of a Juristic Person Director and major shareholder's Chairman of Taishin Financial Holding Co., Ltd.	None
							Mega International Commercial Bank Co., Ltd.	Mega International Commercial Bank Co., Ltd. as a Juristic Person Shareholder representative by Director of Excel Chemical Co., Ltd.	



Name	Shareholding		Shareholding by Spouse & Minor Children		Shareholding under Others' Name		Names and the Relationship among the Top Ten Shareholders in the Relationship of Related Parties or Spouses, Blood Relatives within the Second Degree of Kinship		Note
	Shares	%	Shares	%	Shares	%	Name	Relationship	
National Development Fund, Executive Yuan (Representative Ming-Hsin Kung)	285,537,321	2.75	0	0	0	0	Mega International Commercial Bank Co., Ltd.	National Development Fund, Executive Yuan as a Juristic Person Shareholder representative by Director of Mega International Commercial Bank's parent company, Mega Financial Holding Co., Ltd.	None
Taiwan Tobacco & Liquor Corporation (Representative Yen-che Ting)	236,227,096	2.27	0	0	0	0	Ministry of Finance	Taiwan Tobacco & Liquor Corporation, a state-owned enterprise, 100% owned by the Ministry of Finance	None
Mega International Commercial Bank Co., Ltd., Head Office, Treasury Department (Representative Chao-Shun Chang)	200,356,296	1.93	0	0	0	0	Ministry of Finance	Ministry of Finance as a Shareholder representative by Director of Mega International Commercial Bank's parent company, Mega Financial Holding Co., Ltd.	None
							Chunghwa Post Co., Ltd.	Chunghwa Post Co., Ltd. as a Juristic Person Shareholder representative by Director of Mega International Commercial Bank's parent company, Mega Financial Holding Co., Ltd.	
							National Development Fund, Executive Yuan	National Development Fund, Executive Yuan as a Shareholder representative by Director of Mega International Commercial Bank's parent company, Mega Financial Holding Co., Ltd.	
Taiwan Cooperative Bank Co., Ltd. (Representative Chung-dar Lei)	150,577,549	1.45	0	0	0	0	Ministry of Finance	Ministry of Finance as a Shareholder representative by Director of Taiwan Cooperative Bank's parent company, Taiwan Cooperative Financial Holding Co., Ltd.	None
Hua Nan Commercial Bank Co., Ltd. (Representative Derek Chang)	150,563,189	1.45	0	0	0	0	Ministry of Finance	Ministry of Finance as a Shareholder representative by Director of Hua Nan Commercial Bank's parent company, Hua Nan Financial Holding Co., Ltd.	None

J. Omnibus Shareholding Ratio

December 31, 2020 Unit: Shares: %

Invested Venture (Note 1)	The Bank's Investment		The investment subsidiaries directly or indirectly controlled and managed by directors, supervisors, general managers, executive vice president, the chief of each division or branch and the Bank (Note 4)		Omnibus Investment	
	Shares	%	Shares	%	Shares	%
Taiwan Stock Exchange Corporation	22,515,177	3.00	0	0	22,515,177	3.00
Taiwan Sugar Corporation	23,246,159	0.41	0	0	23,246,159	0.41
Taiwan Power Company	235,726,532	0.71	4,388	0.00	235,730,920	0.71
Taipei Forex Inc	700,000	3.53	0	0	700,000	3.53
Lien-An Service Corporation	125,000	5.00	0	0	125,000	5.00
CDIB & Partners Investment Holding Corp.	54,000,000	4.95	0	0	54,000,000	4.95
Nomura Asset Management Taiwan Ltd.	1,413,725	4.09	0	0	1,413,725	4.09
Financial Information Service Co., Ltd.	6,229,800	1.19	6,284,653	1.20	12,514,453	2.40
Taiwan Futures Exchange	3,683,018	1.00	2,762,257	0.75	6,445,275	1.75
Asia Pacific Telecom	9,831,471	0.26	39,887	0.00	9,871,358	0.26
Taiwan Asset Management Corporation	120,000,000	11.35	0	0	120,000,000	11.35
Taiwan Financial Asset Service Corporation	5,000,000	2.94	0	0	5,000,000	2.94
Financial ESolution Co., Ltd.	905,475	4.12	0	0	905,475	4.12
Taiyu Products Corporation	5,748,382	4.77	0	0	5,748,382	4.77
Taiwan Depository & Clearing Corporation	322,862	0.08	0	0	322,862	0.08
Sun Asset Management Co., Ltd.	41,768	0.70	0	0	41,768	0.70
Taiwan Mobile Payment Co., Ltd.	1,800,000	3.00	2,400,000	4.00	4,200,000	7.00
Taiwan Urban Regeneration & Financial Services Co., Ltd.	2,500,000	5.00	0	0	2,500,000	5.00
Taiwan High Speed Rail Corporation	44,500,000	0.79	120,063,185	2.13	164,563,185	2.92
Shin Kong Financial Holding Co., Ltd.	50,746,125	0.39	145,626	0	50,891,751	0.39
Chang Hua Commercial Bank, Ltd. (Note 2)	-	100.00	0	0	-	100.00
CHB Venture Capital Co., Ltd. (Note3)	60,000,000	100.00	0	0	60,000,000	100.00

Note 1: Pursuant to Article 74 of the Banking Act.

Note 2: Chang Hua Commercial Bank, Ltd. is a wholly-owned subsidiary of the Bank, without issued shares and a capital contribution of CNY 2,500,000 thousand dollars.

Note 3: CHB Venture Capital Co., Ltd. is a wholly-owned subsidiary of the Bank.

Note 4: Government or Juristic Person Shareholder Representative by Director are included.



IV | Fund-Raising Status

A. Shares and Dividends

a. Source of capital:

Year / Month	Par Value	Authorized Capital		Paid-in Capital		Remarks	
		Shares	Amount	Shares	Amount	Source of Capital	Others
Dec. 2020	NT\$ 10	11,000,000,000	110,000,000,000	10,384,723,606	103,847,236,060	Capitalization of Additional Paid-In Capital NT\$ 7,322,073,289	Letter No. 0910135530 issued by MOF registration effective on June 28, 2002.
						Capitalization of Cash NT\$ 17,197,857,875	Letter No. 0920144278 issued by MOF registration effective on September 18, 2003.
						Capitalization of Cash (private placement) NT\$ 14,000,000,000	Letter No. 0942000915 issued by FSC registration effective on September 29, 2005. Letter No. 109033812 issued by FSC registration effective on March 23, 2020. (applied for public offerings); listed date: Mar. 31, 2020.
						Capitalization of Earnings NT\$ 65,327,304,896	July 20, 2020 Financial Supervisory Commission (FSC) Approval

Type of Stock	Authorized Capital			Remarks
	Outstanding Shares	Non-Issued Shares	Total	
Common Stock	10,384,723,606	615,276,394	11,000,000,000	Listed Stocks

b. Shareholder Structure:

Apr 20, 2021

Shareholder	Government Agencies	Financial Institutions	Other Legal Person	Individuals	Foreign Institutions and Individuals	Total
Quantity						
Number of Shareholders	10	54	453	199,271	541	200,329
Number of Shares Held	1,846,443,837	4,340,989,927	832,872,039	2,129,282,197	1,235,135,606	10,384,723,606
Shareholding percentage (%)	17.78	41.80	8.02	20.50	11.90	100

c. Distribution of shareholders:

Apr 20, 2021 / Par value NT\$ 10

Tiers of Shareholding	Number of Shareholders	Total Shares Held	Shareholding Percentage (%)
1 ~ 999	67,830	17,121,965	0.16
1,000 ~ 5,000	70,808	163,839,306	1.58
5,001 ~ 10,000	25,275	179,585,148	1.73
10,001 ~ 15,000	10,257	122,875,395	1.18
15,001 ~ 20,000	7,343	126,301,706	1.22
20,001 ~ 30,000	6,008	146,130,468	1.41
30,001 ~ 50,000	5,256	199,901,103	1.92
50,001 ~ 100,000	3,958	271,901,867	2.62
100,001 ~ 200,000	2,065	283,423,658	2.73
200,001 ~ 400,000	791	214,347,727	2.06
400,001 ~ 600,000	224	110,040,705	1.06
600,001 ~ 800,000	112	76,449,165	0.74
800,001 ~ 1,000,000	55	49,307,147	0.47
1,000,001 ~	347	8,423,498,246	81.12
Total	200,329	10,384,723,606	100.00

d. Major shareholders:

Apr 20, 2021

Ranking	Shareholders	Number of Shares Held	Shareholding percentage (%)
1	Taishin Financial Holding Co., Ltd.	2,341,359,234	22.55
2	Ministry of Finance	1,266,207,840	12.19
3	Chunghwa Post Co., Ltd.	623,127,589	6.00
4	First Commercial Bank Co., Ltd.	401,000,567	3.86
5	Excel Chemical Co., Ltd.	286,434,279	2.76
6	National Development Fund, Executive Yuan	285,537,321	2.75
7	Taiwan Tobacco and Liquor Corporation	236,227,096	2.27
8	Mega International Commercial Bank Co., Ltd., Head Office Treasury Department	200,356,296	1.93
9	Taiwan Cooperative Bank Co., Ltd.	150,577,549	1.45
10	Hua Nan Commercial Bank Co., Ltd.	150,563,189	1.45
11	Land Bank of Taiwan Co., Ltd.	124,800,000	1.20
12	Taiwan Business Bank Co., Ltd.	124,649,910	1.20
13	Bank of Taiwan Co., Ltd.	111,857,844	1.08
14	Labor Pension Fund (The Old Fund)	109,510,059	1.05

Note: The table shows shareholders that held more than 1%.

e. Market Price Per Share, Net Assets Per Share, EPS, Dividends and Other Relevant Information for the Past Two Fiscal Years:

Unit: NTS

Items		FY	2020	2019
Price per Share	Highest		23.60	24.00
	Lowest		16.80	17.10
	Average		19.29	20.29
Net Value per Share	Before Distribution		15.89	16.25
	After Distribution		15.38	15.24
Earnings per Share	Weighted Average Number of Shares (Thousand Shares)		10,384,724	9,985,311
	Earnings per share	Before Amendment	0.68	1.15
		After Amendment	0.67	1.11
Dividend per Share	Cash Dividends (Note 1)		0.36	0.4
	Stock Dividends	Dividends from Retained Earnings	0.1	0.4
		Dividends from Capital Surplus	-	-
	Accumulated Undistributed Dividends		-	-
Return on Investment Analysis	Price/Earnings Ratio (Note 2)		28.37	17.64
	Price/Dividend Ratio (Note 3)		53.58	50.73
	Cash Dividend Yield Rate (%) (Note 4)		1.87	1.97

Note1: The earnings distribution of 2020 has not yet been approved by the 2021 general shareholders meeting.

Note 2: Price/Earnings Ratio= Average Market Price/ Earnings per Share.

Note 3: Price/Dividend Ratio= Average Market Price/ Cash Dividends per Share.

Note 4: Cash Dividend Yield Rate=Cash Dividends Per Share/ Average Market Price.

f. Dividend policies and implementation:

1. Dividend policies :

According to Article 38-1 of Articles of Incorporation of the Bank, the dividend policies are as follows:

After the final closing of accounts, surplus, if any, shall be used to make up for the prior year's loss and payment of tax before setting aside 30% of the net profit as statutory reserve in accordance with Banking Act and provision or reverse of special reserves under other relevant laws. The rest of surplus at the said year and other undistributed surplus of previous years as distributed shareholder's dividends and bonuses can be allocated 30% to 100% proposed by the Board of Directors and approved at the Shareholders' General Meeting before actual distribution.

In order to continuously expand the Bank's operation and increase its profitability, the Bank adopts the residual dividend approach. According to the Bank's business needs and taking into account future plan for capital budgeting, shareholders' dividend and bonuses shall be given primarily in the form of stock dividend in order to reserve an amount for necessary funds and distribute the remainder in the form of cash, provided such cash dividend shall not be less than 10% of the total dividends. No cash dividend will be distributed if the cash dividend falls short of NT 0.1 per share, unless otherwise determined in the shareholders' meeting.

The Bank shall not distribute cash profits or buy back shares if any situation stipulated in Article 44-1, paragraph 1 of the Banking Act occurs.

If the total amount of the legal reserve as stipulated in subparagraph 1 has not reached the total amount of capital, the amount of profit distributed as cash may not exceed 15% of the total capital.

In the event that the legal reserve equals or exceeds the Bank's paid-in capital or the Bank is sound in both its finance and business operations and has set aside legal reserve in compliance with the Company Law, the restrictions stipulated in paragraph 1 and paragraph 4 shall not apply.

2. The dividend distribution proposed by the shareholders' meeting:

(1) A cash dividend (NT\$ 0.36 per share) is distributed among common stockholders: a total of NT \$3,738,500,498.

(2) A stock dividend (NT\$0.1 per share) is distributed among common stockholders: a total of NT\$ 1,038,472,360.

g. The Effects of Stock Dividends Proposed by Shareholders' Meeting on the Operation Results and Earnings Per Share:

According to "Regulations Governing the Publication of Financial Forecasts of Public Companies" and "Criteria for Judging Whether a Listed Company Publishes Complete Financial Forecasts" announced by the Taiwan Stock Exchange Corporation, the Bank did not publish its 2021 financial forecasts. The Bank is unable to disclose the forecasts, affected by distributing stock dividends mentioned above, for operating income, profits, losses, and earnings per share; hence this item is not applicable for the Bank.

h. Employee remuneration and director compensation:

1. According to Article 38 of Articles of Incorporation of the Bank, the Employee remuneration and director compensation are as follow:

At the end of fiscal year, profit (profit refers to profit before tax and before deduction of bonuses of employees and compensation of directors), if any, shall be distributed with 1% to 6% of the profit as employees' compensation and up to 0.8% distributed as compensation of directors. However, if the Bank has any accumulated losses, profits shall be reserved to cover such amounts first.

The aforementioned bonuses of employees can be in the form of stocks or cash; while compensation for directors shall be in the form of cash.

The aforementioned bonuses and compensation shall be proposed at the Board of Directors' Meeting attended by at least two-thirds of the directors and approved by at least half the directors present at the meeting, and reported at the Shareholders' Meeting.

2. The difference between estimated and actual employee bonuses and remuneration to directors as well as actual stock dividends distributed amount shall be handled by accountants as follows:

During the fiscal year for employees providing labor services, employees' bonuses and compensation to directors shall be adequately estimated and recognized as expenses based on past experiences. If the amounts are changed after approved annual financial statement releases in the following year, the changes shall be handled as per the "changes in accounting estimates" procedure and recognized as profit & loss of the following year.

3. The information of proposed distribution approved by the Board of Directors:

(1) Payment in cash bonus to employees is NT\$360,242,359, stock bonus to employees is NT\$0 and compensation to directors in cash is NT\$ 28,995,117. The total amount of above payment is different from the estimated amount which was recognized as expense in fiscal year. The difference between two amounts is NT\$ 85,662,524, caused by the change of accounting estimation and recognized as the profit & loss in 2021.

(2) The proportion of the proposed distribution amount of employees' stock bonus to net income, and the sum of employees' bonus:None.

4. Actual earnings distribution to employees' bonus and compensation to directors for the previous year:

In the previous year (2019), the Bank distributed cash bonus to employee of NT\$ 714,177,900, the Director (excluding Independent Director) remuneration totaled NT\$57,134,232, the same as what had been approved at the General Shareholders' Meeting.

- i. Repurchase of the Banks' Shares: None.



B. Issuance Status of Financial Bonds

Types of Financial Bonds	1 st Subordinate Financial Debentures Issue in 2011	2 nd Subordinate Financial Debentures Issue in 2011	1 st Subordinate Financial Debentures Issue in 2014	1 st Subordinate Financial Debentures Issue in 2016	1 st Subordinate Financial Debentures Issue in 2017
Date and serial No. approved by authority	April 20, 2010 Letter No. (FSC) Gin-Guan-Ying Guo 09900131270	April 20, 2010 Letter No. (FSC) Gin-Guan-Ying Guo 09900131270	June 13, 2013 Letter No. (FSC) Gin-Guan-Ying Guo 10200162140	August 23, 2016 Letter No. (FSC) Gin-Guan-Ying Guo 10500201300	August 23, 2016 Letter No. (FSC) Gin-Guan-Ying Guo 10500201300
Issuing Date	March 11, 2011	April 18, 2011	April 16, 2014	September 27, 2016	March 29, 2017
Face Value	10 million	10 million	10 million	10 million	10 million
Issuance & Trading Location	Taipei City	Taipei City	Taipei City	Taipei City	Taipei City
Currency	NT\$	NT\$	NT\$	NT\$	NT\$
Offering Price	Issued at Par Value	Issued at Par Value	Issued at Par Value	Issued at Par Value	Issued at Par Value
Issuing Amount	B: 1,100,000	6,700,000	A: 2,200,000 B: 5,300,000 C: 2,500,000	A: 3,000,000 B: 3,300,000	A: 1,530,000 B: 8,670,000
Coupon Rate	B: 1.72%	The annual rate is a floating rate of the index rate (Note) plus 0.20%.	A: 1.70% B: 1.85% C: The annual rate is a floating rate of the index rate (Note) plus 0.45%.	A: 1.09% B: 1.20%	A: 1.50% B: 1.85%
Maturity	B: 10-year term maturity date: March 11, 2021	10-year term, maturity date: April 18, 2021	A: 7-year term, maturity date: April 16, 2021 B: 10-year term, maturity date: April 16, 2024 C: 10-year term, maturity date: April 16, 2024	A: 7-year term, maturity date: September 27, 2023 B: 10-year term, maturity date: September 27, 2026	A: 7-year term, maturity date: March 29, 2024 B: 10-year term, maturity date: March 29, 2027
Rank	Second-Lien	Second-Lien	Second-Lien	Second-Lien	Second-Lien
Guarantor	-	-	-	-	-
Trustee	-	-	-	-	-
Underwriter	-	-	-	-	-
Verification Lawyer	Lawyer Ya-Ping Chaing	Lawyer Ya-Ping Chaing	Lawyer Ya-Ping Chaing	Lawyer Ya-Ping Chaing	Lawyer Ya-Ping Chaing
Verification Accountant	Deloitte & Touche Hung-Hsiang Tsai	Deloitte & Touche Hung-Hsiang Tsai	Deloitte & Touche Jerry Gung	Deloitte & Touche Jerry Gung	Deloitte & Touche Jerry Gung
Verification Financial Institution	-	-	-	-	-
Payment	Bullet	Bullet	Bullet	Bullet	Bullet
Outstanding Amount	B: 1,100,000	6,700,000	A: 2,200,000 B: 5,300,000 C: 2,500,000	A: 3,000,000 B: 3,300,000	A: 1,530,000 B: 8,670,000
Prior Year Paid-in Capital	62,094,756	62,094,756	77,490,592	84,573,232	84,573,232
Prior Year Net Book Value	79,154,442	79,154,442	103,084,694	126,514,896	126,514,896
Payment Status	Normal	Normal	Normal	Normal	Normal
Redemption or Early Settlement Terms	None	None	None	None	None
Conversion and Exchange Terms	None	None	None	None	None
Restriction Terms	Subordinate bonds	Subordinate bonds	Subordinate bonds	Subordinate bonds	Subordinate bonds
Use of Proceeds	To strengthen the capital structure according to the mid-to long-term requirements of the Bank	To strengthen the capital structure according to the mid-to long-term requirements of the Bank	To strengthen the capital structure according to the mid-to long-term requirements of the Bank	To strengthen the capital structure according to the mid-to long-term requirements of the Bank	To strengthen the capital structure according to the mid-to long-term requirements of the Bank
Debt/Prior Year Net Book Value (Debt includes current new issue plus all outstanding issue amount) (%)	39.99%	48.45%	51.66%	52.14%	38.90%
Ranking of Capital Assets (Tier I, Tier II ...)	Yes, Tier II	Yes, Tier II	Yes, Tier II	Yes, Tier II	Yes, Tier II
Credit Rating Agency, Rating Date and Rating	Taiwan Rating October 29, 2019 Bond Rating twAA	Taiwan Rating October 29, 2019 Bond Rating twAA	Taiwan Rating October 29, 2019 Bond Rating twA+	Taiwan Rating October 29, 2019 Bond Rating twAA+	Taiwan Rating October 29, 2019 Bond Rating twAA+

Types of Financial Bonds	1 st Non-cumulative perpetual Subordinate Financial Debentures Issue in 2018	2 nd Non-cumulative perpetual Subordinate Financial Debentures Issue in 2018	1 st Non-cumulative perpetual Subordinate Financial Debentures Issue in 2019	1 st Non-cumulative perpetual Subordinate Financial Debentures Issue in 2020	2 nd Non-cumulative perpetual Subordinate Financial Debentures Issue in 2020
Date and serial No. approved by authority	November 10, 2017 Letter No. (FSC) Gin-Guan-Ying Guo 10600263560	November 10, 2017 Letter No. (FSC) Gin-Guan-Ying Guo 10600263560	May 29, 2019 Letter No. (FSC) Gin-Guan-Ying Guo 10801084520	May 29, 2019 Letter No. (FSC) Gin-Guan-Ying Guo 10801084520	November 16, 2020 Letter No. (FSC) Gin-Guan-Ying Guo 1090147665
Issuing Date	April 26, 2018	November 8, 2018	June 27, 2019	May 27, 2020	December 25, 2020
Face Value	10 million	10 million	10 million	10 million	10 million
Issuance & Trading Location	Taipei City	Taipei City	Taipei City	Taipei City	Taipei City
Currency	NT\$	NT\$	NT\$	NT\$	NT\$
Offering Price	Issued at Par Value	Issued at Par Value	Issued at Par Value	Issued at Par Value	Issued at Par Value
Issuing Amount	7,000,000	3,000,000	5,960,000	4,040,000	6,800,000
Coupon Rate	2.66%	2.30%	1.90%	1.40%	1.25%
Maturity	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual
Rank	Given a priority next to holders of the Bank's Tier II capital subordinated bonds, all other depositors, and other ordinary creditors.	Given a priority next to holders of the Bank's Tier II capital subordinated bonds, all other depositors, and other ordinary creditors.	Given a priority next to holders of the Bank's Tier II capital subordinated bonds, all other depositors, and other ordinary creditors.	Given a priority next to holders of the Bank's Tier II capital subordinated bonds, all other depositors, and other ordinary creditors.	Given a priority next to holders of the Bank's Tier II capital subordinated bonds, all other depositors, and other ordinary creditors.
Guarantor	-	-	-	-	-
Trustee	-	-	-	-	-
Underwriter	-	-	-	-	-
Verification Lawyer	Lawyer Ya-Ping Chaing	Lawyer Ya-Ping Chaing	Lawyer Ya-Ping Chaing	Lawyer Ya-Ping Chaing	Lawyer Ya-Ping Chaing
Verification Accountant	Deloitte & Touche Jerry Gung	Deloitte & Touche Jerry Gung	Deloitte & Touche Jimmy S. Wu	Deloitte & Touche Jimmy S. Wu	Deloitte & Touche Mei-Hui Wu
Verification Financial Institution	-	-	-	-	-
Payment	Five years and one month after this bond is issued, if the Bank's capital adequacy ratio (CAR) after redemption of the bond meets the minimum CAR requirement stipulated by the supervisory authority and its redemption has been approved by the supervisory authority, the Bank may redeem the bond before the maturity date by making an announcement 30 days prior to the scheduled redemption date and redeem the bond in full at its face value with the accrued interest paid.	Five years and one month after this bond is issued, if the Bank's capital adequacy ratio (CAR) after redemption of the bond meets the minimum CAR requirement stipulated by the supervisory authority and its redemption has been approved by the supervisory authority, the Bank may redeem the bond before the maturity date by making an announcement 30 days prior to the scheduled redemption date and redeem the bond in full at its face value with the accrued interest paid.	Five years and one month after this bond is issued, if the Bank's capital adequacy ratio (CAR) after redemption of the bond meets the minimum CAR requirement stipulated by the supervisory authority and its redemption has been approved by the supervisory authority, the Bank may redeem the bond before the maturity date by making an announcement 30 days prior to the scheduled redemption date and redeem the bond in full at its face value with the accrued interest paid.	Five years and one month after this bond is issued, if the Bank's capital adequacy ratio (CAR) after redemption of the bond meets the minimum CAR requirement stipulated by the supervisory authority and its redemption has been approved by the supervisory authority, the Bank may redeem the bond before the maturity date by making an announcement 30 days prior to the scheduled redemption date and redeem the bond in full at its face value with the accrued interest paid.	Five years and one month after this bond is issued, if the Bank's capital adequacy ratio (CAR) after redemption of the bond meets the minimum CAR requirement stipulated by the supervisory authority and its redemption has been approved by the supervisory authority, the Bank may redeem the bond before the maturity date by making an announcement 30 days prior to the scheduled redemption date and redeem the bond in full at its face value with the accrued interest paid.
Outstanding Amount	7,000,000	3,000,000	5,960,000	4,040,000	6,800,000
Prior Year Paid-in Capital	94,130,007	94,130,007	97,895,207	99,853,111	99,853,111
Prior Year Net Book Value	133,758,323	140,711,714	150,296,338	150,296,338	158,243,071
Payment Status	Normal	Normal	Normal	Normal	Normal
Redemption or Early Settlement Terms	Five years and one month after this bond is issued, if the Bank's capital adequacy ratio (CAR) after redemption of the bond meets the minimum CAR requirement stipulated by the supervisory authority and its redemption has been approved by the supervisory authority, the Bank may redeem the bond before the maturity date by making an announcement 30 days prior to the scheduled redemption date and redeem the bond in full at its face value with the accrued interest paid.	Five years and one month after this bond is issued, if the Bank's capital adequacy ratio (CAR) after redemption of the bond meets the minimum CAR requirement stipulated by the supervisory authority and its redemption has been approved by the supervisory authority, the Bank may redeem the bond before the maturity date by making an announcement 30 days prior to the scheduled redemption date and redeem the bond in full at its face value with the accrued interest paid.	Five years and one month after this bond is issued, if the Bank's capital adequacy ratio (CAR) after redemption of the bond meets the minimum CAR requirement stipulated by the supervisory authority and its redemption has been approved by the supervisory authority, the Bank may redeem the bond before the maturity date by making an announcement 30 days prior to the scheduled redemption date and redeem the bond in full at its face value with the accrued interest paid.	Five years and one month after this bond is issued, if the Bank's capital adequacy ratio (CAR) after redemption of the bond meets the minimum CAR requirement stipulated by the supervisory authority and its redemption has been approved by the supervisory authority, the Bank may redeem the bond before the maturity date by making an announcement 30 days prior to the scheduled redemption date and redeem the bond in full at its face value with the accrued interest paid.	Five years and one month after this bond is issued, if the Bank's capital adequacy ratio (CAR) after redemption of the bond meets the minimum CAR requirement stipulated by the supervisory authority and its redemption has been approved by the supervisory authority, the Bank may redeem the bond before the maturity date by making an announcement 30 days prior to the scheduled redemption date and redeem the bond in full at its face value with the accrued interest paid.
Conversion and Exchange Terms	None	None	None	None	None
Restriction Terms	Subordinate bonds	Subordinate bonds	Subordinate bonds	Subordinate bonds	Subordinate bonds
Use of Proceeds	To strengthen the capital structure according to the mid- to long-term requirements of the Bank	To strengthen the capital structure according to the mid- to long-term requirements of the Bank	To strengthen the capital structure according to the mid- to long-term requirements of the Bank	To strengthen the capital structure according to the mid- to long-term requirements of the Bank	To strengthen the capital structure according to the mid- to long-term requirements of the Bank
Debt/Prior Year Net Book Value (Debt includes current new issue plus all outstanding issue amount) (%)	40.59%	40.72%	42.14%	39.46%	38.61%
Ranking of Capital Assets (Tier I, Tier II ...)	Yes, Tier I	Yes, Tier I	Yes, Tier I	Yes, Tier I	Yes, Tier I
Credit Rating Agency, Rating Date and Rating	Taiwan Rating October 29, 2019 Bond Rating twAA +	Taiwan Rating October 29, 2019 Bond Rating twAA +	Taiwan Rating October 29, 2019 Bond Rating twAA +	Taiwan Rating October 29, 2019 Bond Rating twAA +	Taiwan Rating Nov 30, 2020 Bond Rating twAA +

Note: The index rate is the average of the fixing rate of the 90 days commercial paper in the secondary market shown on page 6165 of Reuters information screen around 11:00 am (Taipei Time) on the issuance day and 2 days before the rate adjusting day. However, starting from January 1, 2015, the above benchmark interest has been changed to the 3-month "Taipei Interbank Offered Rate (TAIBOR)" published on Bankers Association website 2 banking business days before the adjustment date. If there is no quotation of the benchmark interest due to any reason, an interest rate of equivalent tenor available 1 banking business day before the adjustment date can be used instead.

C. Issuance of Preferred Shares

The Bank's type B preferred stocks issued on October 3, 2005 have been converted to common stock on October 3, 2008. No preferred stocks were issued as of baseline date December 31, 2020.

D. The Issuance of Global Depository Receipt

None.

E. The Status of Employees' Stock Warrant

None.

F. Status of New Employee Restricted Shares

None.

G. Merger or Stock Transfer for other Financial Institutions

- a. Any merger or stock transfer for other financial institutions in a recent year should disclose accountants' opinion on the rationality of the stock exchange rate:

None.

- b. Any merger or stock transfer for other financial institutions for the last five years:

The Bank engaged in consolidating CHB Insurance Agency Company, Ltd. and CHB Insurance Brokerage Company, Ltd. on April 1, 2016, and both entities were wholly-owned subsidiaries by the Bank. The Bank has assumed assets as well as liability on the book after merger, all rights and obligations as of merger baseline date of CHB Life Insurance Agency Co., Ltd. and CHB Insurance Brokerage Co., Ltd. There were no impacts to the shareholders.

H. Capital Investment and Utilization Plans

FY	Plan	Date and Serial No. approved by FSC	Purpose	Execution and Quota Usage	Comparison with the Expected Performance
2017	The Bank was approved by FSC on November 10, 2017 to issue the subordinate bonds and the non-cumulative perpetual subordinate bonds. Total amount of NT\$ 20 billion with maximum amount of NT\$ 10 billion from the non-cumulative perpetual subordinate bonds. Valid for one year from the approval date (on November 10, 2018).	November 10, 2017 Letter No. (FSC) Gin-Guan-Ying Guo 10600263560	Increase capital of the Bank, and strengthen capital structure	Execution: The quota has not been implemented by the end of 2017.	Met expectations to enrich the capital performance. The Bank's consolidated capital adequacy ratio rose above 13% at the end of December 2017.
2018	The Bank was approved by FSC on November 10, 2017 to issue the subordinate bonds and the non-cumulative perpetual subordinate bonds. Total amount of NT\$ 20 billion with maximum amount of NT\$ 10 billion from the non-cumulative perpetual subordinate bonds. Valid for one year from the approval date (on November 10, 2018).	November 10, 2017 Letter No. (FSC) Gin-Guan-Ying Guo 10600263560	Increase capital of the Bank, and strengthen capital structure	(1) Execution The Bank has issued NT\$7 billion as well as NT\$3 billion of the non-cumulative perpetual subordinate bonds on April 26, 2018 and November 8, 2018 respectively. All capital obtained from the issuance bond were used for the capital needs of lending and investment businesses. (2) Quota Usage Total remaining unused quota was NT\$ 10 billion, no debentures had been issued before the quota expiration.	Met expectations to enrich the capital performance. The Bank's consolidated capital adequacy ratio rose above 14% at the end of December 2018.
2019	The Bank was approved by FSC on May 29, 2019 to issue the subordinate bonds and the non-cumulative perpetual subordinate bonds. Total amount of NT\$ 13 billion with maximum amount of NT\$ 10 billion from the non-cumulative perpetual subordinate bonds. Valid for one year from the approval date (on May 29, 2020).	May 29, 2019 Letter No. (FSC) Gin-Guan-Ying Guo 10801084520	Increase capital of the Bank, and strengthen capital structure	(1) Execution The Bank has issued NT\$5.96 billion of the non-cumulative perpetual subordinate bonds on June 27, 2019. All capital obtained from the issuance bond were used for the capital needs of lending and investment businesses. (2) Quota Usage Total remaining unused quota was NT\$ 7.04 billion.	Met expectations to enrich the capital performance. The Bank's consolidated capital adequacy ratio rose above 14% at the end of December 2019.
2020	The Bank was approved by FSC on May 29, 2019 to issue the subordinate bonds and the non-cumulative perpetual subordinate bonds. Total amount of NT\$ 13 billion with maximum amount of NT\$ 10 billion from the non-cumulative perpetual subordinate bonds. Valid for one year from the approval date (on May 29, 2020).	May 29, 2019 Letter No. (FSC) Gin-Guan-Ying Guo 10801084520	Increase capital of the Bank, and strengthen capital structure	(1) Execution The Bank has issued NT\$4.04 billion of the non-cumulative perpetual subordinate bonds on May 27, 2020. All capital obtained from the issuance bond were used for the capital needs of lending and investment businesses. (2) Quota Usage Total remaining unused quota was NT\$3 billion..	Met expectations to enrich the capital performance. The Bank's consolidated capital adequacy ratio rose above 15% at the end of December 2020.
	The Bank was approved by FSC on November 16, 2020 to issue the non-cumulative perpetual subordinate bonds. Total amount of NT\$ 15 billion Valid for one year from the approval date (on November 16, 2021).	November 16, 2020 Letter No. (FSC) Gin-Guan-Ying Guo 1090147665		(1) Execution The Bank has issued NT\$6.8 billion of the non-cumulative perpetual subordinate bonds on Dec 25, 2020. All capital obtained from the issuance bond were used for the capital needs of lending and investment businesses. (2) Quota Usage Total remaining unused quota was NT\$8.2 billion.	

V | Operations Overview

A. Business Information

a. Business performance of past two years

The business activities of each primary business category, assets of each business category and /or as percentage of total assets, and/or as percentages of revenue, growth and changes are as follows:

1. Deposit:

Unit: NT\$ thousand

Items	FY	2020		2019		Increase (Decrease) Amount	Increase (Decrease) %
		Amount	Proportion %	Amount	Proportion %		
Demand Deposit		1,203,863,720	62.79	1,044,279,600	59.16	159,584,120	15.28
Time Deposit		712,910,859	37.18	720,212,049	40.80	(7,301,190)	-1.01
Interbank Deposit		648,834	0.03	642,009	0.04	6,825	1.06
Total		1,917,423,413	100.00	1,765,133,658	100.00	152,289,755	8.63
Ratio (to liabilities and equity)		2,313,440,219	82.88	2,135,643,203	82.65	177,797,016	8.33

Note: The total amount of liabilities and equity by the end of 2020 and 2019 were NT\$2,313,440,219 thousand and NT\$2,135,643,203 thousand.

2. Loans:

Unit: NT\$ thousand

Items	FY	2020		2019		Increase (Decrease) Amount	Increase (Decrease) %
		Amount	Proportion %	Amount	Proportion %		
Short-term Loans		390,200,939	26.15	419,287,204	29.11	(29,086,264)	-6.94
Mid-term Loans		435,044,534	29.16	430,295,179	29.88	4,749,355	1.10
Long-term Loans		666,647,255	44.69	590,558,692	41.01	76,088,563	12.88
Total		1,491,892,728	100.00	1,440,141,075	100.00	51,751,654	3.59
Ratio (to total assets)		2,313,440,219	64.49	2,135,643,203	67.43	177,797,016	8.33

Note: The amount of total assets by the end of 2020 and 2019 were NT\$2,313,440,219 thousand and NT\$2,135,643,203 thousand.

3. Foreign Exchange:

Unit: US\$ thousand

Items	FY	2020		2019		Increase (Decrease) Amount	Increase (Decrease) %
		Amount	Proportion %	Amount	Proportion %		
Exports		2,556,506	1.78	3,594,882	2.65	(1,038,376)	-28.88
Imports		3,949,088	2.76	4,839,138	3.57	(890,050)	-18.39
Foreign Exchange		136,729,057	95.46	127,051,286	93.78	9,677,771	7.62
Total		143,234,651	100.00	135,485,306	100.00	7,749,345	5.72

4. Cards:

Unit: Card / NT\$ thousand

	Items	2020	2019	Increase (Decrease)	Increase (Decrease) %
Card Issuance	Cards in Force (CIF)	526,408	518,004	8,404	1.62
	Active Cards	225,915	251,381	(25,466)	-10.13
	Retail Sales Volume	17,001,219	18,891,778	(1,890,559)	-10.01
	Revolving Balance	339,676	370,176	(30,500)	-8.24
Merchant Service	Physical Stores, Online Stores and ATM transaction amount	15,389,673	15,322,336	67,337	0.44

5. E-Banking:

Items	FY	2020	2019	Increase (Decrease)	Increase (Decrease) %
		Number of Transactions	Number of Transactions		
Internet Banking		42,543,644	36,702,939	5,840,705	15.91
Telephone Banking		780,477	877,350	(96,873)	-11.04
Mobile Banking		35,428,210	23,724,058	11,704,152	49.33
Total		78,752,331	61,304,347	17,447,984	28.46

6. Trust Services:

(1) Trust Operating Volume:

Unit: NT\$ million

Items	FY	2020	2019	Growth Rate %
Non-discretionary Money Trust Investing in Foreign Securities		27,361	18,728	46.10
Non-discretionary Money Trust Investing in Domestic Securities		21,698	17,267	25.66
Trust Custody Service (year-end balance)		248,850	226,850	9.70
Attestation of Securities		29,116	19,634	48.29
Securities Trust at year-end		957	867	10.38
Real Estate Trust at year-end		19,219	25,093	-23.41

(2) Trust Service Fee Income:

Unit: NT\$ million

Items	FY	2020		2019		Growth Rate of Trust Service Fee Income %
		Trust Service Fee Income	Ratio (to fee income of the bank) %	Trust Service Fee Income	Ratio (to fee income of the bank) %	
Non-discretionary Money Trust Investments in Foreign Securities		692	11.96	556	9.19	24.46
Non-discretionary Money Trust Investments in Domestic Securities		300	5.18	167	2.76	79.64
Trust Custody Service		390	6.74	327	5.41	19.27
Attestation of Securities		5	0.09	4	0.07	25.00
Other		65	1.12	52	0.86	25.00
Total		1,452	25.09	1,106	18.29	31.28

Note: Fee income of the Bank by the end of 2020 and 2019 were NT\$5,787 million and NT\$6,048 million.

7. Wealth Management:

Unit: NT\$ million

Items	FY	2020	2019	Growth Rate %
Fund Subscription Fee Income		555	387	43.41
Life Insurance Commission Revenue		1,591	2,045	-22.20
Structured Products Revenue		4	14	-71.43
Total		2,150	2,446	-12.10

8. Investment Activities:

(1) Investment in Securities:

Unit: NT\$ million

Items	FY	2020	2019	Growth Rate %
Government Bonds		32,369	33,441	-3.21
Financial Bonds		38,778	52,557	-26.22
Corporate Bonds		33,506	23,955	39.87
Stocks (short-term investment)		6,256	5,313	17.74

(2) Short-term Bills Underwriting and Trading:

Unit: NT\$ million

Items	FY	2020	2019	Growth Rate %
Outright Purchases		68,329	16,256	320.33
Outright Sales		2,649	499	430.86
Repurchase Agreements		13,088	20,413	-35.88

(3) Proprietary Trading in Government Bonds:

Unit: NT\$ million

Items	FY	2020	2019	Growth Rate %
Volume of Proprietary Trading in Government Bonds (Outright Transactions)		22,588	18,145	24.49
Volume of Proprietary Trading in Government Bonds (with Repo)		7,964	9,887	-19.45
Balance of Proprietary Trading in Government Bonds		12,019	8,620	39.43

9. Securities Business:

Unit: NT\$ million

Items	FY	2020	2019	Growth Rate %
Securities Underwriting		1,044	786	32.82
Securities Brokerage Operations		136,202	83,937	62.27
Credit Outstanding in the Security Financing Business		251.11	251.43	-0.13

10. Weights and Changes of Net Income:

Unit: NT\$ thousand

Items	FY	2020		2019		Increase (Decrease) Amount	Increase (Decrease) %
		Amount	Proportion%	Amount	Proportion%		
Net Interest Income		19,140,252	70.07	22,849,707	71.23	(3,709,455)	-16.23
Net Fee Income		4,527,568	16.57	4,634,766	14.45	(107,198)	-2.31
Net Trading Income		3,206,664	11.74	4,120,929	12.85	(914,265)	-22.19
Net Securities Brokerage and Underwriting Income		108,820	0.40	68,276	0.21	40,544	59.38
Other Operating Net Income		333,788	1.22	404,675	1.26	(70,887)	-17.52
Total		27,317,092	100.00	32,078,353	100.00	(4,761,261)	-14.84

b. Business plan for the year 2021

Please refer to "I. Letter to Shareholders B. 2021 Highlight of Business Plans."

c. Market analysis

1. Major regions in which the Bank operates:

The Bank's service network spans Asia, Europe, the Americas and Taiwan with 185 domestic offices, Offshore Banking Unit, 7 overseas units and 1 representative office located in the world's major financial centers, including branches in New York, Los Angeles, Tokyo, London, Hong Kong, Singapore, Manila, and Yangon Representative Office; the Bank has a subsidiary "Chang Hua Commercial Bank Co., Ltd." which was established with Kunshan branch, Kunshan Huaqiao Sub-Branch, also Dongguan, Fuzhou and Nanjing branch under its jurisdiction. The Bank provides far-reaching and prompt services around the clock to customers who require access to their funds and financial services. For the locations of the Bank's global service network, please refer to "IX. Directory of Head Office & Branches & Subsidiaries."

2. Future Supply and Demand Market Trend and Growth:

In terms of market supply, Taiwan's market already has an excessive number of banks providing insignificant differentiation of services, making all financial businesses highly competitive. Therefore, the market is not only competitive but also has sufficient funds, resulting in relatively narrow interest spreads. In addition, financial digital transformation driven by FinTech is the trend of global financial industry. The introduction of artificial intelligence (AI) and robotic wealth management, as well as the involvement of third-party payment providers in the microfinance market, have weakened the intermediary function of traditional banks in the financial system, and have impacted the business operations of traditional brick-and-mortar banks with the opening of three internet-only banks, including Line Bank, Rakuten Bank and NEXT Bank.

In terms of market demand, China was the first to recover from the novel COVID-19 pandemic in 2020, ahead of other major economies such as Europe, the U.S. and Japan, making Taiwan's exports to China reach a record high, making China still Taiwan's largest trade market. China stock exchange market weighted in MSCI Emerging Markets Index increases gradually, despite of RMB-related foreign exchange market impacted by international trading, business opportunities in wealth management can still be expected. No matter where their migration capacity to Southeast Asia, Americas or Taiwan, the relevant capital demand should benefit banks. Moreover, the repatriation funds which are applicable to the Taiwanese businessmen's homecoming trend, it not only increases domestic investment but also brings related wealth management business opportunities. However, COVID-19 pandemic has caused a global economic recession, and the global central banks' actions such as expanding monetary easing and lowering interest rates have caused global stock markets to reach new highs. If the global economy recovers better than expected due to the popularity of vaccine administration in 2021, causing inflation to rise, it is likely that the global central banks' monetary policies will turn tighter, which will intensify the financial market shocks, risk management is worth intensely concerned.

In addition, the Directorate-General of Budget, Accounting and Statistics, Executive Yuan, R.O.C. (Taiwan) announced that Taiwan's economic growth rate will reach 3.11% in 2020 due to the increase in exports and steady private investment, and the economic growth will accelerate in 2021 due to the introduction of vaccines. In addition, IMF forecast indicates a positive trend on global economic and trades, private consumption and investment, the 2021 economic growth rate will be higher than that of 2020, and banks' businesses are expected to grow.

3. Competitive niche, positive and negative factors, and response measures:

(1) Competitive Niche of the Bank:

① Long-standing reputation and large customer base:

The Bank has a history of over a century, solid brand image is trusted by the public. In addition, the Bank has a large corporate customer base. Competitive advantages in corporate finance and foreign exchange business, to combine with personal banking and wealth management etc., the Bank meet customers' needs by providing diversified financial products and services.

② Dense service network:

The Bank has numerous domestic offices in Taiwan. As of the end of December 2020, the Bank's network has 185 domestic branches and 645 ATMs to meet customers' needs for deposits, withdrawals and transfers, providing customers with complete and convenient financial products and services.

③ Advancement in overseas markets:

The Bank has an early start in overseas operations and follows the footsteps of the globalization of enterprises, and has set up operations in major countries to provide international financial services to overseas Chinese, Taiwanese businessmen and affiliates of Taiwanese enterprises worldwide.

(2) Positive factors:

① Focusing on six strategic industries and assisting enterprises in innovation and transformation has become the direction of the bank's business expansion.

② Capital of Taiwanese entities flow back to Taiwan and the decentralization of production bases are expected to drive the related domestic financing business of factories, cashflow and wealth management business.

③ The FSC will ease risk coefficient factor of banks' mortgage loan business and change the evaluation method based on loan-to-value (LTV), which will increase the overall banking capital adequacy ratio (BIS) and increase the lending capacity, which is beneficial to the promotion of credit business.

④ FSC allowing establishments of internet-only bank will stimulate the domestic financial industry to accelerate innovation and reform, and at the same time, the cross-industry integration and ecosystem development of internet-only banking will bring a new experience to financial consumers, which in turn will have a more positive impact on the transformation of traditional banks.

(3) Negative factors:

① Global economy was impacted by COVID-19 pandemic and the risk of corporate defaults increased. Moreover, major international countries maintained their ease monetary policies and overall spreads narrowed, and the overall environment of increasingly stringent financial regulations affected overseas business development and profitability.

② Domestic housing prices and the proportion of mortgage from the banks in Taiwan are at a high level, and the credit risk of mortgage loans remains high.

③ Internet-only banks are expected to attract customers by offering low service fees and high interest rates on deposits, which will inevitably lead to "price competition" among banks, and competition will intensify as internet-only banks and third-party payment providers enter the microfinance wealth management market and lending business.

④ The cost of compliance will increase due to the tightening of global laws and regulations on anti-money laundering, personal data protection, and tax reporting, which will increase the operating cost of banks.

(4) Countermeasures:

① Maintain the asset quality of overseas business as the first priority, and establish a mechanism to encourage overseas units to improve the efficiency of capital utilization in order to strengthen the growth of overseas financial business and to inject profits.

- ② Manage credit risks of controlled industries and the mortgage portfolio and redirect capital to other potential industries, policy incentives, small and medium-sized enterprises, and new businesses development.
 - ③ Develop new functions of digital financial services and mobile payment, and operate social media platforms to deepen customer relationships and introduce AI and big data analysis to understand customer needs and grasp business opportunities.
 - ④ Focusing on needs of circular economy and the senior citizen population, the Bank will launch products and services that meet market needs and consumer experience to segment market.
- d. Financial product research and business development
1. Major financial products and new business units for past two years and their size and profit (loss) as of the date of printing of the Annual Report:
- (1) Major financial instruments.
- ① Deposit and remittance products:
 - I. "Smart Deposit Account" promotion is continued and adds the "Foreign Currency Deposit" service, and optimized the "Contracted Authorized Debit" and "Deposit" of "Online Sub-account."
 - II. In response to the government's policy of promoting digital finance, the Bank continues to promote the "Financial Blockchain Correspondence Inquiry Service" and the digitization of correspondence to replace manual filling.
 - III. In line with the government's policy, the Bank handles the redeeming business of "Triple Stimulus Vouchers."
 - ② Corporate financial products:
 - I. Promote the post-epidemic revitalization "Public Equity Together, Trillion Revitalization" financing scheme, focusing on the six core industries with future development prospects, to help enterprises innovate and upgrade to enhance their industrial competitiveness.
 - II. Continue to implement the Ministry of Economic Affairs' "Directions of Loans for Startup Funding for Young Entrepreneurs" and the Ministry of Labor's "Micro business startup Phoenix program," as well as the "Tainan City Government Youth Entrepreneurship and SME Credit Guarantee Program Loan" to help young entrepreneurs obtain the necessary capital for their operations and promote the sustainable development of SMEs.
 - III. Assist SMEs and start-up companies in revitalizing the application and value of patented technologies by offering "Patent Financing Project Loan" and participating in the "Technology and Financial Linkage Assistance Platform Project" with the SME Credit Guarantee Fund and the Industrial Technology Research Institute to jointly promote the "Technology Value-Added Financing Guarantee Project" to promote more systematic technological R&D in the industry.
 - ③ Personal financial products:
 - I. Provide professional investors with diversified financing channels and engage in financial planning or financial revolving, and offer "Self-subsidized Loans for Beneficiary Rights of Specific Money Trusts."
 - II. Assist people to reduce the burden of interest on loans and provide mortgage loan discount.
 - III. In response to the severe COVID-19 pandemic, cooperated with the Ministry of Labor to provide "Worker Relief Loans" and provided "Extension of Existing Loans" and "Short-term Relief Funds."
 - ④ Foreign Exchange Products:

To cooperate with the FSC in opening credit purpose accounts for domestic legal entities in offshore Banking Branch, to establish foreign currency credit business and credit purpose accounts for domestic legal entities, to assist domestic legal entities in international fund deployment, and to enhance the flexibility of fund utilization and deployment.
 - ⑤ Cards:
 - I. In line with the promotion of the government e-procurement program, the Bank continues to participate in the issuance of government procurement cards (physical cards).
 - II. New online application for the Bank's credit cards allows applicants to download their personal information and provide it to the Bank's credit card application service through the National Development Council's MyData platform, which eliminates the need for applicants to upload identity documents and financial proofs to speed up and simplify the application process.

⑥ Trust Products:

In response to the diversification of real estate development, the Bank offers superficies and lease trusts.

⑦ Digital Financial Products:

- I. New services such as “credit card 1D barcode payment,” “Taiwan Pay QR Code Credit Card Payment,” and “Debit Card Tax Payment” were introduced, and a mobile payment (PX Pay) App with Chuan Lian Enterprise Co., Ltd. was established by the company to provide consumers with a convenient new mobile payment experience.
- II. Collaborated with LINE Pay Money to expand the Bank’s range of multi-payment tools by providing “contract-linked deposit account payment service.”
- III. Launched “Preferential Mortgage for Maternity Pension” and “Loan for Students” online loans, and added “Micro Enterprise Loan” and “SME Loan” online application services.
- IV. Introduced “Transfer via Mobile Phone Number “ for Personal Internet Banking and “VVIP Customized Function” for Corporate Internet Banking.

(2) Additional Business Units:

For details, please refer to “I. Letter to Shareholders A. 2020 Results of Operations.”

(3) Size and profit (loss) of major financial products for past two years:

For details, please refer to this chapter “A. Business information a. Business performance of past two years.”

2. Research and development expenditures and results for past two years:

(1) The Bank’s research and development expenses for past two years:

NT\$ 4,118 thousand in 2020.

NT\$ 4,559 thousand in 2019.

(2) The Bank’s research and development results for the past two years:

- ① In 2020, the Bank filed 50 utility model patents, 14 invention patents and 3 design patents, of which 41 utility model patents and 3 design patents have been approved by the Intellectual Property Office of the Ministry of Economic Affairs, and applied the results of financial technology research and development to provide safe and convenient services to customers, enhance information security and operational efficiency, strengthen risk control and explore potential customers and new business opportunities.
- ② A total of 49 research reports of business development, digital finance and technology, sustainable development, employee rights, risk management, legal compliance, corporate governance, corporate social responsibility, and green finance were completed in 2019 and 2020, and is available in the Bank’s library for the Bank’s employees to access at any time, so as to enhance their professional skills in practice and effectively promote the innovation and development of the Bank’s business.

(3) Future research and development plans:

- ① Grasp the trends of industrial development and financial market, pay attention to ESG, green finance, climate change, 5G plus AIoT (AI+IoT) and other opportunities for innovative products, and regularly submit research and analysis and special reports on important domestic and international economic situations, emerging industry issues and dynamic current situations to facilitate the formulation and adjustment of business strategies.
- ② Actively research and apply for various financial technology patents to build up research and development capacity to enhance the Bank’s financial technology competitiveness.

e. Long-term and short-term business development plans

1. Short-term business development plans:

Please refer to “I. Letter to Shareholders B. 2021 Highlight of Business Plans.”

2. Long-term business development plans:

The Bank’s long-term business development plans are summarized as follows.

(1) Treasury:

- ① The Bank continues to provide diversified foreign exchange financial products to its customers, develop and cultivate a quality customer base, and improve its product marketing system in order to increase its market share.

- ② Timely adjustment of the most suitable capital placement, capital allocation to lock in high interest earnings and control interest expenses; capital operations mainly in the U.S. dollar spreads, and the use of foreign exchange swap transactions (FX SWAP) to enhance the overall efficiency of capital utilization to lock in the spreads and increase the return on capital utilization.
 - ③ Actively participate in interbank market-making transactions to create price differences and assist branches in promoting foreign exchange business, increasing market share and revenue from foreign exchange transactions.
 - ④ Actively participate in the domestic RMB exchange futures market to provide market liquidity and hedging channels; fully utilize the Bank's foreign currency positions to increase the Bank's surplus through foreign exchange swaps, cross currency swap and other spread and arbitrage transactions, and invest in proprietary positions.
- (2) Wealth management business:
- ① The Bank introduces financial products, refine product integration capabilities, steadily expand our high-asset customer base, provide diversified financial services, and create maximum value with our customers.
 - ② Focus on the family office business for high-asset customers, and gradually establish a local private banking operation model with a professional service team and diversified investment financial products to sustain the wealth management business.
- (3) Credit business:
- ① Committed to exploring new SME credit accounts with potential growth, strengthening business relationships with existing customers, and combining business opportunities in syndicated loans, accounts receivable flows and corporate bonding to improve the overall revenue from business development.
 - ② Grasp the sources of customer financial flows and effectively implement KYC, with the long-term goals of consolidating the foundation of the corporate finance business, deepening the operational structure of customers, deepening customer adhesion, and increasing the volume of foreign exchange business.
 - ③ To provide customized financial services to deepen the relationship with corporate business clients and increase income sources other than interest income, so as to adjust the Bank's revenue structure and mitigate the impact of shrinking spread income.
- (4) Foreign financial services:
- ① The future business development of the Bank's subsidiary in Mainland China will focus on credit, deposits and bonds, and will continue to expand its asset size and steadily increase revenue.
 - ② The Bank continues to prudently evaluate the establishment of new branches in the New Southbound countries and other regions with potential development, and with providing financial services by Offshore Banking Unit to increase overseas revenue.
- (5) Digital finance business:
- We will continue to optimize the functions related to digital deposits and plan to launch a digital banking App, which will provide an intuitive interface combined with social and fun features, in order to reach out to young people and enhance the Bank's competitiveness in digital deposits.
- (6) Trust business:
- ① Actively promote the trust for the elderly care, trust for the physically and mentally challenged, and trust for employee stock ownership; continue to promote the trust for real estate, trust for real estate values, and trust for per-construction real estate.
 - ② Optimize the "Foreign Stock Investment Real-Time Order Trading" system and provide "Real-Time Trading Function" to build a comprehensive trust investment platform.
- (7) Card business:
- ① Plan to cooperate with convenience stores on mobile payment services to expand the use of the Bank's multiple payment tools.
 - ② Plan to build an electronic transaction and aggregated payment system, and provide a customer inquiry platform and transaction analysis functions. In the future, the Bank plan to introduce credit card acquiring business, save and access receipts through the cloud, and cooperate with major e-payment and e-ticket operators in the market to provide comprehensive acquiring services.

(8) Insurance agency business:

- ① Actively plan digital service solutions such as mobile insurance business, electronic signature, insurance mobile payment, and online banking for instant policy inquiries, linking the application of information to enhance the penetration rate of digital financial insurance services.
- ② Introduce innovative insurance products and develop customized services to meet the insurance needs of different customer groups, and enhance the visibility of the Bank's insurance products and strengthen the momentum of insurance agency business through team training and incentive activities.

B. Employees

a. Employee information for two most recent fiscal years as of the date of annual report publication

Unit: Person

FY		2019	2020	as March 31, 2021
Number of Employees		6,625	6,676	6,674
Average Age		42.88	42.87	42.89
Average Years of Service		16.75	16.59	16.55
Education	Ph.D.	0.06%	0.06%	0.06%
	Graduate School	19.83%	20.58%	20.68%
	University / College	72.85%	72.66%	72.71%
	Senior High School	6.82%	6.26%	6.10%
	Others	0.44%	0.44%	0.45%
Possession of Professional Certificates	CPA & CPA (USA)	4	3	1
	CFA	3	3	3
	FRM	12	13	13
	CFP	13	12	11
	CIA	2	2	2
	CISA	1	1	0
	CAMS	38	34	35
	Senior Securities Specialist	1,127	1,179	1,176
	Securities Specialist	936	998	1,008
	Futures Specialist	1,131	1,143	1,135
	Personal Insurance Broker	7	7	7
	Personal Insurance Agent	12	14	13
	Life Insurance Solicitor	5,831	5,985	5,990
	Property and Casualty Insurance Broker (Non-life)	8	8	8
	Property and Casualty Insurance Agent (Non-life)	9	11	10
	Property and Casualty Solicitor (Non-life)	5,463	5,585	5,592
	Investment-linked Insurance Solicitor	4,932	5,196	5,206
	Proficiency Test for Trust Operations	5,384	5,517	5,526
	Basic Proficiency Test for Bank Internal Control	4,544	4,605	4,595
	Basic Proficiency Test for Bank Lending Personnel	2,851	2,829	2,822
Advanced Proficiency Test for Bank Lending Personnel	47	41	41	
Basic Proficiency Test for International Banking Personnel	2,330	2,367	2,362	
Proficiency Test for Financial Planning Personnel	2,068	2,025	2,002	

b. Employee training and education

The Bank provides diversified training to strengthen the core functions and cross-border expertise of its employees and enhance the quality of human resources and corporate competitiveness.

1. Annual employee training programs are in coordination with annual business development: the Bank continues to provide a mix of digital and physical courses to help its employees accumulate financial expertise. 330,898.03 hours of training were conducted, with 6,676 employees as of December 31, 2020. On average, each employee participated in training for 49.57 hours, and the training cost was NT\$ 32,837 thousand.
2. Improve knowledge management and inheritance, strengthen the comprehensive effect of education and training, and continue to develop a diversified internal teaching system.
3. Provide digital and physical training modes to motivate employees to innovate and learn and improve organizational performance: Enhance the online learning network, complete the addition and update of several functions and interfaces to provide a more complete and diversified training channel and continue to motivate employees to innovate and learn; From January 1, 2020 to December 31, 2020, 182 physical courses, 675 digital courses, and 548 external training courses were offered.

C. Corporate Responsibility and Moral Behavior

1. Implementing environmental protection policies and achieving sustainable environmental management goals
 - (1) The Bank continues to promote energy conservation, carbon reduction, waste reduction, resource management and green building programs, and has voluntarily introduced various international management systems to mitigate the impact of climate change and achieve the goal of sustainable environmental management.
 - (2) Participate in the Taiwan Earth Hour energy saving activity of the Society of Wilderness to implement the concept of environmental protection and love for the earth.
 - (3) Participate in the "Tamsui River Convention" signing activity initiated by CommonWealth Magazine Co., Ltd.
 - (4) In accordance with the spirit of the Equator Principles, the Bank considers the environmental protection, integrity and corporate social responsibility of the borrowers when processing corporate credit applications.
2. Actively participate in social welfare activities and continue to care for the disadvantaged groups
 - (1) Sponsored the "Love the Elderly, Love the Reunion" charity event of the HuaShan Social Welfare Foundation and subscribed to the "Chinese New Year dishes for love" charity event to continue to care for the disadvantaged elderly.
 - (2) Sponsored the "2020 Year-round Service and the 8th Love the Elderly Campaign" by the HuaShan Social Welfare Foundation, and subscribed "Dragon Boat Festival care gift" to help the disadvantaged elderly feel the festive atmosphere and care from the community despite the epidemic.
 - (3) Sponsored the Taipei Kuanyin-Line Psychological and Social Service Association's "Kuanyin-Line Association charity-benefit Concert" to care for the suffering and to help the association provide immediate psychological support and assistance.
 - (4) In line with the Ministry of Education's Youth Development Administration's "Economic Independence Youth Work-and-Study Program" policy, 35 students were provided with summer vacation work-and-study opportunities to enhance the care of young people from economically disadvantaged families and to help them learn about and explore new areas, improve their career development competitiveness, and be better prepared for the future.
 - (5) Donated to the "National High School Education Subsidy Program for Students from Disadvantaged Families" by the "Twilight Elite Development Association R.O.C." to help disadvantaged high school students from disadvantaged families to pursue their education.
 - (6) In cooperation with the Taiwan Fund for Children and Families, the Bank's Scholarship Program helps junior high school and elementary school students who are still in need to pursue their studies.
 - (7) The Bank sponsored the Central News Agency's "Public Welfare Gift Program to Enhance International Perspective" to encourage disadvantaged students to read good publications to enhance their international perspective.

- (8) The Bank is committed to using digital technology to integrate public welfare activities and joined hands with four public welfare organizations, including “Taipei Orphan Welfare Foundation,” “Double Bliss Welfare and Charity Foundation,” the “Modern Women’s Foundation,” and the “Taipei Happy Mount,” to hold the Taiwan Pay “Love in CHB e-Initiative” public welfare campaign during the epidemic. In addition to the Bank’s initial donation of NT\$ 1 million and the corresponding donation of NT\$ 166,970, the total donation amounted to NT\$ 2,880,994 during the period, April 16 - November 30, 2020. The proceeds raised not only supported the existing public welfare purposes of social welfare organizations, but also provided them with the necessary supplies for epidemic prevention.
- (9) We participated in the “2020 Financial Services Charity Carnival” (Pingtung and Chiayi), which was jointly organized by the Taiwan Financial Services Roundtable and county governments, to promote charity and financial knowledge.
- (10) In support of pomelo farmers, the Bank subscribed 285 boxes of pomelo and donated them to five public welfare organizations, including the Eden Social Welfare Foundation, to take care of the disadvantaged groups.
- (11) In support of banana farmers, the Bank subscribed 253 boxes of bananas and donated them to 115 welfare organizations for the elderly and 34 institutions for children and adolescents to take care of the disadvantaged.
- (12) In response to actively promote the microinsurance policy, the Bank cooperate with Chung Kuo Insurance Co., Ltd. To donate insurance fee. In 2020, the Bank donated a total of NT\$ 77,177 to the micro-insurance policy, which aims to protect the disadvantaged people and their families from financial hardship due to unforeseen risks.
- c. Support sports development and promote humanities and arts care
1. Donated to the Taitung County Sports Federation’s “Training Program for High Performers and Potential Athletes of Various Sports Committees” to support the development of sports.
 2. Sponsored the Taitung Echo Orchestra’s “2020 Taitung Echo Orchestra’s ‘Memory, Travel’ Summer Concert” to support the development of arts and culture in remote areas.
 3. Sponsored the Chinese Taipei Football Association’s 2020 activities to promote the sport of soccer in communities and schools.
 4. Sponsored the “29th Keelung City New Park Cup Basketball Tournament” organized by Keelung City Social Basketball Association to promote social basketball.
- d. Promote academic/industry development and enhance sustainable competitiveness of enterprises
1. Participate in the “32nd Accounting Elite Cup Debate Competition” of the Accounting Research and Development Foundation of the Republic of China (ARDF) to nurture accounting professionals in Taiwan.
 2. Sponsorship of the “2020 Independent Director Association Taiwan Annual Meeting and Independent Directors Forum” by the Independent Director Association Taiwan to help promote the development of corporate governance in Taiwan.
 3. Sponsored the “2020 Taiwan Capital Market Forum” by the Liberty Times to help promote the development of the capital market.
 4. Sponsored the Economic Daily News “Industry Strategy Summit” to help the industry find opportunities for transformation in the post-epidemic era and to promote Taiwan’s upward mobility and positive development.
 5. Participated in the “3rd Star of Entrepreneurship Contest” of Economic Daily News to identify the most promising future stars of Taiwan’s industries and to promote the exchange and development of industry innovation.
 6. In 2020, donated NT\$ 119,480,381 to the SMEs Credit Guarantee Fund of Taiwan to assist SMEs in obtaining financial assistance from financial institutions to promote economic growth and social stability in Taiwan.
 7. In 2020, in line with the government’s policy, the Bank signed a “Financial Competitiveness Enhancement Project” with the Taiwan Small and Medium Enterprises Counseling Foundation, spending NT\$ 780,000 to help SMEs improve their financial structure and improve their business structure in order to enhance their competitiveness.
- e. Community Participation
1. The Bank participated in the “The 2nd Unsafe and Old Buildings + Urban Renewal Expo” held by Wealth Magazine Co., Ltd. to let the public understand and make good use of the government’s policies on senior citizens and urban renewal to improve the quality and safety of living.

2. The Bank launched the “CHB Epidemic Prevention Mask Care, e-Cash and My-joy” mask campaign, where those who pre-purchase masks online and meet the campaign criteria can enjoy a monthly cashback of \$22, allowing customers to take care of both health and cashback.
3. The Bank participated in the “2020 Taiwan Lantern Festival Sponsorship Lantern” by the Tourism Bureau of the Ministry of Transportation and Communications and donated 2,000 lanterns to social welfare organizations in Taichung to care for disadvantaged families and let them feel the love and care of society.

D. Number of Non-managerial Full-time Employees, Average, Median of Full-time Employees’ Salary, and the Differences from the Previous Year

Unit: Person/NT\$ thousand

FY	2020	2019	Increase (Decrease)
Non-managerial full-time employees			
Number of employees	6,175	6,018	157
Average Salary	1,223	1,290	(67)
Median Salary	1,133	1,176	(43)

Note 1: Reference to “Non-managerial, full-time employee salary information declaration explanation” edited jointly by TWSE and TPEX.

Note 2: Non-managerial, full-time employee mentioned here refers to employees excluded employees in managerial position, part-time employees, overseas employees, and employees who meet the standard of excluded exemption. (Taiwanese employees and foreign employees are included.)

Note 3: “Number of employees” is calculated by yearly average, rounding up to the whole number.

E. IT Equipment

- a. The main information system hardware and software configuration and maintenance

1. Configuration:

- (1) Mainframe hardware (Core banking system): Using Unisys mainframe, the service area covers both domestic and overseas, processing deposits, loans, exchange, import and export, etc. The system has an operating capacity of 7 days x 24 hours.
- (2) Open system server: including virtual machine (VM) and physical machine.
- (3) Open System Storage: Using SAN and Storage for centralized management by IBM SAN Volume Controller (SVC) to reducing the space of storage.
- (4) Open system backup system: Using Tivoli Storage Manager (TSM) and NBU (Net Backup) system.
- (5) Network Equipment: The network device system includes core networks and branch networks. The core networks connect the core firewall and the core router through the core switch. Separate different network segments according to different properties of the system to protect systems safety by firewall policy and various security systems. The core network architecture is high availability (HA) to prevent a single node failure. The branch networks include domestic branch networks and overseas branch network that transfer data from branch to the Hub center through the operation main line and the backup line to ensure the daily business.
- (6) Database: DB2, MS SQL, Oracle, Sybase, Teradata, Aster, Hadoop.

2. Maintenance:

The Bank has entered into maintenance agreements with vendors, which will provide both on-demand repair services and regular maintenance services to ensure that our IT systems are operating satisfactorily and without interruption.

- b. Future Development or Procurement plans

The information systems planned to be built in 2021 include: the next-generation all-media customer service system, branch network update and security enhancement project (Phase I), mobile insurance system construction project, API management platform construction project, new custodian system, branch-end system upgrade and function enhancement, next-generation human resource management system, the second phase conversion of the next-generation e-Loan credit automation system 2.0, and digital deposit App construction project.

- c. Emergency Backup and Security Measures

1. Operation of Emergency Backup Center:

The Bank’s Information Center is located in Taipei and the off-site redundancy center is located in Taichung. The Bank normally uses the super high-speed network (ROADM) to synchronize data redundancy to the off-site redundancy

center, and when the Information Center is unable to perform operations due to a disaster, the information system is transferred to the redundancy center for operation in accordance with the Bank's "Information Operation Disaster Redundancy Plan." In principle, two drills will be carried out both in the off-site/local back-up center or one time off-site/local back-up separately on a yearly basis to ensure the successful implementation of the recovery procedures.

2. Strengthen information security:

- (1) Improve the security and control strength of the information system: independent SWIFT host segment, recover the highest privilege of the host, and manage the security and control parameters of the host to improve the overall security and control strength of the host.
- (2) Comply with laws and regulations: Adjust the information system structure, management system and procedures to meet the expectations of regulatory authorities and international organizations (e.g., SWIFT, etc.).
- (3) Establish detection and warning mechanisms, implement information security incident handling and follow-up tracking: Using different information security detection tools (e.g., internal threat monitoring system, privileged account tracing system, endpoint malware detection response (EDR), etc.), the Bank establishes detection and warning mechanisms to immediately detect potential intrusions and properly conduct follow-up handling to reduce information security risks.
- (4) Centralized collection and manage system journal, establish mechanism of analytical precaution so as to comply with laws and requirement of supervisory agency.
- (5) Conduct regular situational and backup drills: To familiarize employees with incident response procedures, conduct regular situational drills and information system backup drills to improve employees' response capabilities.
- (6) Perform information security risk assessment and testing operations to identify and improve information security weaknesses in order to comply with international information security standards and the requirements of overseas laws and regulations.
- (7) Expand information security log capacity, increase network monitoring nodes, and optimize information security event alert rules to strengthen information security monitoring and control operations.
- (8) Refine the information security management system (ISO 27001), personal data protection management system (BS 10012) and business continuity management system (ISO 22301) to align with international standards.

F. Labor Relations

- a. The Bank's employee benefits and retirement system and their implementation, as well as the agreements between employers and employees and measures to protect the rights and interests of employees

1. Welfare and Benefit:

(1) Labor insurance:

For all employees, the government pays 10% of the premium, the Bank pays 70%, and the employees pay 20%.

(2) National health insurance:

For all employees and their dependents, the government will pay 10% of the premium, the Bank pays 60%, and the employees pay 30%.

(3) Health checkups:

Regular health checkups are conducted for employees, and for those with "major abnormalities" in the checkup results, the Bank arranges doctors to visit the company to provide health guidance and follow up management to protect employees' health.

(4) Employee childcare:

The Bank sign a corporate childcare contract with a childcare school to provide employees with preferential childcare program services for employees in need to choose more.

(5) Special leave:

The Bank is entitled to special leave ranging from 3 to 30 days according to the length of service of at least half a year.

(6) Sports and recreational activities:

A sports committee is set up to hold sports, fitness & leisure activities, and artistic activities every year, in order to adjust employees' body and mind and relieve work pressure.

(7) Employee Welfare Committee:

The committee is responsible for the planning, storage and utilization of welfare benefits and other employee welfare matters. The Bank has established an employee commissary providing daily necessities.

(8) Employee Stock Ownership Trust:

In order to take care of employees and encourage them to save for the long term, the Bank officially launched the Employee Stock Ownership Trust in September 2019. In addition, to encourage employees to participate in the Trust, the Bank provides an incentive payment of NT\$ 1,000 or NT\$ 1,500 based on the amount withdrawn by the participating employees to enhance their motivation.

(9) Library:

A library is set up in the Taipei Building with Chinese and foreign newspapers, magazines, and various books for employees to borrow to facilitate their knowledge and self-education.

(10) Online English Learning

In line with the national policy of bilingualism and to enhance the English proficiency of our employees, the Bank provides free online courses for employees to take the "Studio Classroom" e-learning program and a magazine for those who reach the standard learning hours every quarter to encourage employees to learn on their own and participate in the English test in order to cultivate international financial talents.

2. Retirement scheme and implementation:

(1) The Bank provides policies on employee retirement and pension plans, which are related to the retirement, pension (including occupational disaster compensation) and lay off of employees. Unmentioned regulation under the plans shall be bound by the Labor Standards Act and related labor laws and regulations.

(2) 163 people (including 64 voluntary and 99 compulsory) in total applied for retirement in 2020.

(3) According to the Bank's "Rules Governing Organization of Supervisory Committee of Labor Retirement Reserve," the Supervisory Committee of Labor Retirement Reserve is composed of representatives both from the labor and employer. A total of 9 members are appointed, including 6 labor representatives and 3 employers. The meeting is held once every 3 months and an extraordinary meeting may be held when necessary. The task of the Supervisory Committee of Labor Retirement Reserve is to deal with the matters relating to the consideration of the labor retirement reserve suspension, the examination of the amount allocated, the examination of the storage and expenditure, the examination of the paid amount and the supervision of other matters relating to the labor retirement reserve.

(4) For employees with the old pension system, the Bank provides monthly retirement allowance to the account of Supervisory Committee of Labor Retirement Reserve in the Bank of Taiwan at the rate of 10% of the total monthly salary; and the Bank provides monthly retirement allowance at the rate of 6% for employees with new pension system.

3. Protection of Employees' safety:

(1) Insure employees with an "Employer's Liability Insurance" so that employees are protected while carrying out duties. The premium is entirely covered by the Bank.

(2) Established Occupational Safety and Health Committee, a total of 9 members are appointed, including 3 labor representatives, the Bank holds the committee every quarter to review the safety and health policy of the working environment so as to enhance the Bank's safety of hygiene management quality.

(3) Regularly organize occupational safety and health training and related education and training courses, and from time to time invite experts to hold health education seminars.

(4) The Bank has passed the ISO 45001 occupational safety and health management system certification, actively implemented workplace safety and health for employees, improved occupational safety and health in the workplace, proactively managed risks with reference to international standards, and established an appropriate safety and

health foundation and management system as early as possible to protect the safety and health of employees and related workers.

- (5) The Bank has established an “Automatic Safety and Health Inspection Plan” to ensure that the Bank’s equipment can maintain normal operation and reduce the incidence of accidents.
- (6) Based on the concept of prevention of human hazards in the office, we have commissioned physical fitness experts to develop a new health exercise to replace the morning exercise of the Bank.
- (7) The Bank’s building and premise are equipped with first aid medicine and appliance, the Bank also monitors the indoor carbon dioxide and lighting operation environment of each unit by professionals outside the firm every six months to provide employees with a safe and healthy work environment.
- (8) The Bank has established the “Safety and Health Work Rules,” “Employee Abnormal Workload Disease Prevention Plan,” “Program to Prevent Employee Musculoskeletal Disorders Brought on by Repetitive Tasks,” “Maternal Health Protection Plan” and “Employee Workplace Malpractice Prevention Plan” to prevent the occurrence of occupational disasters and occupational diseases.
- (9) Regular safety maintenance meetings and employee self-defense group drills are held to strengthen safety protection in each unit.
- (10) According to the needs of each unit, the Bank requests security companies and alarm and surveillance system contractors to actively cooperate in improving related protective equipment.
- (11) To appoint security companies to send security personnel to each unit to perform security work, and to provide quarterly on-the-job training and supervisory assessment; in addition, to assign all of the Bank’s outbound money replenishment operations to security companies or to collaborate with them.
- (12) In accordance with the relevant provisions of fire safety laws and regulations, supervise the units to strengthen the maintenance and management of fire safety and escape facilities, and cooperate with the implementation of safety inspection and training.

4. Labor agreements:

- (1) In order to enhance harmonious labor relations and promote the Bank’s business development and employee welfare, the Bank and CHB Labor Union signed another group agreement in May 2018, and signed group agreement supplementary contract on July 30, 2020.
- (2) In accordance with the Bank’s “Implementation Guidelines for Labor-Management Meetings,” regular labor-management meetings are held for both parties to discuss and negotiate on various issues, 4 meetings were held in 2020.

5. Measures to protect employees’ rights and interests:

In order to clearly stipulate the rights and obligations of employees, the Bank has established the “Work Rules” and other personnel regulations, and all matters such as employment, service regulations, working hours, leave and attendance, evaluation, rewards and punishments, remuneration and benefits are handled in accordance with the relevant regulations.

b. Labor inspection results violation of Labor Standards Act

On July 22, 2020, the Hualien County Government issued verdict No. 1090140151A and verdict No. 1090140151B, ruling that the Bank violated Paragraph 1 of Article 24 and Paragraph 4 of Article 38 of the Labor Standards Act by failing to include the “insurance commission” and “insurance commission and lunch fee” in the calculation of the average wage, and imposed a total penalty of NT\$40,000.

In response, the Bank has included lunch fees in the calculation of average wages. The Bank appeals to the administrative litigation and is in progress.

c. Losses suffered due to employer-employee disputes during the latest year as of the date of annual report publication, disclosure of estimated contingent losses from current and future disputes, and response measures:

None.

G. Important Contracts

Contract Type	Contract Firm	Period	Content	Restrictions
Outsourcing Contract	Beltom Technology Corp.	8.1.2020~7.31.2021	Credit card related document printing, sealing and mailing	Terms of Confidentiality
Outsourcing Contract	Yung Shing Ent. Co., Ltd.	8.28.2020~8.27.2021	Printing and mailing of fund statements and statements of account	
Outsourcing Contract	Taiwan Security Co., Ltd. Lan-An Service Co., Ltd.	12.16.2020~12.15.2021	Outsourced ATM bill exchange and replacement and troubleshooting	
Outsourcing Contract	Chung Hwa Express Corp.	12.10.2020~12.9.2021	Entrust the courier service for bills and related documents	
Outsourcing Contract	LeeBao Security Co., Ltd.	1.1.2021~12.31.2021	Cash escort service	
Outsourcing Contract	Yuen Foong Paper Co., Ltd.	11.21.2020~11.20.2021	Bill printing, sealing and mailing	
Outsourcing Contract	Taiwan Mobile Payment Co., Ltd.	10.7.2019~12.31.2021	Card life cycle and other data processing services for mobile payment tools	
Outsourcing Contract	Financial Information Service Co., Ltd.	1.1.2021~12.31.2022	International card-related service operations	
Authorized Card Issuance Contract	EasyCard Corporation	2.1.2018~6.30.2021	Authorization to issue e-cards with EasyCard function	
Authorized Card Issuance Contract	iPASS Corporation	1.23.2020~1.22.2025	Authorize the issuance of e-cards with iPASS function	
Computer Installment Contract	Dimerco Data System Corporation	10.16.2020~8.13.2021	Strengthen risk management and enhance system processing efficiency.	
Computer Installment Contract	Dynasafe Technologies, Inc.	11.19.2020~2.18.2022	Update and integrate branch network service platform to improve system performance and stability.	

H. Categories and Relevant Information of Securitization Commodities Launched in Accordance with Financial Asset Securitization Act or the Real Estate Securitization Act, and with Approval of the Competent Authority

None.

VI | Financial Status

A. Brief Balance Sheets and Comprehensive Income Statements of Recent Five Years

a. Brief Balance Sheets:

Unit: NT\$ thousand

Items	FY	Consolidation Financial Information of Recent Five Years				
		2020	2019	2018	2017	2016
Cash, Cash Equivalents, Due from the Central Bank and Call Loans to Banks		262,191,956	199,335,770	249,015,779	239,850,189	240,024,553
Financial Assets at fair value through profit or loss		14,581,474	11,483,389	10,917,490	13,552,513	34,699,024
Available-For-Sale Financial Assets		0	-	-	73,175,886	76,824,866
Financial assets for hedging		231,693	247,375	244,763	243,372	86,265
Bonds and Securities Purchased under Resell Agreements		0	0	0	0	0
Receivables, net		21,481,338	23,201,037	29,933,985	24,670,023	20,280,261
Current tax assets		396,516	207,520	289,771	135,714	56,689
Financial assets at fair value through other comprehensive income		122,695,821	116,296,139	91,938,199	-	-
Investments in debt instruments at amortized cost		345,283,447	276,058,976	268,059,805	-	-
Available for Sale Financial Assets, net		0	0	0	0	0
Discounts and loans, net		1,477,886,845	1,427,350,947	1,336,701,095	1,377,040,660	1,367,259,890
Held-To-Maturity Financial Assets		-	-	-	237,412,046	204,864,541
Investments Accounted for Using Equity Method		0	0	0	0	0
Restricted Assets		0	0	0	0	0
Other Financial Assets, net		25,590,786	40,133,881	55,045,230	31,247,373	23,097,828
Property and equipment, net		20,908,603	20,739,036	21,071,298	20,639,732	20,801,823
Right-of-use Assets, net		1,519,247	1,620,404	-	-	-
Investment property, net		13,858,910	13,872,790	13,742,376	13,747,787	13,753,981
Intangible Assets, net		687,613	720,656	731,364	436,176	423,465
Deferred Tax Assets, net		3,379,099	3,312,325	3,120,664	3,175,050	2,447,734
Other Assets		2,746,871	1,062,958	999,851	931,879	530,584
Total Assets		2,313,440,219	2,135,643,203	2,081,811,670	2,036,258,400	2,005,151,504
Deposits from the Central Bank and Banks		103,221,627	102,305,626	113,038,541	108,151,867	139,162,582
Financing from Central Bank and Banks		14,829,050	0	0	0	0
Financial liabilities at fair value through profit or loss		7,293,565	4,247,279	11,047,488	12,309,330	18,093,146
Derivative Financial Liability for Hedging		0	0	0	0	0
Securities sold under repurchase agreements		1,226,633	1,547,291	5,285,890	3,118,536	2,954,981
Payables		22,237,409	21,846,910	36,677,779	34,849,855	33,834,971
Current tax liabilities		841,436	507,880	241,285	954,609	550,984
Liabilities Related to Assets Classified as Held for Sale		0	0	0	0	0
Deposits and Remittances		1,917,987,149	1,765,948,203	1,689,581,112	1,672,079,784	1,624,429,817
Bank notes payable		61,351,032	55,521,014	49,549,055	41,739,657	31,375,226
Preferred Liability		0	0	0	0	0
Other Financial Liabilities		1,949,149	4,274,900	4,387,078	3,662,600	2,718,964
Reserve for Liabilities		5,316,038	5,340,555	5,296,332	4,758,835	4,524,224
Lease Liabilities		1,343,548	1,420,392	-	-	-
Deferred Tax Liabilities		8,301,861	7,902,609	7,352,277	7,019,970	6,672,201
Other Liabilities		2,487,932	2,543,349	2,793,202	2,665,793	3,310,883
Total Liabilities	Before Distribution	2,148,386,429	1,973,406,008	1,925,250,039	1,891,310,836	1,867,627,979
	After Distribution (Note)	2,152,124,929	1,977,400,132	1,931,515,332	1,895,546,686	1,871,393,179
Equity Attributable to Owners of the Parent Company		165,053,790	162,237,195	156,561,631	144,947,564	137,523,525
Capital	Before Distribution	103,847,236	99,853,111	97,895,207	94,130,007	89,647,626
	After Distribution (Note)	104,885,708	103,847,236	99,853,111	97,895,207	94,130,007
Capital Surplus		0	0	0	0	0
Retained Earnings	Before Distribution	57,352,741	58,495,437	55,271,433	51,271,528	47,775,705
	After Distribution (Note)	52,575,769	50,507,189	47,048,236	43,270,478	39,528,124
Other Equities		3,853,813	3,888,647	3,394,991	(453,971)	100,194
Treasury Stock		-	-	-	-	-
Non-controlling Interests		-	-	-	-	-
Total Shareholders' Equity	Before Distribution	165,053,790	162,237,195	156,561,631	144,947,564	137,523,525
	After Distribution (Note)	161,315,290	158,243,071	150,296,338	140,711,714	133,758,325

Note: The earnings distribution for year 2020 hasn't been approved by the 2021 General Shareholders' Meeting.

Items	FY	Individual Financial Information of Recent Five Years				
		2020	2019	2018	2017	2016
Cash, Cash Equivalents, Due from Central Bank and Call Loans to Banks		257,414,954	193,321,396	247,107,964	239,850,189	240,024,553
Financial Assets at fair value through profit or loss		14,463,858	11,483,389	10,917,490	13,552,513	34,699,024
Available-For-Sale Financial Assets		-	-	-	73,175,886	76,824,866
Financial assets for hedging		231,693	247,375	244,763	243,372	86,265
Bonds and Securities Purchased under Resell Agreements		0	0	0	0	0
Receivables, net		21,300,335	22,979,066	28,984,785	24,670,023	20,280,261
Current tax assets		396,258	207,398	289,771	135,714	56,689
Financial assets at fair value through other comprehensive income		116,479,219	111,610,083	90,390,520	-	-
Investments in debt instruments at amortized cost		345,283,447	276,058,976	268,059,805	-	-
Available for Sale Financial Assets, net		0	0	0	0	0
Discounts and loans, net		1,463,024,593	1,412,641,860	1,320,077,226	1,377,040,660	1,367,259,890
Held-To-Maturity Financial Assets		-	-	-	237,412,046	204,864,541
Investments Accounted for Using Equity Method, net		13,511,768	13,087,475	12,536,866	0	0
Restricted Assets		0	0	0	0	0
Other Financial Assets, net		29,915,786	44,428,881	51,821,709	31,247,373	23,097,828
Property and equipment, net		20,160,372	19,995,240	20,200,024	20,639,732	20,801,823
Right-of-use Assets, net		1,500,974	1,601,174	-	-	-
Investment property, net		13,858,910	13,872,790	13,742,376	13,747,787	13,753,981
Intangible Assets, net		608,517	645,360	714,842	436,176	423,465
Deferred Tax Assets, net		3,245,453	3,197,348	3,001,405	3,175,050	2,447,734
Other Assets		2,727,131	1,051,475	990,474	931,879	530,584
Total Assets		2,304,123,268	2,126,429,286	2,069,080,020	2,036,258,400	2,005,151,504
Deposits from the Central Bank and Banks		102,193,025	102,187,587	110,858,179	108,151,867	139,162,582
Financing from Central Bank and Banks		14,829,050	0	0	0	0
Financial liabilities at fair value through profit or loss		7,293,565	4,247,279	11,047,488	12,309,330	18,093,146
Derivative Financial Liability for Hedging		0	0	0	0	0
Securities sold under repurchase agreements		1,226,633	1,547,291	5,285,890	3,118,536	2,954,981
Payables		21,966,509	21,676,201	35,699,603	34,849,855	33,834,971
Current tax liabilities		829,711	465,752	218,866	954,609	550,984
Liabilities Related to Assets Classified as Held for Sale		0	0	0	0	0
Deposits and Remittances		1,910,034,360	1,757,136,850	1,680,087,976	1,672,079,784	1,624,429,817
Bank notes payable		61,351,032	55,521,014	49,549,055	41,739,657	31,375,226
Preferred Liability		0	0	0	0	0
Other Financial Liabilities		1,949,149	4,274,900	4,387,078	3,662,600	2,718,964
Reserve for Liabilities		5,306,731	5,322,733	5,272,477	4,758,835	4,524,224
Lease Liabilities		1,325,275	1,401,162	-	-	-
Deferred Tax Liabilities		8,294,747	7,892,389	7,350,045	7,019,970	6,672,201
Other Liabilities		2,469,691	2,518,933	2,761,732	2,665,793	3,310,883
Total Liabilities	Before Distribution	2,139,069,478	1,964,192,091	1,912,518,389	1,891,310,836	1,867,627,979
	After Distribution (Note)	2,142,807,978	1,968,186,215	1,918,783,682	1,895,546,686	1,871,393,179
Equity Attributable to Owners of the Parent Company		165,053,790	162,237,195	156,561,631	144,947,564	137,523,525
Capital	Before Distribution	103,847,236	99,853,111	97,895,207	94,130,007	89,647,626
	After Distribution (Note)	104,885,708	103,847,236	99,853,111	97,895,207	94,130,007
Capital Surplus		0	0	0	0	0
Retained Earnings	Before Distribution	57,352,741	58,495,437	55,271,433	51,271,528	47,775,705
	After Distribution (Note)	52,575,769	50,507,189	47,048,236	43,270,478	39,528,124
Other Equities		3,853,813	3,888,647	3,394,991	(453,971)	100,194
Treasury Stock		-	-	-	-	-
Non-controlling Interests		-	-	-	-	-
Total Shareholders' Equity	Before Distribution	165,053,790	162,237,195	156,561,631	144,947,564	137,523,525
	After Distribution (Note)	161,315,290	158,243,071	150,296,338	140,711,714	133,758,325

Note: The earnings distribution for year 2020 hasn't been approved by the 2021 General Shareholders' Meeting.

b. Brief Statements of Comprehensive Income:

Unit: NT\$ thousand

Items	FY	Consolidation Financial Information of Recent Five Years				
		2020	2019	2018	2017	2016
Interest Income		29,816,159	39,190,235	38,422,200	34,602,915	32,589,526
Interest Expense		10,675,907	16,340,528	15,232,556	11,946,045	10,862,757
Net Interest Income		19,140,252	22,849,707	23,189,644	22,656,870	21,726,769
Net Income Other Than Interest Income		8,176,840	9,228,646	9,918,545	8,139,849	9,281,712
Net Income		27,317,092	32,078,353	33,108,189	30,796,719	31,008,481
Bad Debts Expense, Commitment and Guarantee Liability Provision		2,836,199	2,136,395	2,203,252	791,185	1,138,044
Operating Expenses		16,170,327	16,421,666	16,194,853	15,821,315	15,787,396
Income Before Income Tax of Continued Operations		8,310,566	13,520,292	14,710,084	14,184,219	14,083,041
Income Tax (Expense) Benefit		(1,269,639)	(1,948,510)	(2,063,549)	(2,091,113)	(1,997,069)
Net Income of Continued Operations		7,040,927	11,571,782	12,646,535	12,093,106	12,085,972
Gain (Loss) from Discontinued Operations		0	0	0	0	0
Net Income (Loss)		7,040,927	11,571,782	12,646,535	12,093,106	12,085,972
Other Comprehensive Income		(230,208)	369,075	109,534	(903,865)	(1,077,343)
Total Comprehensive Income		6,810,719	11,940,857	12,756,069	11,189,241	11,008,629
Net Income Attributed to Owners of the Parent Company		7,040,927	11,571,782	12,646,535	12,093,106	12,085,972
Net Income Attributed to Non-controlling Interests		0	0	0	0	0
Total Comprehensive Net Income Attributed to Owners of the Parent Company		6,810,719	11,940,857	12,756,069	11,189,241	11,008,629
Total Comprehensive Income Attributed to Non-controlling Interests		0	0	0	0	0
Basic EPS (NT\$) (Note)		0.68	1.11	1.22	1.16	1.16
Diluted EPS (NT\$) (Note)		0.68	1.11	1.21	1.16	1.16

Note: EPS is based on the unit of NT\$ 1 and adjusted retrospectively for the effects of bonus stock.

Unit: NT\$ thousand

Items	FY	Individual Financial Information of Recent Five Years				
		2020	2019	2018	2017	2016
Interest Income		28,936,758	38,189,030	38,335,813	34,602,915	32,589,526
Interest Expense		10,495,056	16,118,024	15,210,271	11,946,045	10,862,757
Net Interest Income		18,441,702	22,071,006	23,125,542	22,656,870	21,726,769
Net Income Other Than Interest Income		8,471,996	9,641,018	9,870,554	8,139,849	9,281,712
Net Income		26,913,698	31,712,024	32,996,096	30,796,719	31,008,481
Bad Debts Expense, Commitment and Guarantee Liability Provision		2,841,478	2,148,065	2,213,028	791,185	1,138,044
Operating Expenses		15,760,721	16,051,483	16,076,534	15,821,315	15,787,396
Income Before Income Tax of Continued Operations		8,311,499	13,512,476	14,706,534	14,184,219	14,083,041
Income Tax (Expense) Benefit		(1,270,572)	(1,940,694)	(2,059,999)	(2,091,113)	(1,997,069)
Net Income of Continued Operations		7,040,927	11,571,782	12,646,535	12,093,106	12,085,972
Gain (Loss) from Discontinued Operations		0	0	0	0	0
Net Income (Loss)		7,040,927	11,571,782	12,646,535	12,093,106	12,085,972
Other Comprehensive Income		(230,208)	369,075	109,534	(903,865)	(1,077,343)
Total Comprehensive Income		6,810,719	11,940,857	12,756,069	11,189,241	11,008,629
Net Income Attributed to Owners of the Parent Company		7,040,927	11,571,782	12,646,535	12,093,106	12,085,972
Net Income Attributed to Non-controlling Interests		0	0	0	0	0
Total Comprehensive Net Income Attributed to Owners of the Parent Company		6,810,719	11,940,857	12,756,069	11,189,241	11,008,629
Total Comprehensive Income Attributed to Non-controlling Interests		0	0	0	0	0
Basic EPS (NT\$) (Note)		0.68	1.11	1.22	1.16	1.16
Diluted EPS (NT\$) (Note)		0.68	1.11	1.21	1.16	1.16

Note: EPS is based on the unit of NT\$ 1 and adjusted retrospectively for the effects of bonus stock.

c. CPA-Auditor of the Consolidated Financial Report:

FY	2020	2019	2018	2017	2016
CPA Firm	Deloitte & Touche				
CPA-Auditor	Amanda Wu, Titan Lee	Jimmy S. Wu, Titan Lee	Jerry Gung, Titan Lee	Jerry Gung, Walter Liu	
Independent Auditors' Opinion	Standard unqualified opinions				

B. Financial Analysis of Recent Five Years

a. Financial Analysis

Unit: NT\$ thousand

Items (Note)	FY	Consolidation Financial Analysis of Recent Five Years				
		2020	2019	2018	2017	2016
Operating Ability	Ratio of Loans to Deposits	80.69	80.93	81.82	83.03	86.77
	Ratio of Non-performing Loan	0.38	0.34	0.32	0.30	0.25
	Ratio of Interest Expense to Annual Average Deposits	0.48	0.73	0.69	0.59	0.59
	Ratio of Interest Income to Annual Average Lending	1.62	2.06	2.09	2.00	1.94
	Total Assets Turnover ratio (Times)	0.012	0.015	0.016	0.015	0.016
	Average Revenue Per Employee (NT\$ thousand)	3,988	4,726	5,016	4,672	4,722
	Average Profit Per Employee (NT\$ thousand)	1,028	1,705	1,916	1,835	1,840
Profitability	Return on Tier I Capital	5.04	8.86	10.57	11.17	11.79
	Return on Assets	0.32	0.55	0.61	0.60	0.62
	Return on Equity Ratio	4.30	7.26	8.39	8.56	9.05
	Ratio of Net Income	25.77	36.07	38.20	39.27	38.98
	Basic Earnings Per Share (NT\$)	0.68	1.11	1.22	1.16	1.16
	Diluted Earnings Per Share (NT\$)	0.68	1.11	1.21	1.16	1.16
Financial Structure	Ratio of Liabilities to Assets	92.87	92.40	92.48	92.88	93.14
	Ratio of Real Estate and Equipment to Shareholders' Equity	12.67	12.78	13.46	14.24	15.13
Growth Rate	Ratio of Asset Growth	8.33	2.59	2.24	1.55	5.19
	Ratio of Profit Growth	-38.53	-8.09	3.71	0.72	2.45
Cash Flow	Ratio of Cash Flow	16.80	-36.42	-2.53	24.26	26.88
	Net Cash Flow Adequacy Ratio	194.33	371.01	631.61	565.94	618.85
	Cash Flow Satisfaction Ratio	-2,922	4,566	242	-5,126	-10,706
Ratio of Liquid Reserve		23.56	19.03	19.00	16.42	16.14
Related Party Secured Loan		42,982,515	41,193,710	41,166,929	41,115,344	14,576,761
Ratio of Related Party Secured Loan of Total Loan		2.73	2.71	2.89	2.95	1.00
Operating Scale	Market Share of Assets	4.15	4.15	4.23	4.34	4.55
	Market Share of Net Worth	3.99	4.07	4.23	4.18	4.11
	Market Share of Deposits	4.22	4.21	4.24	4.34	4.36
	Market Share of Lending	4.47	4.55	4.48	4.79	5.04

Reasons for changes of financial ratios for the last two years:

The growth rate of asset goes up because the growth of investment in 2020 increased compared to 2019. The growth rate of profit goes down because the growth of income before income tax in 2020 decreased compared to 2019. The related ratios of cash flow were in excess of 20% in 2020 because net cash out-flows of operating and financial activities in 2020 increased compared to 2019.

Note: The instruction and calculation formulas in this table are as follows:

1. Operating Ability:

- (1) Ratio of Loans to Deposits = Total Loans / Total Deposits
- (2) Ratio of Non-performing loan = Non-performing loan / Total Loans
- (3) Ratio of Interest expense to Annual Average Deposits = Interest expense Related to Deposits / Annual Average Deposits
- (4) Ratio of Interest Income to Annual Average Lending = Interest Income Related to Lending / Annual Average Lending
- (5) Total Assets Turnover ratio = Net Revenue / Average Total Assets
- (6) Average Revenue Per Employee = Net Revenue / Number of Employees
- (7) Average Profit Per Employee = After-tax net Income / Total Number of Employees

2. Profitability:

- (1) Return on Tier I Capital = Before-tax Earnings or Losses / Net Average Tier I Capital
- (2) Return On Assets = Net Income / Average of Total Assets
- (3) Return On Equity = Net Income / Net Average of Total Shareholders' Equity
- (4) Ratio of Net Income = After-tax Net Income / Net Income
- (5) Earnings Per Share = (Equity Attributable to Owners of the Parent Company – Preferred stock Dividend) / Average Weighted Outstanding Stock

3. Financial Structure:

- (1) Ratio of Liabilities to Total Assets = Liabilities / Total Assets
- (2) Ratio of Real Estate and Equipment to Shareholders' Equity = Real Estate and Equipment / Shareholders' Equity

4. Growth Rate:

- (1) Asset Growth Rate = (Total Assets of the Year – Total Assets of Previous Year) / Total Assets of Previous Year
- (2) Profit Growth Rate = (Income Before-tax – Income Before-tax of Previous Year) / Income Before-tax of Previous Year

5. Cash Flow:

- (1) Ratio of Cash Flow = Net cash flow from business activities / (call loans to banks and banks overdrafts + commercial paper payable + financial liabilities measured at FVTPL + Changes in Notes and Bonds Issued under Repurchase Agreement + account payable due in 1 year)
- (2) Net Cash Flow Adequacy Ratio = Net cash flow from operating activities for the past five years / (capital expenditures + cash dividends) for the past five years
- (3) Cash Flow Satisfaction Ratio = current assets regulated by central bank / all liability need liquid reserves

6. Liquid Reserves Ratio = Liquid Assets regulated by Central Bank / all liability need liquid reserve

7. Operating Scale:

- (1) Market Share of Asset = Total Assets / Total Assets of all financial institutions allowed to operate deposit / lending business
- (2) Market Share of Net Worth = Net Worth / Total Assets of all financial institutions allowed to operate deposit / lending business
- (3) Market Share of Deposit = Total Deposits / Total deposit of all major financial institutions allowed to operate deposit / lending business
- (4) Market Share of Lending = Total Lending / Total lending of the all financial institutions allowed to operate deposit / lending business

Items (Note)	FY	Individual Financial Analysis of Recent Five Years				
		2020	2019	2018	2017	2016
Operating Ability	Ratio of Loans to Deposits	80.26	80.39	81.78	83.03	86.77
	Ratio of Non-performing Loan	0.38	0.34	0.32	0.30	0.25
	Ratio of Interest Expense to Annual Average Deposits	0.47	0.73	0.69	0.59	0.59
	Ratio of Interest Income to Annual Average Lending	1.59	2.03	2.08	2.00	1.94
	Total Assets Turnover ratio (Times)	0.012	0.015	0.016	0.015	0.016
	Average Revenue Per Employee (NT\$ thousand)	4,031	4,787	5,033	4,672	4,722
	Average Profit Per Employee (NT\$ thousand)	1,055	1,747	1,929	1,835	1,840
Profitability	Return on Tier I Capital	5.24	9.23	10.81	11.17	11.80
	Return on Assets	0.32	0.55	0.62	0.60	0.62
	Return on Equity Ratio	4.30	7.26	8.39	8.56	9.05
	Ratio of Net Income	26.16	36.49	38.33	39.27	38.98
	Basic Earnings Per Share (NT\$)	0.68	1.11	1.22	1.16	1.16
	Diluted Earnings Per Share (NT\$)	0.68	1.11	1.21	1.16	1.16
Financial Structure	Ratio of Liabilities to Assets	92.84	92.37	92.43	92.88	93.14
	Ratio of Real Estate and Equipment to Shareholders' Equity	12.21	12.32	12.90	14.24	15.13
Growth Rate	Ratio of Asset Growth	8.36	2.77	1.61	1.55	5.14
	Ratio of Profit Growth	-38.49	-8.12	3.68	0.72	3.25
Cash Flow	Ratio of Cash Flow	18.61	-40.28	0.85	24.26	26.88
	Net Cash Flow Adequacy Ratio	208.27	380.02	671.60	566.00	618.93
	Cash Flow Satisfaction Ratio	-3,437	3,238	-9	-5,126	-10,706
Ratio of Liquid Reserve		23.56	19.03	19.00	16.42	16.14
Related Party Secured Loan		42,982,515	41,193,710	41,166,929	41,115,344	14,576,761
Ratio of Related Party Secured Loan of Total Loan		2.73	2.71	2.89	2.95	1.00
Operating Scale	Market Share of Assets	4.15	4.15	4.23	4.34	4.55
	Market Share of Net Worth	3.99	4.07	4.23	4.18	4.11
	Market Share of Deposits	4.22	4.21	4.24	4.34	4.36
	Market Share of Lending	4.47	4.55	4.48	4.79	5.04

Reasons for changes of financial ratios for the last two years:

The growth rate of asset goes up because the growth of investment in 2020 increased compared to 2019. The growth rate of profit goes down because the growth of income before income tax in 2020 decreased compared to 2019. The related ratios of cash flow were in excess of 20% in 2020 because net cash out-flows of operating and financial activities in 2020 increased compared to 2019.

Note: The instruction and calculation formulas in this table are the same as those of previous table.

b. Adequacy of Capital:

Unit: NT\$ thousand

Items (Note 2)	FY	Consolidation Capital Adequacy Ratio of Recent Five Years (Note 1)					
		2020	2019	2018	2017	2016	
Regulatory Capital	Common Equity Tier I	145,659,743	140,790,667	136,278,731	128,325,492	121,271,653	
	Additional Tier I Capital	26,422,600	16,874,772	11,398,831	1,853,200	2,332,643	
	Tier II Capital	48,629,424	54,231,213	57,012,582	58,525,280	43,971,841	
	Regulatory Capital	220,711,767	211,896,652	204,690,144	188,703,972	167,576,137	
Total Risk-Weighted Assets	Credit Risk	Standardized Approach	1,390,652,840	1,360,106,227	1,302,768,815	1,318,331,599	1,330,834,716
		Internal Ratings-Based Approach					
		Asset Securitization	533,801	0	133,357	12,922	17,711
	Operational Risk	Basic Indicator Approach					
		Standardized Approach / Alternative Standardized Approach	55,422,259	57,819,213	57,297,063	53,616,863	50,906,050
		Advanced Measurement Approach					
	Market Risk	Standardized Approach	14,806,764	22,515,159	19,340,309	19,542,238	13,292,788
		Internal Models Approach					
	Total Risk-Weighted Assets		1,461,415,664	1,440,440,599	1,379,539,544	1,391,503,622	1,395,051,265
	Total Capital Adequacy Ratio (%)		15.10	14.71	14.84	13.56	12.01
Tier I Capital Ratio (%)		11.78	10.95	10.70	9.36	8.86	
Common Equity to Risk Assets Ratio (%)		9.97	9.77	9.88	9.22	8.69	
Leverage Ratio (%)		6.94	6.90	6.62	5.96	5.76	

Reasons for changes of capital adequacy ratios for the last two years: None.

Note 1: The definition of Regulatory Capital, Risk-Weighted Assets and exposure measure hereby shall be in compliance with the "Regulations Governing the Capital Adequacy and Capital Category of Banks" and "Calculation Method and table for Regulatory Capital and Risk-Weighted Assets of Banks."

Note 2: Calculation formulas as follows:

1. Regulatory Capital = Common Equity + Tier I Capital other than Common Equity + Tier II Capital
2. Total Risk-Weighted Asset = Credit Risk-Weighted Risk Asset + (Operational Risk + Market Risk) Capital Requirement × 12.5
3. Total Capital Adequacy Ratio = Regulatory Capital / Total Risk-Weighted Asset
4. Tier I Capital Ratio = (Common Equity Tier I + Additional Tier I Capital) / Total Risk - Weighted Asset
5. Common equity Tier II Ratio = Common Equity Tier I / Total Risk - Weighted Asset
6. Leverage Ratio = Tier I Capital / Exposure Measurement

Unit: NT\$ thousand

Items (Note 2)	FY	Individual Capital Adequacy Ratio of Recent Five Years (Note 1)					
		2020	2019	2018	2017	2016	
Regulatory Capital	Common Equity Tier I	142,528,000	137,632,587	133,169,964	128,325,492	121,271,653	
	Additional Tier I Capital	23,190,418	13,602,903	8,264,615	1,853,200	2,332,643	
	Tier II Capital	41,899,481	47,495,511	50,502,460	58,525,280	43,971,841	
	Regulatory Capital	207,617,899	198,731,001	191,937,039	188,703,972	167,576,137	
Total Risk-Weighted Assets	Credit Risk	Standardized Approach	1,377,562,106	1,346,134,887	1,283,755,061	1,318,331,599	1,330,834,716
		Internal Ratings-Based Approach					
		Asset Securitization	533,801	0	133,357	12,922	17,711
	Operational Risk	Basic Indicator Approach					
		Standardized Approach / Alternative Standardized Approach	54,834,257	57,479,000	57,175,125	53,616,863	50,906,050
		Advanced Measurement Approach					
	Market Risk	Standardized Approach	10,967,292	19,495,451	18,998,850	19,542,238	13,292,788
		Internal Models Approach					
	Total Risk-Weighted Assets		1,443,897,456	1,423,109,338	1,360,062,393	1,391,503,622	1,395,051,265
	Capital Adequacy Ratio (%)		14.38	13.96	14.11	13.56	12.01
Tier I Capital to Risk Assets Ratio (%)		11.48	10.63	10.40	9.36	8.86	
Common Equity to Risk Assets Ratio (%)		9.87	9.67	9.79	9.22	8.69	
Leverage Ratio (%)		6.73	6.67	6.40	5.96	5.76	

Reasons for changes of capital adequacy ratios for the last two years: None.

Note 1 and Note 2: The instruction and calculation formulas in this table are the same as those of previous table.

C. Any Financial Crunch Confronted by the Bank or Its Subsidiaries and the Related Impacts in Recent Years and as of the Date of Annual Report Publication

None.


D. Audit Committee's Audit Report on the Financial Statements of Recent Years

Chang Hwa Commercial Bank, Ltd.
Audit Report of Audit Committee
February 25, 2021


To: Shareholders of Chang Hwa Commercial Bank, Ltd.

The Board of Directors has prepared the 2020 Report on Business Operations and various financial statements (including Balance Sheet, Statement of Comprehensive Income, Statement of Changes in Equity, and Cash Flow Statement). All the financial statements (including consolidated basis) have been certified by Amanda Wu, CPA and Titan Lee, CPA of Deloitte & Touche, and upon which a Standard Unqualified Opinion has been issued. These statements referred to above present fairly the financial position as of December 31, 2020 and the operation results and cash flows in 2020 of the company. The Audit Committee has reviewed the above-mentioned statements in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act and hereby provides such audit report.

The Audit Committee, Chang Hwa Commercial Bank, Ltd.

Independent Director & Chairman : Jung-Chun Pan 

Independent Director : Jong-Horng Lin 

Independent Director : Chih-Jong Suen 

Chang Hwa Commercial Bank, Ltd.
Audit Report of Audit Committee
April 20, 2021

To: Shareholders of Chang Hwa Commercial Bank, Ltd.

The Board of Directors has prepared the 2020 Earnings Distribution Proposal. The Audit Committee has reviewed the aforementioned Proposal in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, and confirmed its consistency with related laws and rules. The Audit Committee hereby provides the said audit report.

The Audit Committee, Chang Hwa Commercial Bank, Ltd.

Independent Director & Chairman : Jung-Chun Pan *Jung-Chun Pan*

Independent Director : Jong-Hong Lin *Jong-Hong Lin*

Independent Director : Chih-Jong Suen *Chih-Jong Suen*

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Chang Hwa Commercial Bank, Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Chang Hwa Commercial Bank, Ltd. (the “Bank”) and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the “consolidated financial statements”).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of 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, Regulations Governing the Preparation of Financial Reports by Securities Firms and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

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

The following is the description for the key audit matter in the audit of the consolidated financial statements of the Group for the year ended December 31, 2020.

Impairment Assessment of Loans

Loans are the most important assets of the Group. As of December 31, 2020, the balance of the Group's loans totaled \$1,477,886,845 thousand, accounting for 64% of the Group's total consolidated assets. The Group assessed the impairment on loans in accordance with IFRS 9 and with relevant regulations on recognizing allowance for loans. As the assessment of the impairment on the aforementioned assets involves the management's critical judgments, estimations and assumptions, we considered the impairment assessment on loans as a key audit matter. Refer to Notes 4, 5 and 12 to the Group's consolidated financial statements for related information.

Our main audit procedures performed in response to the key audit matter described above were as follows:

When assessing the appropriateness of the impairment on loans, we understood and tested the internal controls relevant to the lending process and assessment of loan impairment. We tested whether the expected credit loss was calculated by loans grouped by borrowers and credit risk characteristics. We further verified whether the parameters utilized in the impairment loss model (including probability of default adjusted for forward looking factors, loss given default, and exposure at default) reflect the actual situation, and recalculated the impairment loss on loans, examined the classification of loan credit assets, and assessed the loan provisions in compliance with relevant regulations.

Other Matter

We have also audited the financial statements of Chang Hwa Commercial Bank, Ltd. as of and for the years ended December 31, 2020 and 2019 on which we have issued an unqualified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms and IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, 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 Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Group's 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 auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

1. Identify and assess the risks of material misstatement of the 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 Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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 Group 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 and appropriate audit evidence regarding the financial information of entities or business activities within the Group 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 for the year ended December 31, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Mei Hui Wu and Tung Feng Lee.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 25, 2021

Notice to Readers

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

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

CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

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

ASSETS	2020		2019	
	Amount	%	Amount	%
Cash and cash equivalents (Notes 4, 6 and 36)	\$ 26,452,525	1	\$ 32,418,679	1
Due from the Central Bank and call loans to banks (Notes 4, 6 and 36)	235,739,431	10	166,917,091	8
Financial assets at fair value through profit or loss (Notes 4, 7, 34 and 37)	14,581,474	1	11,483,389	1
Financial assets at fair value through other comprehensive income (Notes 4, 8, 10, 34 and 37)	122,695,821	5	116,296,139	5
Financial assets for hedging (Notes 4 and 13)	231,693	-	247,375	-
Investments in debt instruments at amortized cost (Notes 4, 5, 9, 10, 34 and 37)	345,283,447	15	276,058,976	13
Receivables, net (Notes 4, 11 and 12)	21,481,338	1	23,201,037	1
Current tax assets (Notes 4 and 31)	396,516	-	207,520	-
Discounts and loans, net (Notes 4, 5, 12, 34, 35 and 36)	1,477,886,845	64	1,427,350,947	67
Other financial assets, net (Notes 4, 14 and 37)	25,590,786	1	40,133,881	2
Property and equipment, net (Notes 4 and 16)	20,908,603	1	20,739,036	1
Right-of-use assets, net (Notes 4 and 17)	1,519,247	-	1,620,404	-
Investment properties, net (Notes 4 and 18)	13,858,910	1	13,872,790	1
Intangible assets, net (Notes 4 and 19)	687,613	-	720,656	-
Deferred tax assets (Notes 4 and 31)	3,379,099	-	3,312,325	-
Other assets, net (Notes 20 and 37)	2,746,871	-	1,062,958	-
TOTAL	\$ 2,313,440,219	100	\$ 2,135,643,203	100
LIABILITIES AND EQUITY				
Deposits from the Central Bank and banks (Notes 4, 21 and 36)	\$ 103,221,627	5	\$ 102,305,626	5
Due to the Central Bank and banks (Notes 6 and 37)	14,829,050	1	-	-
Financial liabilities at fair value through profit or loss (Notes 4, 7 and 36)	7,293,565	-	4,247,279	-
Securities sold under repurchase agreements (Note 4)	1,226,633	-	1,547,291	-
Payables (Notes 4, 22 and 29)	22,237,409	1	21,846,910	1
Current tax liabilities (Notes 4 and 31)	841,436	-	507,880	-
Deposits and remittances (Notes 4, 23 and 36)	1,917,987,149	83	1,765,948,203	83
Bank notes payable (Notes 4, 24 and 34)	61,351,032	3	55,521,014	3
Other financial liabilities (Notes 4 and 25)	1,949,149	-	4,274,900	-
Reserve for liabilities (Notes 4, 5, 27 and 28)	5,316,038	-	5,340,555	-
Lease liabilities (Notes 4 and 17)	1,343,548	-	1,420,392	-
Deferred tax liabilities (Notes 4 and 31)	8,301,861	-	7,902,609	-
Other liabilities (Notes 4, 16 and 26)	2,487,932	-	2,543,349	-
Total liabilities	2,148,386,429	93	1,973,406,008	92
EQUITY (Notes 4, 29 and 31)				
Capital stock				
Common stock	103,847,236	5	99,853,111	5
Retained earnings				
Legal reserve	38,266,789	2	34,832,629	2
Special reserve	12,201,590	-	12,204,648	1
Unappropriated earnings	6,884,362	-	11,458,160	-
Other equity	3,853,813	-	3,888,647	-
Total equity	165,053,790	7	162,237,195	8
TOTAL	\$ 2,313,440,219	100	\$ 2,135,643,203	100

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

CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

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

	2020		2019		Percentage Increase (Decrease) %
	Amount	%	Amount	%	
INTEREST INCOME (Notes 4, 30 and 40)	\$ 29,816,159	109	\$ 39,190,235	122	(24)
INTEREST EXPENSE (Notes 30, 36 and 40)	<u>(10,675,907)</u>	<u>(39)</u>	<u>(16,340,528)</u>	<u>(51)</u>	(35)
NET INCOME OF INTEREST	<u>19,140,252</u>	<u>70</u>	<u>22,849,707</u>	<u>71</u>	(16)
NET NON-INTEREST INCOME (LOSS)					
Net service fee income (Notes 4 and 30)	4,527,568	17	4,634,766	14	(2)
Gain (loss) on financial assets or liabilities measured at fair value through profit or loss (Notes 4, 7 and 30)	1,648,070	6	1,836,773	6	(10)
Realized gain (loss) on financial assets at fair value through other comprehensive income (Notes 4 and 30)	1,219,076	4	1,365,271	4	(11)
Gain (loss) arising from derecognition of financial assets at amortized cost	97	-	-	-	-
Foreign exchange gain (loss) (Notes 4 and 34)	339,421	1	918,885	3	(63)
Net other non-interest income (loss) (Notes 13 and 15)	<u>442,608</u>	<u>2</u>	<u>472,951</u>	<u>2</u>	(6)
Net non-interest income	<u>8,176,840</u>	<u>30</u>	<u>9,228,646</u>	<u>29</u>	(11)
NET REVENUE AND GAINS	<u>27,317,092</u>	<u>100</u>	<u>32,078,353</u>	<u>100</u>	(15)
BAD DEBTS EXPENSE, COMMITMENT AND GUARANTEE LIABILITY PROVISION (Notes 4 and 12)	<u>(2,836,199)</u>	<u>(10)</u>	<u>(2,136,395)</u>	<u>(7)</u>	33 (Continued)

CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

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

	2020		2019		Percentage Increase (Decrease) %
	Amount	%	Amount	%	
OPERATING EXPENSES					
Employee benefits expenses (Notes 4 and 30)	\$ (10,807,707)	(40)	\$ (10,867,641)	(34)	(1)
Depreciation and amortization expenses (Notes 4 and 30)	(1,402,619)	(5)	(1,436,869)	(4)	(2)
Other general and administrative expenses	<u>(3,960,001)</u>	<u>(14)</u>	<u>(4,117,156)</u>	<u>(13)</u>	(4)
Total operating expenses	<u>(16,170,327)</u>	<u>(59)</u>	<u>(16,421,666)</u>	<u>(51)</u>	(2)
INCOME BEFORE INCOME TAX	8,310,566	31	13,520,292	42	(39)
INCOME TAX EXPENSE (Notes 4 and 31)	<u>(1,269,639)</u>	<u>(5)</u>	<u>(1,948,510)</u>	<u>(6)</u>	(35)
NET INCOME	<u>7,040,927</u>	<u>26</u>	<u>11,571,782</u>	<u>36</u>	(39)
OTHER COMPREHENSIVE INCOME (LOSS)					
Items that will not be reclassified to profit or loss, net of tax:					
Remeasurement of defined benefit plans (Notes 4 and 28)	(259,674)	(1)	(157,063)	-	65
Revaluation gains (losses) on investments in equity instruments measured at fair value through other comprehensive income	748,689	3	1,629,390	5	(54)
Changes in fair value of financial liabilities attributable to changes in credit risk of liability	-	-	(818)	-	100
Income tax related to items that will not be reclassified to profit or loss (Notes 4 and 31)	51,935	-	31,412	-	65
Items that will be reclassified to profit or loss, net of tax:					
Exchange differences on translation (Note 4)	(1,118,628)	(4)	(1,185,701)	(4)	(6)
Revaluation gains (losses) on investments in debt instruments measured at fair value through other comprehensive income	464,526	2	44,954	-	933

(Continued)

CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

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

	2020		2019		Percentage Increase (Decrease) %
	Amount	%	Amount	%	
(Impairment loss) reversal of impairment loss on investments in debt instruments measured at fair value through other comprehensive income	\$ (20,990)	-	\$ (107,044)	-	(80)
Income tax related to items that will be reclassified to profit or loss (Notes 4 and 31)	<u>(96,066)</u>	<u>(1)</u>	<u>113,945</u>	<u>-</u>	(184)
Other comprehensive income (loss), net of tax	<u>(230,208)</u>	<u>(1)</u>	<u>369,075</u>	<u>1</u>	(162)
TOTAL COMPREHENSIVE INCOME	<u>\$ 6,810,719</u>	<u>25</u>	<u>\$ 11,940,857</u>	<u>37</u>	(43)
NET INCOME ATTRIBUTABLE TO:					
Owners of the Bank	<u>\$ 7,040,927</u>	<u>26</u>	<u>\$ 11,571,782</u>	<u>36</u>	(39)
Non-controlling interests	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>-</u>	-
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:					
Owners of the Bank	<u>\$ 6,810,719</u>	<u>25</u>	<u>\$ 11,940,857</u>	<u>37</u>	(43)
Non-controlling interests	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>-</u>	-
EARNINGS PER SHARE (Note 32)					
Basic	<u>\$ 0.68</u>		<u>\$ 1.11</u>		
Diluted	<u>\$ 0.68</u>		<u>\$ 1.11</u>		

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

(Concluded)

CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Bank										
	Capital Stock			Retained Earnings		Unappropriated Earnings		Foreign Financial Statements		Other Equity	
	Common Stock (In Thousands)	Amount	Legal Reserve	Special Reserve	Special Reserve	Unappropriated Earnings	Foreign Financial Statements	Exchange Differences on Translation of	Unrealized Gains (Losses) on Financial Assets Measured at Fair Value Through Other Comprehensive Income	Change in Fair Value of Financial Liability Attributable to Change in Credit Risk of Liability	Total Equity
BALANCE, JANUARY 1, 2019	9,789,521	\$ 97,895,207	\$ 31,038,668	\$ 12,141,416	\$ 12,091,349	\$ (614,793)	\$ 4,008,966	\$ 818	\$ 156,561,631		
Appropriation of 2018 earnings	-	-	-	-	(3,793,961)	-	-	-	-	-	-
Legal reserve appropriated	-	-	3,793,961	-	-	-	-	-	-	-	-
Special reserve appropriated	-	-	-	63,232	(63,232)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(6,265,293)	-	-	-	-	-	(6,265,293)
Stock dividends	195,790	1,957,904	-	-	(1,957,904)	-	-	-	-	-	-
Net income for the year ended December 31, 2019	-	-	-	-	11,571,782	-	-	-	-	-	11,571,782
Other comprehensive income (loss) for the year ended December 31, 2019, net of tax	-	-	-	-	(125,651)	(1,027,810)	1,523,354	(818)	369,075		
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	11,446,131	(1,027,810)	1,523,354	(818)	11,940,857		
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	1,070	-	(1,070)	-	-		
BALANCE, DECEMBER 31, 2019	9,985,311	99,853,111	34,832,629	12,204,648	11,458,160	(1,642,603)	5,531,250	-	162,237,195		
Appropriation of 2019 earnings	-	-	-	-	3,058	-	-	-	-	-	-
Special reserve reversal	-	-	-	(3,058)	-	-	-	-	-	-	-
Legal reserve appropriated	-	-	3,434,160	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(3,994,124)	-	-	-	-	-	(3,994,124)
Stock dividends	399,413	3,994,125	-	-	(3,994,125)	-	-	-	-	-	-
Net income for the year ended December 31, 2020	-	-	-	-	7,040,927	-	-	-	-	-	7,040,927
Other comprehensive income (loss) for the year ended December 31, 2020, net of tax	-	-	-	-	(207,739)	(1,228,393)	1,205,924	-	(230,208)		
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	6,833,188	(1,228,393)	1,205,924	-	6,810,719		
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	12,365	-	(12,365)	-	-		
BALANCE, DECEMBER 31, 2020	10,384,724	\$ 103,847,236	\$ 38,266,789	\$ 12,201,590	\$ 6,884,362	\$ (2,870,996)	\$ 6,724,809	\$ -	\$ 165,053,790		

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

CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(In Thousands of New Taiwan Dollars)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income before income tax	\$ 8,310,566	\$ 13,520,292
Non-cash (income and gains) or expenses and losses		
Expected credit loss recognized on trade receivables	2,836,199	2,136,395
Depreciation expense	1,158,351	1,216,452
Amortization expense	244,268	220,417
Interest income	(29,816,159)	(39,190,235)
Dividend income	(633,958)	(523,627)
Interest expense	10,675,907	16,340,528
Net gain on financial assets or liabilities at fair value through profit or loss	(1,595,085)	(72,939)
Gain on disposal of investments	(585,215)	(844,113)
Unrealized foreign exchange gains	(52,985)	(1,763,834)
Other adjustments	(194,490)	285,165
Changes in operating assets and liabilities		
(Increase) decrease in due from the Central Bank	(23,311,892)	5,948,432
(Increase) decrease financial assets at fair value through profit or loss	(485,555)	52,006
Decrease in receivables	130,791	6,274,408
Increase in discounts and loans	(53,571,643)	(92,787,355)
Increase in financial assets at fair value through other comprehensive income	(4,622,339)	(21,946,527)
Increase in investments in debt instruments at amortized cost	(69,224,374)	(8,009,682)
Decrease in other financial assets	14,640,464	14,911,349
Increase in other assets	(1,683,039)	(266,582)
Increase (decrease) in deposits from the Central Bank and banks	5,322	(28,694,309)
Increase in deposits and remittances	152,038,946	76,367,091
Increase (decrease) in payables	1,240,429	(14,750,537)
Increase in financial liabilities at fair value through profit or loss	1,994,790	2,337,430
Decrease in reserve for liabilities	(300,653)	(256,647)
Decrease in other financial liabilities	(2,325,751)	(111,522)
Decrease in other liabilities	(67,253)	(263,315)
Cash flows generated from (used in) operations	4,805,642	(69,871,259)
Interest received	31,625,078	39,829,059
Dividends received	631,458	523,627
Interest paid	(11,527,086)	(16,381,104)
Income taxes paid	(645,261)	(1,177,886)
Net cash flows generated from (used in) operating activities	<u>24,889,831</u>	<u>(47,077,563)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(676,695)	(457,661)
Proceeds from disposal of property and equipment	-	170
Acquisition of intangible assets	(191,808)	(139,782)
Acquisition of right-of-use assets	-	(432,554)

(Continued)

CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

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

VI

Financial Status

	2020	2019
Acquisition of investment properties	\$ (580)	\$ (1,203)
Proceeds from disposal of investment properties	<u>17,218</u>	<u>-</u>
Net cash flows used in investing activities	<u>(851,865)</u>	<u>(1,031,030)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in due to the Central Bank and banks	15,739,729	17,961,394
Proceeds from issuing bank notes	10,840,000	5,960,000
Repayments of bank notes	(5,000,000)	(7,991,100)
Repayment of the principal portion of lease liabilities	(639,992)	(363,684)
Cash dividends paid	(3,994,124)	(6,265,293)
Decrease in securities sold under repurchase agreement	<u>(320,658)</u>	<u>(3,738,599)</u>
Net cash flows generated from financing activities	<u>16,624,955</u>	<u>5,562,718</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>(1,118,627)</u>	<u>(1,185,702)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	39,544,294	(43,731,577)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>135,910,391</u>	<u>179,641,968</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 175,454,685</u>	<u>\$ 135,910,391</u>
	December 31	
	2020	2019
Reconciliation of cash and cash equivalents		
Cash and cash equivalents in the consolidated balance sheets	\$ 26,452,525	\$ 32,418,679
Call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	<u>149,002,160</u>	<u>103,491,712</u>
Cash and cash equivalents at end of year	<u>\$ 175,454,685</u>	<u>\$ 135,910,391</u>

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

(Concluded)

CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. ORGANIZATION AND BUSINESS SCOPE

Chang Hwa Commercial Bank, Ltd. (the "Bank") was incorporated under Banking Law, Securities and Exchange Law and Taiwan Company Law on March 1, 1947 and obtained its banking license from the Ministry of Economic Affairs in July 1950. The Bank's shares have been listed and traded on the Taiwan Stock Exchange (TWSE) since February 1962.

The Bank mainly engages in the following business:

- All commercial banking operations allowed by the Banking Law;
- Trust operations;
- International banking operations;
- Overseas branch operations authorized by the respective foreign governments; and
- Other operations authorized by the central authority.

The consolidated financial statements are presented in the Bank's functional currency, the New Taiwan dollar.

2. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Bank's board of directors on February 25, 2021.

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

- Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

Except for the following, the initial application of the amendments to the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Bank and its subsidiaries (collectively referred to as the "Group") accounting policies.

- Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform"

Upon retrospective application of the amendments, the Group complied with the hedge accounting requirements under the assumption that the interest rate benchmark (such as the London Interbank Offered Rate or LIBOR) on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform.

- Amendment to IFRS 16 "Covid-19-Related Rent Concessions"

The Group elected to apply the practical expedient provided in the amendment to IFRS 16 with respect to rent concessions negotiated with the lessor as a direct consequence of the COVID-19. The related accounting policies are stated in Note 4. Prior to the application of the amendment, the Group shall determine whether or not the abovementioned rent concessions need to be accounted for as lease modifications.

The Group applied the amendment from January 1, 2020. Because the abovementioned rent concessions affect only in 2020, retrospective application of the amendment has no impact on the retained earnings as of January 1, 2020.

- The IFRSs endorsed by the FSC for application starting from 2021

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9"	Effective immediately upon promulgation by the IASB January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform - Phase 2"	June 1, 2020
Amendment to IFRS 16 "Covid-19-Related Rent Concessions"	June 1, 2020
• Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform - Phase 2"	

"Interest Rate Benchmark Reform - Phase 2", primarily amends IFRS 9, IFRS 7 and IFRS 16 to provide practical relief from the impact of the interest rate benchmark reform.

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

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

Hedging accounting

The amendments provide the following temporary exceptions to hedging relationships that are subject to the reform:

- The changes to the hedging relationship that are needed to reflect changes required by the reform are treated as a continuation of the existing hedging relationship, and do not result in the discontinuation of hedge accounting or the designation of a new hedging relationship.
- If an entity reasonably expects that an alternative benchmark rate will be separately identifiable within a period of 24 months, it is not prohibited from designating the rate as a non-contractually specified risk component if it is not separately identifiable at the designation date.
- After a cash flow hedging relationship is amended, the amount accumulated in the gain/(loss) on hedging instruments of cash flow hedge is deemed to be based on the alternative benchmark rate on which the hedged future cash flows are determined.

d) An entity should allocate the hedged items of a group hedge that is subject to the reform to subgroups based on whether the hedged items have been changed to reference an alternative benchmark rate, and should designate the hedged benchmark rate separately.

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

New IFRSs	Effective Date Announced by IASB (Note 1)
"Annual Improvements to IFRS Standards 2018-2020"	January 1, 2022 (Note 2)
Amendments to IFRS 3 "Reference to the Conceptual Framework"	January 1, 2022 (Note 3)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2023
Amendments to IAS 16 "Property, Plant and Equipment - Proceeds before Intended Use"	January 1, 2022 (Note 4)
Amendments to IAS 37 "Onerous Contracts - Cost of Fulfilling a Contract"	January 1, 2022 (Note 5)

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

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

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

Note 4: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks and the IFRSs endorsed and issued into effect by the FSC.

Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair values, and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- b. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- c. Level 3 inputs are unobservable inputs for an asset or liability.

Current/Noncurrent Assets and Liabilities

Because of its business characteristics, assets and liabilities of the Group are classified according to their liquidity rather than classified as current or noncurrent assets or liabilities.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e., its subsidiaries).

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

See Note 15 and Table 1 for detailed information on subsidiaries (including percentages of ownership and main businesses).

Foreign Currencies

In preparing the Group's financial statements, transactions in currencies other than the Group's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which cases, the exchange differences are also recognized directly in other comprehensive income.

For the purpose of presenting consolidated financial statements, the functional currencies of the Group are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

Property and Equipment

Property and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

Property and equipment in the course of construction are measured at cost less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property and equipment when completed and ready for intended use.

Except for freehold land which is not depreciated, the depreciation of property and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

On derecognition of an item of property and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

Investment Properties

Investment properties are properties held to earn rentals or for capital appreciation. Investment properties also include land held for a currently undetermined future use.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation is recognized using the straight-line method.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

Intangible Assets

a. Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

b. Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

Impairment of Property and Equipment, Right-of-use Assets, Tangible and Intangible Assets

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

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

Financial Instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

a. Financial assets

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

1) Measurement categories

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and investments in debt instruments and equity instruments at FVTOCI.

a) Financial assets at FVTPL

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

A financial asset may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise.

Financial assets at FVTPL are subsequently measured at fair value, and dividends, interest earned and remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 34.

b) Financial assets at amortized cost

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

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

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

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, trade receivables at amortized cost, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

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

- i. Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and
- ii. Financial assets that are not credit impaired on purchase or origination but have subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

A financial asset is credit impaired when one or more of the following events have occurred:

- i. Significant financial difficulty of the issuer or the borrower;
- ii. Breach of contract, such as a default;
- iii. It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- iv. The disappearance of an active market for that financial asset because of financial difficulties.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

c) Investments in debt instruments designated at FVTOCI

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

- i. The financial asset is held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of such financial assets; and
- ii. The contractual terms of the debt instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

d) Investments in equity instruments designated at FVTOCI

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

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

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

2) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables) and investments in debt instruments that are measured at FVTOCI.

The Group always recognizes lifetime expected credit losses (ECLs) for trade receivables, lease receivables and contract assets. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

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

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and the carrying amounts of such financial assets are not reduced.

3) Derecognition of financial assets

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

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had



been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

b. Equity instruments

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Group's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Group's own equity instruments.

c. Financial liabilities

1) Subsequent measurement

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

a) Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when such financial liabilities are either held for trading or designated as at FVTPL.

Financial liabilities held for trading are stated at fair value, and any interest paid on such financial liabilities is recognized in finance costs; any remeasurement gains or losses on such financial liabilities are recognized in other gains or losses.

A financial liability may be designated as at FVTPL upon initial recognition when doing so results in more relevant information and if:

- i. Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- ii. The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and has performance evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- iii. The contract contains one or more embedded derivatives so that the entire combined contract (asset or liability) can be designated as at FVTPL.

For a financial liability designated as at FVTPL, the amount of changes in fair value attributable to changes in the credit risk of the liability is presented in other comprehensive income, and will not be subsequently reclassified to profit or loss. The remaining amount of changes in the fair value of that liability which incorporates any interest or dividends paid on such financial liability is presented in profit or loss. The gain or loss accumulated in other comprehensive income will be transferred to retained earnings when the financial liability is derecognized. If this accounting treatment related to credit risk would create or enlarge an accounting mismatch, all changes in the fair value of the liability are presented in profit or loss.

Fair value is determined in the manner described in Note 34.

b) Financial guarantee contracts

Financial guarantee contracts issued by the Group, if not designated as at FVTPL, are subsequently measured at the higher of:

- i. The amount of the loss allowance reflecting expected credit losses; and
- ii. The amount initially recognized less, where appropriate, the cumulative amount of income recognized in accordance with the revenue recognition policies.

2) Derecognition of financial liabilities

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

d. Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts, FX swap, cross currency swap, interest rate swaps and currency option.

Derivatives are initially recognized at fair value at the date on which the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument; in which event the timing of the recognition in profit or loss depends on the nature of the hedging relationship. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instrument is negative, the derivative is recognized as a financial liability.

Derivatives embedded in hybrid contracts that contain financial asset hosts that is within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets that is within the scope of IFRS 9 (i.e. financial liabilities) are treated as separate derivatives when they meet the definition of a derivative; their risks and characteristics are not closely related to those of the host contracts; and the host contracts are not measured at FVTPL.

Bonds or Securities Purchased/Sold under Specific Agreements

Bonds or securities sold under repurchase agreement are recorded at sale price. Interest revenues and expenses are recorded on accrual basis.

Hedge Accounting

The Group designates certain hedging instruments, which include derivatives, embedded derivatives and non-derivatives in respect of foreign currency risk, as either fair value hedges. Hedges of foreign exchange risk on firm commitments are accounted for as fair value hedges.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognized in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognized in profit or loss in the line item relating to the hedged item.

The Group discontinues hedge accounting only when the hedging relationship ceases to meet the qualifying criteria; for instance, when the hedging instrument expires or is sold, terminated or exercised. The fair value adjustment to the carrying amount of the hedged instrument arising from the hedged risk for which the effective interest method is used is amortized to profit or loss from the date on which the hedge accounting is discontinued. The adjustment is based on a recalculated effective interest rate at the date on which amortization begins and will be amortized fully upon maturity of the financial instrument.

Reserve for Liabilities

Reserve for liabilities, including those arising from contractual obligations specified in service concession arrangements to maintain or restore infrastructure before it is handed over to the grantor and levies imposed by governments, are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

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

Revenue Recognition

- a. Dividend and interest income

Dividend income from investments is recognized when the stockholder's right to receive payment has been established provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis with reference to the principal outstanding and at the applicable effective interest rate. When the loans become past due and are considered uncollectible, the principal and interest receivable are transferred to delinquent loan accounts, and the accrual of interest income is stopped. Interest income will be recognized when the delinquent interest is collected.

If the repayment of loan is extended under an agreement, the related interest should be recognized as deferred revenue, classified into other liability and recognized as income when collected.

A single or a group of financial assets are written off due to impairment loss, the subsequent recognition of interest income is calculated by using the interest rate used by discount future cash flows when measuring impairment loss.

- b. Service fee

Service revenue and real estate management service revenue are recognized at once after providing loans or other services. If the service revenue belongs to several significant items, it is recognized when the significant items accomplished, such as the service revenue which the lead arranger bank of syndication loan received. If the service revenue is for further loan service and of significant amount, it is allocated during the period of the service or included in the base of calculation the effective interest rate of loans and receivables.

Leases

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

For a contract that contains a lease component and non-lease components, the Group allocates the consideration in the contract to each component on the basis of the relative stand-alone price and accounts for each component separately.

- a. The Group as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

When the Group subleases a right-of-use asset, the sublease is classified by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. However, if the head lease is a short-term lease that the Group, as a lessee, has accounted for applying recognition exemption, the sublease is classified as an operating lease.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

- b. The Group as lessee

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

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms. However, if leases transfer ownership of the underlying assets to the Group by the end of the lease terms or if the costs of right-of-use assets reflect that the Group will exercise a purchase option, the Group depreciates the right-of-use assets from the commencement dates to the end of the useful lives of the underlying assets.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate, residual value guarantees, the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives receivable. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, a change in the amounts expected to be payable under a residual value guarantee, a change in the assessment of an

option to purchase an underlying asset, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

The Group negotiates with the lessor for rent concessions as a direct consequence of the Covid-19 to change the lease payments originally due by June 30, 2021. There is no substantive change to other terms and conditions. The Group elects to apply the practical expedient to all of these rent concessions and, therefore, does not assess whether the rent concessions are lease modifications. Instead, the Group recognizes the reduction in lease payment in profit or loss in the period in which the events or conditions that trigger the concession occur, and makes a corresponding adjustment to the lease liability.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

Employee Benefits

a. Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

b. Retirement benefits

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

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

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

The Group provides employees with high-yield savings account. The premium interest rate applies to a fixed amount of principal and the interest is paid to present employees (within employment and retirement) and retired employees. The difference between the premium rate and the market rate is classified as employee benefits.

According to the "Regulations Governing the Preparation of Financial Reports by Public Banks" Rule No. 28, the premium interest resulting from the yield between the premium rate and the general market rate shall immediately be actuarially calculated based on the FSC-recognized IAS 19 when employees retire. However, if there are authorized regulations from the government regarding the actuarial assumption parameters, the regulations shall prevail. Actuarial benefits and service cost from prior periods are recognized as profit or loss when they are incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

a. Current tax

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

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

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

b. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carry forward, research and development expenditures, and personnel training expenditures to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are recognized only to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

c. Current and deferred taxes

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The Group considers the economic implications of the COVID-19 when making its critical accounting estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

Key Sources of Estimation Uncertainty

Estimated impairment of financial assets

The provision for impairment of trade receivables, investments in debt instruments and financial guarantee contracts is based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and in selecting the inputs for the impairment calculation, which are based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, see Notes 8, 9, 11, 12 and 27. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

6. CASH AND CASH EQUIVALENTS/DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS/DUE TO THE CENTRAL BANK AND BANKS

a. Cash and cash equivalents

	December 31	2019
	2020	2019
Cash on hand	\$ 12,204,073	\$ 18,315,646
Checks for clearing	4,251,010	3,559,426
Due from banks	8,266,344	9,012,687
Foreign currencies on hand	1,731,098	1,530,920
	<u>\$ 26,452,525</u>	<u>\$ 32,418,679</u>

b. Due from the Central Bank and call loans to banks

	December 31	2019
	2020	2019
Call loans to banks	\$ 149,002,160	\$ 103,491,712
Reserve for checking accounts	26,392,663	11,299,268
Reserve for demand accounts	49,651,547	44,349,154
Reserve for foreign deposits	531,980	469,765
Others	<u>10,116,108</u>	<u>7,307,192</u>
	<u>\$ 235,739,431</u>	<u>\$ 166,917,091</u>

Cash and cash equivalents and due from the Central Bank and call loans to banks are assessed for impairment using approach similar to those used for investments in debt instruments (refer to Note 10). The Group considers its cash and cash equivalents to have low credit risk so its credit loss evaluation is on a 12-month expected credit loss basis.

c. Due to the Central Bank and banks

	December 31	2019
	2020	2019
Other dues to the Central Bank	\$ 14,829,050	\$ -

The Group set aside \$30,000,000 thousand for the Central Bank reserves for demand account in accordance with the Central Bank's regulations on capital requirements as a response to the COVID-19.

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial Assets at Fair Value through Profit or Loss (FVTPL)

	December 31	2019
	2020	2019
Financial assets mandatorily classified at FVTPL		
Derivative financial assets (not under hedge accounting)		
Futures	\$ 120,403	\$ 114,919
Forward exchange contracts	124,452	140,099
Interest rate swaps	394,122	468,855
Cross-currency swaps	-	21,671
Currency swaps	4,915,742	2,135,583
Currency call option premiums	105,119	59,098
Non-derivative financial assets		
Investment in bills	7,042,832	7,560,413
Domestic listed stock	-	75,046
Domestic unquoted stock	117,616	-
Government bonds	5,716	5,678
Corporate bonds	<u>1,755,472</u>	<u>902,027</u>
	<u>\$ 14,581,474</u>	<u>\$ 11,483,389</u>

The par values of notes provided for transactions with repurchase agreements were \$387,600 thousand and \$247,000 thousand as of December 31, 2020 and 2019, respectively.

Financial Liabilities at FVTPL

	December 31	2019
	2020	2019
Financial liabilities held for trading		
Derivative financial liabilities (not applying hedge accounting)		
Forward contracts	71,115	32,285
Interest rate swaps	390,853	465,546
Cross-currency swaps	211,325	128,427
Currency swaps	6,515,131	3,561,915
Currency put option premiums	<u>105,141</u>	<u>59,106</u>
	<u>\$ 7,293,565</u>	<u>\$ 4,247,279</u>

The Group entered into derivative contracts during the years ended December 31, 2020 and 2019 to manage exposures due to exchange rate and interest rate fluctuations. The financial risk management objective of the Group is to minimize risks due to changes in fair value and cash flows.

The nominal principal amounts of outstanding derivative contracts as of December 31, 2020 and 2019 were as follows:

	December 31	2019
	2020	
Currency swaps	\$ 460,858,070	\$ 544,771,238
Currency options	15,472,077	18,546,651
Forward exchange contracts	17,924,875	13,833,533
Interest rate swaps	191,201,583	338,302,150
Cross-currency swaps	3,091,000	7,497,500

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	2019
	2020	
Investments in equity instruments at FVTOCI		
Domestic listed stocks	\$ 7,362,952	\$ 6,400,568
Domestic unquoted stocks	8,861,275	8,050,548
	<u>16,224,227</u>	<u>14,451,116</u>
Investments in debt instruments at FVTOCI		
Government bonds	26,568,737	28,085,689
Corporate bonds	31,986,914	20,083,472
Bank notes	42,184,984	50,566,442
Bonds issued by international organizations	2,154,265	2,020,092
Beneficiary and asset-based securities	2,669,006	-
Investments in bills	907,688	1,089,328
	<u>106,471,594</u>	<u>101,845,023</u>
	<u>\$ 122,695,821</u>	<u>\$ 116,296,139</u>

A portion of investments in equity instruments is for strategic instruments and are not held for trading, the management designated these investments as at FVTOCI.

- Refer to Note 10 for information relating to their credit risk management and impairment.
- The par values of bonds provided for transactions with repurchase agreement were \$762,200 and \$1,178,600 thousand as of December 31, 2020 and 2019, respectively.
- Government bonds placed as deposits in courts amounted to \$295,900 thousand and \$335,700 thousand as of December 31, 2020, and 2019, respectively. Another government bonds placed as operating deposits amounted to \$330,000 thousand; government bonds placed as a reserve fund for trust compensation amounted to \$220,000 thousand and \$170,000 thousand, respectively; overseas branches' bonds provided as collateral for operations were \$281,069 thousand and \$152,304 thousand as of December 31, 2020 and 2019, respectively. Refer to Note 37 for information relating to investments in debt instruments at FVTOCI pledged as security.

9. INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST

	December 31	2019
	2020	
Investments in bills	\$ 338,044,687	\$ 262,797,272
Bank notes	2,822,380	6,710,913
Corporate bonds	-	2,943,223
Government bonds	4,416,380	3,607,568
	<u>\$ 345,283,447</u>	<u>\$ 276,058,976</u>

- Refer to Note 10 for information relating to their credit risk management and impairment.
- The amounts of the overseas branches' bonds provided as collateral for operations were \$140,500 thousand and \$89,970 thousand as of December 31, 2020 and 2019, respectively.
- Certificates of deposit placed as reserves for clearing at the Central Bank amounted to \$36,000,000 thousand; certificates of deposit which were issued by the Central Bank and pledged for call loans from banks amounted to \$5,300,000 thousand as of December 31, 2020 and 2019.
- Refer to Note 37 for information relating to investments in debt instruments at amortized cost pledged as security.

10. CREDIT RISK MANAGEMENT FOR INVESTMENTS IN DEBT INSTRUMENTS

Investments in debt instruments are classified as at FVTOCI and as at amortized cost.

	December 31, 2020	At FVTOCI	At Amortized Cost	Total
Gross carrying amount	\$ 105,793,218	\$ 345,285,234	\$ 451,078,452	(41,161)
Less: Allowance for impairment loss	(39,374)	(1,787)	(451,037,291)	451,037,291
Amortized cost	105,753,844	<u>\$ 345,283,447</u>	<u>717,750</u>	<u>\$ 451,755,041</u>
Adjustment to fair value	717,750	<u>\$ 106,471,594</u>	<u>\$ 451,755,041</u>	<u>\$ 451,755,041</u>

December 31, 2019

	December 31, 2019	At FVTOCI	At Amortized Cost	Total
Gross carrying amount	\$ 101,631,174	\$ 276,063,342	\$ 377,694,516	(64,730)
Less: Allowance for impairment loss	(60,364)	(4,366)	(377,629,786)	377,629,786
Amortized cost	101,570,810	<u>\$ 276,058,976</u>	<u>274,213</u>	<u>\$ 377,903,999</u>
Adjustment to fair value	274,213	<u>\$ 101,845,023</u>	<u>\$ 377,903,999</u>	<u>\$ 377,903,999</u>

The Group only invests in debt instruments that are rated as investment grade or higher and are assessed as having low credit impairment. The credit rating information is supplied by independent rating agencies. The Group's exposure and the external credit ratings are continuously monitored and assessed for whether there has been a significant increase in credit risk since the last period to the reporting date.

The Group considers the historical default rates of each credit rating supplied by external rating agencies to estimate 12-month or lifetime expected credit losses. The Group's current credit risk grading framework comprises the following categories:

Category	Description	Basis for Recognizing Expected Credit Losses
Performing	The counterparty has a low risk of default and a strong capacity to meet contractual cash flows	12-month ECLs
Doubtful	There has been a significant increase in credit risk since initial recognition	Lifetime ECLs - not credit impaired
Defaulted	There is evidence indicating that the asset is credit impaired	Lifetime ECLs - credit impaired

Gross carrying amount and applicable expected credit loss rate of investments in debt instruments are as follows:

December 31, 2020	Expected Loss Rate	At FVTOCI	At Amortized Cost
Performing	0%-0.3365%	\$ 105,793,218	\$ 345,285,234

December 31, 2019	Expected Loss Rate	At FVTOCI	At Amortized Cost
Performing	0%-0.3271%	\$ 101,572,014	\$ 276,063,342
Doubtful	45.0485%	59,160	-
		\$ 101,631,174	\$ 276,063,342

At FVTOCI

	Credit Rating			Total
	Performing (12-month ECLs)	Doubtful (Lifetime ECLs - Not Credit-impaired)	Defaulted (Lifetime ECLs - Credit-impaired)	
Allowance for Impairment Loss				
Balance at January 1, 2020	\$ 33,713	\$ 26,651	\$ -	\$ 60,364
Transfers from doubtful to performing	96	(26,651)	-	(26,555)
Purchase of investments in debt instruments	13,984	-	-	13,984
Derecognition	(10,556)	-	-	(10,556)
Change in exchange rates or others	2,137	-	-	2,137
Balance at December 31, 2020	\$ 39,374	\$ -	\$ -	\$ 39,374
Balance at January 1, 2019	\$ 25,422	\$ -	\$ 141,986	\$ 167,408
Purchase of investments in debt instruments	24,177	26,651	-	50,828
Derecognition	(14,755)	-	(141,986)	(156,721)
Change in exchange rates or others	(1,151)	-	-	(1,151)
Balance at December 31, 2019	\$ 33,713	\$ 26,651	\$ -	\$ 60,364

At amortized cost

	Credit Rating			Total
	Performing (12-month ECLs)	Doubtful (Lifetime ECLs - Not Credit-impaired)	Defaulted (Lifetime ECLs - Credit-impaired)	
Allowance for Impairment Loss				
Balance at January 1, 2020	\$ 4,366	\$ -	\$ -	\$ 4,366
Purchase of investments in debt instruments	35	-	-	35
Derecognition	(2,570)	-	-	(2,570)
Change in exchange rates or others	(44)	-	-	(44)
Balance at December 31, 2020	\$ 1,787	\$ -	\$ -	\$ 1,787
Balance at January 1, 2019	\$ 6,615	\$ -	\$ -	\$ 6,615
Purchase of investments in debt instruments	56	-	-	56
Derecognition	(1,830)	-	-	(1,830)
Change in exchange rates or others	(475)	-	-	(475)
Balance at December 31, 2019	\$ 4,366	\$ -	\$ -	\$ 4,366

11. RECEIVABLES, NET

a. Details of receivables

	December 31, 2020	December 31, 2019
Accounts receivable	\$ 9,266,689	\$ 10,707,132
Accrued incomes	4,501	6,816
Interests receivable	3,137,784	4,847,831
Acceptances receivable	4,518,519	4,756,072
Credit cards accounts receivable	2,306,682	2,225,416
Settlement price	856,397	340,835
Accounts receivable for settlement	648,785	305,067
Other receivables	1,042,568	451,350
	<u>21,781,925</u>	<u>23,640,519</u>
	<u>(300,587)</u>	<u>(439,482)</u>
	<u>\$ 21,481,338</u>	<u>\$ 23,201,037</u>

Less: Allowance for bad debts, receivables

b. Allowance for receivables

1) Movements in the allowance for receivables

	For the Year Ended December 31, 2020					
	12-Month Expected Credit Losses	Lifetime Expected Credit Losses	Realized Credit Impairment	Loss Recognized Based on IFRS 9	Recognized Impairment Difference Based on Regulations of the Procedures For Banking Institutions to Evaluate Assets /And Deal With Non-performing Loans and Bad Debts	Total
Receivables:	\$ 22,941	\$ 3,535	\$ 44,895	\$ 71,371	\$ 368,111	\$ 439,482
Beginning balance						
Changes from financial instruments recognized at the beginning of the period:						
Transfers to lifetime expected credit losses	(81)	153	(20)	52	-	52
Transfers to credit-impaired financial assets	(12)	(6)	694	676	-	676
Transfers to 12-months expected credit losses	741	(88)	(249)	404	-	404
Financial assets derecognized for the period	(21,910)	(1,732)	(23,829)	(47,471)	-	(47,471)
Purchased or originated financial assets	19,298	3,385	24,361	47,044	-	47,044
	<u>\$ 22,941</u>	<u>\$ 3,535</u>	<u>\$ 44,895</u>	<u>\$ 71,371</u>	<u>\$ 368,111</u>	<u>\$ 439,482</u>

(Continued)

For the Year Ended December 31, 2020

	12-Month Expected Credit Losses	Lifetime Expected Credit Losses	Realized Credit Impairment	Loss Recognized Based on IFRS 9	Recognized Impairment Difference Based on Regulations of the Procedures For Banking Institutions to Evaluate Assets And Deal With Non-performing Loans and Bad Debts	Total
	\$ -	\$ -	\$ -	\$ -	\$ (122,118)	\$ (122,118)
	-	-	(17,420)	-	-	(17,420)
	<u>(52)</u>	<u>(13)</u>	<u>(12)</u>	<u>(62)</u>	<u>-</u>	<u>(62)</u>
	<u>\$ 20,940</u>	<u>\$ 5,224</u>	<u>\$ 28,470</u>	<u>\$ 54,504</u>	<u>\$ 245,993</u>	<u>\$ 300,587</u>

Recognized impairment difference based on the Regulations for Banking Institutions to Evaluate Assets and Deal with Non-performing Loans and Bad Debts

Doublet debits written off or others

Ending balance

(Continued)

For the Year Ended December 31, 2019

	12-Month Expected Credit Losses	Lifetime Expected Credit Losses	Realized Credit Impairment	Loss Recognized Based on IFRS 9	Recognized Impairment Difference Based on Regulations of the Procedures For Banking Institutions to Evaluate Assets And Deal With Non-performing Loans and Bad Debts	Total
Receivables:	\$ 32,258	\$ 2,678	\$ 19,906	\$ 54,842	\$ 580,179	\$ 635,021
Beginning balance						
Changes from financial instruments recognized at the beginning of the period:						
Transfers to lifetime expected credit losses	(56)	53	(39)	(22)	-	(22)
Transfers to credit-impaired financial assets	(5)	(4)	486	477	-	477
Transfers to 12-months expected credit losses	332	(137)	(27)	168	-	168
Financial assets derecognized for the period	(30,991)	(1,725)	(16,170)	(48,886)	-	(48,886)
Purchased or originated financial assets	21,404	2,675	77,418	101,497	-	101,497
	<u>\$ 32,258</u>	<u>\$ 2,678</u>	<u>\$ 19,906</u>	<u>\$ 54,842</u>	<u>\$ 580,179</u>	<u>\$ 635,021</u>

Receivables: Beginning balance

Changes from financial instruments

recognized at the beginning of the period:

Transfers to lifetime expected credit losses

Transfers to credit-impaired financial assets

Transfers to 12-months expected credit losses

Financial assets derecognized for the period

Purchased or originated financial assets

(Continued)

For the Year Ended December 31, 2019		Recognized Impairment Difference Based on Regulations of the Procedures For Banking Institutions to Evaluate Assets And Deal With Non-performing Loans and Bad Debts	Loss Recognized Based on IFRS 9	Realized Credit Impairment	Lifetime Expected Credit Losses	12-Month Expected Credit Losses	Total
Recognized impairment difference based on the Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing Loans and Bad Debts		(212,068)	(36,678)				(212,068)
Changes in exchange rates or others		-	(27)	(66,678)			(36,678)
Ending balance		<u>\$ 71,371</u>	<u>\$ (27)</u>	<u>\$ (44,895)</u>	<u>\$ 3,635</u>	<u>\$ (21)</u>	<u>\$ 439,482</u>
		<u>\$ 368,111</u>					<u>(27)</u>
							<u>\$ 439,482</u>

(Concluded)

2) Movements in the total carrying amount of receivables

	For the Year Ended December 31, 2020			Total
	12-Month Expected Credit Losses	Significant Increase in Risk Due to Lifetime Expected Credit Losses	Credit Impairment Due to Lifetime Expected Credit Losses	
Beginning balance	\$ 23,209,296	\$ 162,789	\$ 268,434	\$ 23,640,519
Changes from financial instruments recognized at the beginning of the period:				
Transfers to lifetime expected credit loss	(54,232)	55,164	(333)	599
Transfers to credit-impaired financial assets	(12,931)	(674)	9,058	(4,547)
Transfers to 12-month expected credit losses	39,587	(11,941)	(627)	27,019
Purchased or originated financial assets	12,289,767	184,223	82,339	12,556,329
Derecognized	(14,055,133)	(132,514)	(219,186)	(14,406,833)
Doubtful debts written off	-	-	(17,420)	(17,420)
Changes in exchange rates or others	(9,525)	(3,919)	(297)	(13,741)
Ending balance	<u>\$ 21,406,829</u>	<u>\$ 253,128</u>	<u>\$ 121,968</u>	<u>\$ 21,781,925</u>

	For the Year Ended December 31, 2019			Total
	12-Month Expected Credit Losses	Significant Increase in Risk Due to Lifetime Expected Credit Losses	Credit Impairment Due to Lifetime Expected Credit Losses	
Beginning balance	\$ 30,337,486	\$ 159,683	\$ 71,837	\$ 30,569,006
Changes from financial instruments recognized at the beginning of the period:				
Transfers to lifetime expected credit loss	(32,499)	28,404	(207)	(4,302)
Transfers to credit-impaired financial assets	(10,381)	(398)	5,718	(5,061)
Transfers to 12-month expected credit losses	218,447	(13,660)	(215)	204,572
Purchased or originated financial assets	11,647,928	94,506	236,123	11,978,557
Derecognized	(18,943,461)	(104,597)	(8,120)	(19,056,178)
Doubtful debts written off	-	-	(36,678)	(36,678)
Changes in exchange rates or others	(8,224)	(1,149)	(24)	(9,397)
Ending balance	<u>\$ 23,209,296</u>	<u>\$ 162,789</u>	<u>\$ 268,434</u>	<u>\$ 23,640,519</u>

12. DISCOUNTS AND LOANS, NET

a. Details of discounts and loans

	2020	2019
Negotiated and discounted Overdrafts	\$ 3,425,322	\$ 3,870,803
Short-term loans	1,297,092	1,289,623
Margin loans receivable	385,124,720	413,838,056
Medium-term loans	353,805	288,722
Long-term loans	435,044,534	430,295,179
Overdue loans	666,647,255	590,558,692
	4,942,391	4,747,136
	1,496,835,119	1,444,888,211
Less: Allowance for loan losses	(18,948,274)	(17,537,264)
	<u>\$ 1,477,886,845</u>	<u>\$ 1,427,350,947</u>

Loans of which the accrual of interest income had ceased internally as of December 31, 2020 and 2019 were \$4,942,391 thousand and \$4,747,136 thousand, respectively. The amounts of interest income that would have been accrued on these loans for the years ended December 31, 2020 and 2019 were \$127,019 thousand and \$126,749 thousand, respectively.

The Group did not write off any loans without legal claims process during the years ended December 31, 2020 and 2019.

b. Allowance for discounts and loans

1) Movements in the allowance for discounts and loans

	For the Year Ended December 31, 2020					
	12-Month Expected Credit Losses	Lifetime Expected Credit Losses	Realized Credit Impairment	Loss Recognized Based on IFRS 9	Recognized Impairment Difference Based on Regulations of the Building Procedures for Evaluating Assets And Deal with Non-performing Loans and Bad Debts	Total
Loans						
Beginning balance	\$ 1,772,566	\$ 1,920,375	\$ 5,033,684	\$ 8,726,625	\$ 8,810,639	\$ 17,537,264
Changes from financial instruments recognized at the beginning of the period:						
Transfers to lifetime expected credit losses	(35,269)	51,942	(8,316)	8,357	-	8,357
Transfers to credit-impaired financial assets	(6,826)	(27,546)	41,740	7,368	-	7,368
Transfers to 12-month expected credit losses	305,588	(239,026)	(51,484)	13,078	-	13,078
Financial assets derecognized for the period	(1,348,295)	(1,086,371)	(1,655,220)	(4,089,886)	-	(4,089,886)
Purchased or originated financial assets	922,641	1,488,407	4,915,425	7,326,473	-	7,326,473
Recognized impairment difference based on the Regulations for Banking Institutions to Evaluate Assets and Deal with Non-performing Loans and Bad Debts	-	-	(2,526,259)	(28,803)	700,682	(2,526,259)
Doubtful debts written off	-	-	(7,370)	-	-	(7,370)
Changes in exchange rates or others	(13,077)	(8,356)	-	-	-	(28,803)
Ending balance	\$ 1,595,328	\$ 2,099,423	\$ 5,742,200	\$ 9,436,953	\$ 9,511,321	\$ 18,916,274

	For the Year Ended December 31, 2019					
	12-Month Expected Credit Losses	Lifetime Expected Credit Losses	Realized Credit Impairment	Loss Recognized Based on IFRS 9	Recognized Impairment Difference Based on Regulations of the Building Procedures for Evaluating Assets And Deal with Non-performing Loans and Bad Debts	Total
Loans						
Beginning balance	\$ 1,884,305	\$ 1,844,323	\$ 5,102,485	\$ 8,831,113	\$ 7,741,522	\$ 16,572,635
Changes from financial instruments recognized at the beginning of the period:						
Transfers to lifetime expected credit losses	(42,040)	46,149	(908)	3,201	-	3,201
Transfers to credit-impaired financial assets	(7,825)	(73,822)	82,744	1,097	-	1,097
Transfers to 12-month expected credit losses	246,992	(233,577)	(5,313)	6,102	-	6,102
Financial assets derecognized for the period	(1,319,366)	(973,741)	(1,738,089)	(4,051,196)	-	(4,051,196)
Purchased or originated financial assets	1,016,601	1,316,244	3,738,626	6,091,471	-	6,091,471
Recognized impairment difference based on the Regulations for Banking Institutions to Evaluate Assets and Deal with Non-performing Loans and Bad Debts	-	-	(2,144,763)	-	1,069,117	(1,069,117)
Doubtful debts written off	-	-	(1,098)	-	-	(1,098)
Changes in exchange rates or others	(6,101)	(3,201)	-	-	-	(9,302)
Ending balance	\$ 1,772,566	\$ 1,920,375	\$ 5,033,684	\$ 8,726,625	\$ 8,810,639	\$ 17,537,264

2) Movements in the total carrying amount of discounts and loans

	For the Year Ended December 31, 2020		
	12-Month Expected Credit Losses	Significant Increase in Risk Due to Lifetime Expected Credit Losses	Credit Impairment Due to Lifetime Expected Credit Losses
Beginning balance	\$ 1,366,328,215	\$ 64,407,067	\$ 14,152,929
Changes from financial instruments recognized at the beginning of the period:			
Transfers to lifetime expected credit losses	(19,925,226)	21,036,209	(46,077)
Transfers to credit-impaired financial assets	(3,324,603)	(1,512,509)	5,063,043
Transfers to 12-month expected credit losses	11,824,244	(7,673,506)	(108,803)
Financial assets derecognized for the period	(684,687,601)	(41,429,854)	(9,161,100)
Purchased or originated financial assets	746,376,742	35,928,671	7,446,509
Doubtful debts written off	-	-	(2,526,259)
Changes in exchange rates or others	(4,041,935)	(1,064,905)	(225,932)
Ending balance	\$ 1,412,849,836	\$ 69,691,173	\$ 14,594,110
			\$ 1,496,835,119

	For the Year Ended December 31, 2019		
	12-Month Expected Credit Losses	Significant Increase in Risk Due to Lifetime Expected Credit Losses	Credit Impairment Due to Lifetime Expected Credit Losses
Beginning balance	\$ 1,285,960,041	\$ 53,741,535	\$ 13,572,154
Changes from financial instruments recognized at the beginning of the period:			
Transfers to lifetime expected credit losses	(16,914,967)	17,171,088	(9,966)
Transfers to credit-impaired financial assets	(2,806,168)	(1,161,154)	3,999,121
Transfers to 12-month expected credit losses	6,778,647	(4,498,690)	(44,918)
Financial assets derecognized for the period	(603,698,403)	(28,985,906)	(7,439,656)
Purchased or originated financial assets	699,244,104	28,386,349	6,252,756
Doubtful debts written off	-	-	(2,144,763)
Changes in exchange rates or others	(2,235,039)	(246,155)	(31,799)
Ending balance	<u>\$ 1,366,328,215</u>	<u>\$ 64,407,067</u>	<u>\$ 14,152,929</u>
			<u>\$ 1,444,888,211</u>

c. Details of provision for bad debts expense, commitment and guarantee for the years ended December 31, 2020 and 2019

	For the Year Ended December 31	
	2020	2019
Provision for receivable and loan (including overdue loan) losses	\$ 2,819,737	\$ 2,052,705
Reversal for loan commitment	(41,688)	(11,130)
Provision for guarantee liability	52,383	69,141
Provision for others	<u>5,767</u>	<u>25,679</u>
	<u>\$ 2,836,199</u>	<u>\$ 2,136,395</u>

13. FINANCIAL ASSETS FOR HEDGING

Financial assets for hedging
Fair value hedges - interest rate swaps

The Group used interest rate swaps to minimize its exposure to the fair value fluctuations of its fixed-rate borrowings by entering into fixed-to-floating interest rate swap contracts. The interest swaps and the corresponding borrowings have the same terms, and management believes that the interest rate swaps are highly effective hedging instruments. The respective, nominal principal amount of the Group's outstanding interest rate swaps as of December 31, 2020 and 2019 was \$8,200,000 thousand. The maturity period is from April 19, 2021 to September 27, 2026.

The fixed-to-floating interest swaps were designated and effective fair value hedging instruments. During the years ended December 31, 2020 and 2019, the swaps were effective in hedging the fair value exposure to interest rate movements, and as a result, the carrying amounts of the fixed-rate borrowings were adjusted by \$251,032 thousand and \$261,014 thousand as of December 31, 2020 and 2019, respectively; these amounts were included in profit or loss at the same time that the fair value of the interest rate swap was included in profit or loss.

The information of hedging transactions is as follows:

- Hedging type: Fair value hedging.
- Hedging objective: To minimize the Group's risks from changes in fair value due to fluctuating interest rates, by converting fixed-rate notes to floating-rate notes.
- Hedging method: By signing interest rate swap contracts, which pay floating rates (interest rate: 0.4798%) and charge fixed rates (interest rate range: 1.2900%-1.6075%).
- Hedging effect: The results of hedging are all in the line with the effective range of hedge accounting as defined by IFRSs. The realized gains from hedging tools were \$61,269 thousand and \$70,234 thousand for the years ended December 31, 2020 and 2019, respectively, and the realized gains or losses from fair-value hedging were \$9,981 thousand and \$(11,958) thousand, accounted for as net other non-interest income or loss, for the years ended December 31, 2020 and 2019, respectively.

14. OTHER FINANCIAL ASSETS

	December 31	
	2020	2019
Time deposits with original maturities of more than 3 months	\$ 25,400,000	\$ 40,179,375
Exchange bills, negotiated	14,941	13,970
Overdue receivables	170,486	179,538
Call loan to security brokers	140,500	-
Less: Allowance for bad debts	<u>(135,141)</u>	<u>(239,002)</u>
	<u>\$ 25,590,786</u>	<u>\$ 40,133,881</u>

The market rates of time deposits with original maturities of more than 3 months were ranging from 0.70%-3.10% and 2.24%-3.53% for the years ended December 31, 2020 and 2019, respectively.

Refer to Note 37 for information relating to other miscellaneous financial assets pledged as security.

15. SUBSIDIARIES

Subsidiaries Included in Consolidated Financial Statements

Investor	Investee	Main Business	% of Ownership	
			December 31, 2020	2019
The Bank	Chang Hua Commercial Bank, Ltd.	Banking	100	100
The Bank	Chang Hua Bank Venture Capital Co., Ltd.	Investing	100	100

The Bank established Chang Hua Bank Venture Capital Co., Ltd. on April 17, 2019.



16. PROPERTY AND EQUIPMENT

b. Assets leased under operating leases

	2020	2019
Cost		
Balance at January 1, 2020	\$ 20,715,951	\$ 20,562,423
Transfers from assets used by the Group	192,652	176,613
Balance at December 31, 2020	\$ 20,908,603	\$ 20,739,036

	2020	2019
Buildings		
Balance at January 1, 2020	\$ 351,452	
Transfers from assets used by the Group	33,758	
Balance at December 31, 2020	\$ 385,210	
Accumulated depreciation and impairment		
Balance at January 1, 2020	\$ 174,839	
Depreciation expense	7,059	
Transfers from assets used by the Group	10,660	
Balance at December 31, 2020	\$ 192,558	
Carrying amount at December 31, 2020	\$ 192,652	
Cost		
Balance at January 1, 2019	\$ 341,422	
Adjustments on initial application of IFRS 16	-	
Balance at January 1, 2019 (restated)	341,422	
Transfers from assets used by the Group	10,030	
Balance at December 31, 2019	\$ 351,452	
Accumulated depreciation and impairment		
Balance at January 1, 2019	\$ 150,467	
Adjustments on initial application of IFRS 16	150,467	
Depreciation expense	6,439	
Transfers from assets used by the Group	17,933	
Balance at December 31, 2019	\$ 174,839	
Carrying amount at December 31, 2019	\$ 176,613	

Operating leases relate to buildings owned by the Group with lease terms between 1 and 20 years without an option to extend lease terms. All operating lease contracts contain market review clauses in the event that the lessees exercise their options to extend. The lessees do not have bargain purchase options to acquire the assets at the expiry of the lease periods.

Assets used by the Group
Assets leased under operating leases

a. Asset used by the Group

	2020	2019
Cost		
Balance at January 1, 2020	\$ 14,677,146	\$ 14,677,146
Transfers to assets leased under operating leases	152,460	152,460
Depreciation expense	33,511	33,511
Transfers to assets leased under operating leases	(33,758)	(33,758)
Reclassification to leasehold improvements	242,193	242,193
Reclassification to leasehold improvements	(33,758)	(33,758)
Effect of foreign currency exchange differences	3,468	3,468
Balance at December 31, 2020	\$ 14,848,642	\$ 14,848,642
Accumulated depreciation and impairment		
Balance at January 1, 2020	\$ 4,423,584	\$ 4,423,584
Depreciation expense	626,296	626,296
Transfers to assets leased under operating leases	198,690	198,690
Reclassification to leasehold improvements	(30,731)	(30,731)
Effect of foreign currency exchange differences	-	-
Balance at December 31, 2020	\$ 5,218,239	\$ 5,218,239
Carrying amount at December 31, 2020	\$ 9,630,403	\$ 9,630,403
Cost		
Balance at January 1, 2019	\$ 8,841,768	\$ 8,841,768
Adjustments on initial application of IFRS 16	4,980,715	4,980,715
Balance at January 1, 2019 (restated)	13,822,483	13,822,483
Depreciation expense	1,458,869	1,458,869
Transfers to assets leased under operating leases	(166,470)	(166,470)
Reclassification to leasehold improvements	(23,587)	(23,587)
Effect of foreign currency exchange differences	37,216	37,216
Balance at December 31, 2019	\$ 15,128,111	\$ 15,128,111
Accumulated depreciation and impairment		
Balance at January 1, 2019	\$ 3,971,165	\$ 3,971,165
Adjustments on initial application of IFRS 16	617,158	617,158
Balance at January 1, 2019 (restated)	4,588,323	4,588,323
Depreciation expense	1,307,289	1,307,289
Transfers to assets leased under operating leases	(45,443)	(45,443)
Reclassification to leasehold improvements	(17,933)	(17,933)
Effect of foreign currency exchange differences	(1,022)	(1,022)
Balance at December 31, 2019	\$ 6,849,326	\$ 6,849,326
Carrying amount at December 31, 2019	\$ 8,278,785	\$ 8,278,785

	2020	2019
Prepaid Land	\$ 14,677,146	\$ 14,677,146
Buildings	\$ 9,108,562	\$ 9,108,562
Machinery Equipment	\$ 4,660,029	\$ 4,660,029
Transportation Equipment	\$ 732,871	\$ 732,871
Miscellaneous Equipment	\$ 1,487,286	\$ 1,487,286
Leasehold Improvement	\$ 98,543	\$ 98,543
Leased Assets	\$ -	\$ -
Construction in Progress and Equipment	\$ 231,714	\$ 231,714
Total	\$ 31,783,151	\$ 31,783,151
Accumulated Depreciation and Impairment	\$ 1,809,922	\$ 1,809,922
Prepaid Land	\$ -	\$ -
Buildings	\$ 3,178,151	\$ 3,178,151
Machinery Equipment	\$ 1,589,922	\$ 1,589,922
Transportation Equipment	\$ 211,023	\$ 211,023
Miscellaneous Equipment	\$ 13,759	\$ 13,759
Leasehold Improvement	\$ 18,880	\$ 18,880
Leased Assets	\$ -	\$ -
Construction in Progress and Equipment	\$ 268	\$ 268
Total	\$ 5,010,002	\$ 5,010,002
Carrying amount at December 31, 2020	\$ 26,773,149	\$ 26,773,149
Prepaid Land	\$ 14,677,146	\$ 14,677,146
Buildings	\$ 8,841,768	\$ 8,841,768
Machinery Equipment	\$ 4,980,715	\$ 4,980,715
Transportation Equipment	\$ 726,071	\$ 726,071
Miscellaneous Equipment	\$ 1,458,869	\$ 1,458,869
Leasehold Improvement	\$ 97,208	\$ 97,208
Leased Assets	\$ 908	\$ 908
Construction in Progress and Equipment	\$ 231,714	\$ 231,714
Total	\$ 31,900,998	\$ 31,900,998
Accumulated Depreciation and Impairment	\$ 1,809,922	\$ 1,809,922
Prepaid Land	\$ -	\$ -
Buildings	\$ 3,178,151	\$ 3,178,151
Machinery Equipment	\$ 1,589,922	\$ 1,589,922
Transportation Equipment	\$ 211,023	\$ 211,023
Miscellaneous Equipment	\$ 13,759	\$ 13,759
Leasehold Improvement	\$ 18,880	\$ 18,880
Leased Assets	\$ -	\$ -
Construction in Progress and Equipment	\$ 268	\$ 268
Total	\$ 5,010,002	\$ 5,010,002
Carrying amount at December 31, 2019	\$ 26,890,996	\$ 26,890,996

The maturity analysis of lease payments receivable under operating lease payments for property used by the Group was as follows:

	December 31	
	2020	2019
Year 1	\$ 68,737	\$ 23,081
Year 2	67,682	19,160
Year 3	47,269	10,796
Year 4	16,435	1,883
Year 5	6,671	-
Year 6 onwards	<u>20,330</u>	<u>-</u>
	<u>\$ 227,124</u>	<u>\$ 54,920</u>

The above items of property and equipment leased under operating leases are depreciated on a straight-line basis over the estimated useful lives of the assets:

Building	20-60 years
Main buildings	5-10 years
Air-conditioning	4-16 years
Machinery equipment	2-10 years
Transportation equipment	3-10 years
Miscellaneous equipment	5 years
Leasehold improvements	-

17. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2020	2019
<u>Carrying amounts</u>		
Land	\$ 846	\$ 1,636
Buildings	1,443,000	1,535,387
Machinery equipment	34	289
Transportation equipment	61,170	69,160
Miscellaneous equipment	<u>14,197</u>	<u>13,932</u>
	<u>\$ 1,519,247</u>	<u>\$ 1,620,404</u>
	For the Year Ended December 31	2019
Additions to right-of-use assets	<u>\$ 558,907</u>	<u>\$ 432,554</u>
Depreciation charge for right-of-use assets		
Land	\$ 1,023	\$ 1,332
Buildings	611,752	624,304
Machinery equipment	115	464
Transportation equipment	36,993	37,139
Miscellaneous equipment	<u>9,525</u>	<u>9,845</u>
	<u>\$ 659,408</u>	<u>\$ 673,084</u>

In addition to the additions and recognition of depreciation expenses mentioned above, the Group's right-of-use assets did not have significant sublease and impairment as of December 31, 2020 and 2019.

b. Lease liabilities

	December 31	
	2020	2019
Carrying amount	<u>\$ 1,343,548</u>	<u>\$ 1,420,392</u>

Range of discount rate for lease liabilities was as follows:

	December 31	
	2020	2019
Land	0.91%	0.91%
Buildings	0.20%-3.53%	0.20%-2.99%
Machinery equipment	0.20%-2.89%	0.20%-2.89%
Transportation equipment	0.53%-3.53%	2.12%-3.00%
Miscellaneous equipment	0.67%-3.40%	0.86%-2.89%

c. Material lease-in activities and terms

The Group leases certain buildings for operations of branches with lease terms from 3 to 1.5 years. The lease contract for offices located in New York specifies that lease payments are subject to 4 modifications during the lease terms and the Group can sublease the underlying assets. The lease contracts for offices located in Hong Kong and Taiwan specify that the premium for lease was \$2,152 thousand and lease payments will be adjusted each year. In addition, the Group was prohibited from subleasing all or any portion of the underlying assets.

The Group did not have significant acquisition of lease contracts as of December 31, 2020 and 2019.

d. Other lease information

Lease arrangements under operating leases for the leasing out of investment properties and freehold property, plant and equipment are set out in Notes 16 and 18.

	For the Year Ended December 31	
	2020	2019
Expenses relating to short-term leases	\$ 34,711	\$ 29,859
Expenses relating to low-value asset leases	<u>\$ 21,977</u>	<u>\$ 32,246</u>
Expenses relating to variable lease payments not included in the measurement of lease liabilities	\$ 221,007	\$ 209,864
Total cash outflow for leases	<u>\$ (277,695)</u>	<u>\$ (271,969)</u>

The Group's leases of certain land, buildings, transportation equipment and miscellaneous equipment qualify as short-term leases and leases of certain land, machinery equipment and miscellaneous equipment qualify as low-value asset leases. The Group has elected to apply the recognition exemption and, thus, did not recognize right-of-use assets and lease liabilities for these leases.

For the year ended December 31, 2019, expenses relating to short-term leases also include expenses relating to leases for which the lease terms end on or before December 31, 2019 and for which the recognition exemption is applied. Just before the balance sheet date, the Group also entered into several lease arrangements for additional office equipment that qualified as short-term leases. The amounts of lease commitments for short-term leases, for which the recognition exemption is applied was \$6,929 thousand and \$22,272 thousand as of December 31, 2020 and 2019.

18. INVESTMENT PROPERTY

	Completed Investment Property
Cost	
Balance at January 1, 2020	\$ 14,247,470
Additions	580
Disposals	<u>(14,537)</u>
Balance at December 31, 2020	<u>\$ 14,233,513</u>
Accumulated depreciation and impairment	
Balance at January 1, 2020	\$ 374,680
Depreciation expense	6,920
Disposals	<u>(6,997)</u>
Balance at December 31, 2020	<u>\$ 374,603</u>
Carrying amount at December 31, 2020	<u>\$ 13,858,910</u>

Cost	
Balance at January 1, 2019	\$ 14,097,759
Additions	1,203
Reclassification	<u>148,508</u>
Balance at December 31, 2019	<u>\$ 14,247,470</u>
Accumulated depreciation and impairment	
Balance at January 1, 2019	\$ 355,383
Depreciation expense	6,867
Reclassification	<u>12,430</u>
Balance at December 31, 2019	<u>\$ 374,680</u>
Carrying amount at December 31, 2019	<u>\$ 13,872,790</u>

Operating leases relate to the investment property owned by the Group with lease terms between 1 and 20 years, with no option to extend. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have a bargain purchase option to acquire the property at the expiry of the lease period.

The maturity analysis of lease payments receivable under operating leases of investment properties as of December 31, 2020 and 2019 was as follows:

	December 31	
	2020	2019
Year 1	\$ 178,492	\$ 193,607
Year 2	166,276	165,533
Year 3	132,429	120,884
Year 4	106,753	102,984
Year 5	97,436	98,343
Year 6 onwards	<u>212,725</u>	<u>427,070</u>
	<u>\$ 894,111</u>	<u>\$ 1,108,421</u>

The investment properties are depreciated using the straight-line method over their estimated useful lives as follows:

Main buildings	20-60 years
Air-conditioning units	5-10 years

The investment properties are measured and stated at cost in the consolidated balance sheets. For management's purpose, the Group periodically measures the fair value of investment properties in accordance with the Group's internal rules and procedures. The Group conducts valuation process regularly, which is measured by level 3 inputs. The fair values were \$27,303,772 thousand and \$26,959,699 thousand as of December 31, 2020 and 2019, respectively.

All investment properties are own right and interest.

Rental income and direct operating expenses generated by the investment property for the years ended December 31, 2020 and 2019 were as follows:

	For the Year Ended December 31	
	2020	2019
Rental incomes	\$ 178,816	\$ 181,431
Direct operating expenses	<u>\$ 97,966</u>	<u>\$ 103,821</u>

19. INTANGIBLE ASSETS

		Computer Software
Cost		
Balance at January 1, 2020	\$ 720,656	
Additions	191,808	
Amortization expense	<u>(243,893)</u>	
Reclassification	18,880	
Effect of foreign currency exchange differences and others	<u>162</u>	
Balance at December 31, 2020	<u>\$ 687,613</u>	

(Continued)

22. PAYABLES

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Checks issued to payees for clearing	\$ 7,626,187	\$ 6,706,074
Accounts payable	1,668,091	1,592,510
Accrued expenses	1,988,061	2,343,601
Accrued interests	1,792,978	2,642,908
Acceptances	4,807,972	4,863,813
Others	4,354,120	3,698,004
	<u>\$ 22,237,409</u>	<u>\$ 21,846,910</u>

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Computer Software	\$ 731,364	\$ 731,364
	139,782	139,782
	(220,050)	(220,050)
	69,735	69,735
	(175)	(175)
	<u>\$ 720,656</u>	<u>\$ 720,656</u>
	(C concluded)	

The intangible asset mentioned above is amortized on a straight-line basis over the estimated useful life of 3 to 5 years.

20. OTHER ASSETS

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Refundable deposits	\$ 2,601,890	\$ 959,061
Assumed collateral and residuals	23,418	23,462
Less: Accumulated impairment	(23,418)	(23,462)
Prepayments	143,871	102,413
Others	1,110	1,484
	<u>\$ 2,746,871</u>	<u>\$ 1,062,958</u>

23. DEPOSITS AND REMITTANCES

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Checking account deposits	\$ 41,220,029	\$ 40,797,582
Demand deposits	527,167,570	425,688,524
Time deposits	401,002,085	401,783,691
Negotiable certificates of deposit	2,853,940	6,186,997
Savings account deposits	944,530,955	890,034,856
Remittances	1,212,570	1,456,553
	<u>\$ 1,917,987,149</u>	<u>\$ 1,765,948,203</u>

24. BANK NOTES PAYABLE

The Group has issued bank notes to enhance its capital adequacy ratio and raise medium to long-term operating funds. The information of the bank notes is as follows:

The Group issued \$5,000 million perpetual subordinated bank notes 99-1 on June 29, 2010 which is callable after 10 years of issue date. The bank notes had been redeemed on June 29, 2020.

The Group issued \$3,300 million subordinated bank notes 100-1 on March 11, 2011, divided into Financial Debentures A \$2,200 million with 7-year term and Financial Debenture B \$1,100 million with 10-year term.

The Group issued \$6,700 million subordinated bank notes 100-2 with 10-year term on April 18, 2011.

The Group issued \$2,200 million subordinated bank notes A 103-1 with 7-year term on April 16, 2014.

The Group issued \$5,300 million subordinated bank notes B 103-1 with 10-year term on April 16, 2014.

The Group issued \$2,500 million subordinated bank notes C 103-1 with 10-year term on April 16, 2014.

The Group issued \$3,000 million subordinated bank notes A 105-1 with 7-year term on September 27, 2016.

The Group issued \$3,300 million subordinated bank notes B 105-1 with 10-year term on September 27, 2016.

21. DEPOSITS FROM THE CENTRAL BANK AND BANKS

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Deposits from the Central Bank	\$ 24,625	\$ 26,128
Deposits from banks	322,959	199,103
Overdrafts on banks	306,954	322,914
Call loans from banks	102,241,214	101,314,575
Deposits transferred from Chungghwa Post Co., Ltd.	325,875	442,906
	<u>\$ 103,221,627</u>	<u>\$ 102,305,626</u>

The Group issued \$1,530 million subordinated bank notes A 106-1 with 7-year term on March 29, 2017.

The Group issued \$8,670 million subordinated bank notes B 106-1 with 10-year term on March 29, 2017.

The Group issued \$7,000 million perpetual subordinated bank notes 107-1 on April 26, 2018. Callable 5 years and 3 months after issue date.

The Group issued \$3,000 million perpetual subordinated bank notes 107-2 on November 8, 2018. Callable 5 years and 1 month after issue date.

The Group issued \$5,960 million perpetual subordinated bank notes 108-1 on June 27, 2019. Callable 5 years and 1 month after issue date.

The Group issued \$4,040 million perpetual subordinated bank notes 109-1 on May 27, 2020. Callable 5 years and 1 month after issue date.

The Group issued \$6,800 million perpetual subordinated bank notes 109-2 on December 25, 2020. Callable 5 years and 1 month after issue date.

The outstanding balance and details of subordinated bank notes are as follows:

Bank Note, Interest Rate and Maturity Date	2020	2019
Hedged financial liabilities at fair value		
103-1 Note A, 7-year term, interest payable annually, interest rate 1.70%, maturity date: April 16, 2021	\$ 2,200,000	\$ 2,200,000
103-1 Note B, 10-year term, interest payable annually, interest rate 1.85%, maturity date: April 16, 2024	3,000,000	3,000,000
105-1 Note A, 7-year term, interest payable annually, interest rate 1.09%, maturity date: September 27, 2023	1,000,000	1,000,000
105-1 Note B, 10-year term, interest payable annually, interest rate 1.20%, maturity date: September 27, 2026	2,000,000	2,000,000
Valuation adjustment	251,032	261,014
	<u>8,451,032</u>	<u>8,461,014</u>

Non-hedged bank notes payable

99-1, No maturity date, interest payable annually, interest rate from first to tenth year is 3.15%, after tenth year is 4.15%	-	5,000,000
100-1 Note B, 10-year term, interest payable annually, interest rate 1.72%, maturity date: March 11, 2021	1,100,000	1,100,000
100-2, 10-year term, interest payable annually, floating rate, maturity date: April 18, 2021	6,700,000	6,700,000
103-1 Note B, 10-year term, interest payable annually, interest rate 1.85%, maturity date: April 16, 2024	2,300,000	2,300,000
103-1 Note C, 10-year term, interest payable annually, floating rate, maturity date: April 16, 2024	2,500,000	2,500,000
105-1 Note A, 7-year term, interest payable annually, interest rate 1.09%, maturity date: September 27, 2023	2,000,000	2,000,000
105-1 Note B, 10-year term, interest payable annually, interest rate 1.20%, maturity date: September 27, 2026	1,300,000	1,300,000

(Continued)

Bank Note, Interest Rate and Maturity Date

	2020	2019
106-1 Note A, 7-year term, interest payable annually, interest rate 1.50%, maturity date: March 29, 2024	\$ 1,530,000	\$ 1,530,000
106-1 Note B, 10-year term, interest payable annually, interest rate 1.85%, maturity date: March 29, 2027	8,670,000	8,670,000
107-1, no maturity date, interest payable annually, interest rate 2.66%	7,000,000	7,000,000
107-2, no maturity date, interest payable annually, interest rate 2.30%	3,000,000	3,000,000
108-1, no maturity date, interest payable annually, interest rate 1.90%	5,960,000	5,960,000
109-1, no maturity date, interest payable annually, interest rate 1.40%	4,040,000	-
109-2, no maturity date, interest payable annually, interest rate 1.25%	6,800,000	-
	<u>52,900,000</u>	<u>47,060,000</u>
	<u>\$ 61,351,032</u>	<u>\$ 55,521,014</u>

(Concluded)

The Group engaged in derivative transactions as hedging instruments for the 103-1 Note A, 103-1 Note B, 105-1 Note A and 105-1 Note B fixed interest rate bank notes to avoid fair value risks due to changes in interest rates. The nominal principal of interest rate swaps was accounted as hedging derivative financial assets. (Refer to Note 13).

25. OTHER FINANCIAL LIABILITIES

	2020	2019
Principal received on structured notes	\$ 1,325,070	\$ 3,495,607
Appropriations for loans	624,079	779,293
	<u>\$ 1,949,149</u>	<u>\$ 4,274,900</u>

The principals received on structured notes were the hybrid instruments issued at fixed income. The related income of structured notes was determined by the interest rates linked to targets.

26. OTHER LIABILITIES

	2020	2019
Advance receipts	\$ 612,599	\$ 672,643
Guarantee deposits	1,865,559	1,857,871
Deferred revenue	9,774	12,835
	<u>\$ 2,487,932</u>	<u>\$ 2,543,349</u>

27. RESERVE FOR LIABILITIES

	December 31	
	2020	2019
Reserve for employee benefits (Note 28)	\$ 4,208,987	\$ 4,248,254
Reserve for guarantee liabilities	678,588	626,383
Reserve for loan commitments	314,368	357,282
Reserve for decommissioning, restoration and rehabilitation costs	57,009	55,603
Others	<u>57,086</u>	<u>53,033</u>
	<u>\$ 5,316,038</u>	<u>\$ 5,340,555</u>

Movements in reserve for guarantee liabilities, reserve for loans commitments and reserve for others were as follows:

	For the Year Ended December 31, 2020					
	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Realized Credit Impairment	Loss Recognized Based on IFRS 9	Recognized Impairment Difference Based on the Laws	Total
Beginning balance	\$ 459,939	\$ 52,207	\$ 28,131	\$ 540,277	\$ 496,421	\$ 1,056,698
Changes from financial instruments recognized at the beginning of the period:						
Transfers to lifetime expected credit losses	(4,211)	4,990	-	779	-	779
Transfers to credit-impaired financial assets	(4)	(179)	195	12	-	12
Transfers to 12-month expected credit losses	22,348	(21,455)	-	893	-	893
Financial assets derecognize for the period	(343,766)	(11,592)	(6,321)	(361,679)	-	(361,679)
Purchased or originated financial assets	283,567	58,997	11,463	354,027	-	354,027
Recognized impairment difference based on the Laws	-	-	-	-	20,995	20,995
Changes in exchange rates or others	(889)	(783)	(11)	(1,683)	-	(1,683)
Ending balance	<u>\$ 416,984</u>	<u>\$ 82,185</u>	<u>\$ 33,457</u>	<u>\$ 532,626</u>	<u>\$ 517,416</u>	<u>\$ 1,050,042</u>

For the Year Ended December 31, 2019

	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Realized Credit Impairment	Loss Recognized Based on IFRS 9	Recognized Impairment Difference Based on the Laws	Total
Beginning balance	\$ 458,177	\$ 26,188	\$ 41,182	\$ 525,547	\$ 433,448	\$ 958,995
Changes from financial instruments recognized at the beginning of the period:						
Transfers to lifetime expected credit losses	(5,522)	5,731	-	209	-	209
Transfers to credit-impaired financial assets	(19)	(9)	29	1	-	1
Transfers to 12-month expected credit losses	1,550	(930)	-	620	-	620
Financial assets derecognize for the period	(348,218)	(6,727)	(18,065)	(372,950)	-	(372,950)
Purchased or originated financial assets	354,555	28,205	4,925	387,685	-	387,685
Recognized impairment difference based on the Laws	-	-	-	-	62,973	62,973
Changes in exchange rates or others	(584)	(251)	-	(835)	-	(835)
Ending balance	<u>\$ 459,939</u>	<u>\$ 52,207</u>	<u>\$ 28,131</u>	<u>\$ 540,277</u>	<u>\$ 496,421</u>	<u>\$ 1,056,698</u>

28. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Group adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, the Group makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plans

The defined benefit plan adopted by the Group in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Group contributes amounts equal to 10% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Bank assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Bank is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Group has no right to influence the investment policy and strategy.

The amounts included in the balance sheets in respect of the Group's defined benefit plans were as follows:

	December 31	2019
	2020	
Present value of defined benefit obligation	\$ 9,980,084	\$ 9,979,092
Fair value of plan assets	<u>(7,231,186)</u>	<u>(7,152,662)</u>
Deficit	2,748,898	2,826,430
Others	14,644	13,351
Net defined benefit liability	<u>\$ 2,763,542</u>	<u>\$ 2,839,781</u>

Movements in net defined benefit liability (asset) were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
Balance at January 1, 2020	\$ 9,979,092	\$ 7,152,662	\$ 2,826,430
Service cost	239,179	-	239,179
Net interest cost	69,159	50,430	18,729
Recognized in profit or loss	<u>308,338</u>	<u>50,430</u>	<u>257,908</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	239,332	(239,332)
Actuarial loss - changes in financial assumptions	385,440	-	385,440
Actuarial loss - experience adjustments	113,545	-	113,545
Recognized in other comprehensive income	498,985	239,332	259,653
Contributions from the employer	-	595,093	(595,093)
Benefits paid	<u>(806,331)</u>	<u>(806,331)</u>	<u>-</u>
Balance at December 31, 2020	<u>\$ 9,980,084</u>	<u>\$ 7,231,186</u>	<u>\$ 2,748,898</u>
Balance at January 1, 2019	\$ 9,864,472	\$ 6,915,260	\$ 2,949,212
Service cost	246,671	-	246,671
Net interest cost	97,919	69,968	27,951
Recognized in profit or loss	<u>344,590</u>	<u>69,968</u>	<u>274,622</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	245,537	(245,537)
Actuarial loss - changes in financial assumptions	301,482	-	301,482
Actuarial loss - experience adjustments	101,043	-	101,043
Recognized in other comprehensive income	402,525	245,537	156,988
Contributions from the employer	-	554,392	(554,392)
Benefits paid	<u>(632,495)</u>	<u>(632,495)</u>	<u>-</u>
Balance at December 31, 2019	<u>\$ 9,979,092</u>	<u>\$ 7,152,662</u>	<u>\$ 2,826,430</u>

Through the defined benefit plans under the Labor Standards Law, the Group is exposed to the following risks:

- Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- Interest risk: A decrease in the government and corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	2019
	2020	
Discount rate(s)	0.30%	0.70%
Expected rate(s) of salary increase	2.05%	2.05%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	December 31	2019
	2020	
Discount rate(s)		
0.25% increase	\$ (243,495)	\$ (244,279)
0.25% decrease	<u>\$ 252,484</u>	<u>\$ 253,503</u>
Expected rate(s) of salary increase		
0.25% increase	\$ 247,459	\$ 249,465
0.25% decrease	<u>\$ (239,970)</u>	<u>\$ (241,687)</u>

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	2019
	2020	
The expected contributions to the plan for the next year	\$ 302,772	\$ 301,644
The average duration of the defined benefit obligation	10 years	10 years

c. Plan of high-yield savings account for employee

The Group has the obligation to pay premium interest on the high-yield savings account of its present employees and retired employees. Such obligation is recognized based on its internal guidelines in the Rules of Employee Preferential Deposit for Retired Employees. Refer to Note 30 for information on related expenses.

- 1) Reconciliation of assets and liabilities at the end of the reporting period with the present value of defined benefit obligation and the fair value of plan assets was as follows:

	December 31	
	2020	2019
Present value of defined benefit obligation	\$ 1,445,445	\$ 1,408,473
Less: Fair value of defined benefit plan assets	-	-
Assets and liabilities at the end of the reporting period	<u>\$ 1,445,445</u>	<u>\$ 1,408,473</u>

2) Analysis of defined benefit obligation

	December 31	
	2020	2019
All or part of defined benefit obligation contributed	\$ 1,445,445	\$ 1,408,473
Defined benefit obligation not contributed	<u>\$ 1,445,445</u>	<u>\$ 1,408,473</u>

- 3) Movements of the present value of defined benefit obligation

	For the Year Ended December 31	
	2020	2019
Balance, January 1	\$ 1,408,473	\$ 1,375,993
Interest cost	53,377	52,169
Actuarial gains and losses	276,830	264,525
Benefits paid	<u>(293,235)</u>	<u>(284,214)</u>
Balance, December 31	<u>\$ 1,445,445</u>	<u>\$ 1,408,473</u>

- 4) Movements of the fair value of plan assets

	For the Year Ended December 31	
	2020	2019
Balance, January 1	\$ -	\$ -
Contribution by employers	293,235	284,214
Benefits paid	<u>(293,235)</u>	<u>(284,214)</u>
Balance, December 31	<u>\$ -</u>	<u>\$ -</u>

- 5) Details of gains and losses recognized in expenses

	For the Year Ended December 31	
	2020	2019
Interest cost	\$ 53,377	\$ 52,169
Actuarial gains and losses	<u>276,830</u>	<u>264,525</u>
	<u>\$ 330,207</u>	<u>\$ 316,694</u>

- 6) Main actuarial assumptions

	For the Year Ended December 31	
	2020	2019
Discount rate of high-yield savings account for employee	4.00%	4.00%
Return rate of funds deposited	2.00%	2.00%
Account balance decrease rate per year	1.00%	1.00%
Probability of future high-yield savings account system change	50.00%	50.00%
Mortality rate		
	Based on Taiwan	Based on Taiwan
	Life Insurance	Life Insurance
	Industry	Industry
	Mortality	Mortality
	Tables	Tables
	1.09% ^a -1.14%	1.09%-1.14%

Rate provided to ordinary clients for similar deposit

29. EQUITY

- a. Capital

	December 31	
	2020	2019
Common stock		
Shares authorized (in thousands)	<u>11,000,000</u>	<u>11,000,000</u>
Capital authorized	<u>\$ 110,000,000</u>	<u>\$ 110,000,000</u>
Shares issued and fully paid (in thousands)	<u>10,384,724</u>	<u>9,985,311</u>
Capital stock issued	<u>\$ 103,847,236</u>	<u>\$ 99,853,111</u>

Fully paid common stocks, which have a par value of \$10, carry one vote per stock and carry a right to dividends.

As of January 1, 2019, the Bank's authorized and registered capital was \$110,000,000 thousand divided into 11,000,000 thousand shares at \$10 par value; the total paid-in capital was \$97,895,207 thousand. In August 2020 and August 2019, the Bank resolved its capitalization of earnings and increased its paid-in capital by \$3,994,125 thousand and \$1,957,904 thousand, respectively. The amount of the Bank's authorized and registered capital as at December 31, 2020 and 2019 was \$110,000,000 thousand divided into 11,000,000 thousand shares and, also at those dates, the total amounts of paid-in capital were \$103,847,236 thousand and \$99,853,111 thousand divided into 10,384,724 thousand and 9,985,311 thousand outstanding shares at \$10 par value, respectively.

b. Distribution of earnings and dividend policy

Under the dividend policy as set forth in the Bank's amended Articles of Incorporation, where the Bank generates profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 30% of the remaining profit, setting aside or reversing special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Bank's board of directors as the basis for proposing distribution plan, and 30% to 100% of the basis for proposing distribution plan should be resolved in the stockholders' meeting for distribution of dividends and bonus to stockholders. For the policies on distribution of employees' compensation and remuneration of directors after amendment, refer to Note 30 (g) "employees' compensation and remuneration of directors".

To ensure the Bank has sufficient cash for present and future expansion plans and to enhance the profitability, the Bank prefers to distribute more stock dividends, but cash dividends shall not be less than 10% of total dividends distributed. If the cash dividends are less than \$0.1 per share, the Bank will not distribute any cash dividends, unless otherwise adopted in the stockholders' meeting.

Appropriation of earnings to legal reserve shall be made until the balance of legal reserve reaches the Bank's paid-in capital. Legal reserve may be used to offset deficit. If the Bank has no deficit and the legal reserve has exceeded 25% of the Bank's paid-in capital, the excess may be transferred to capital or distributed in cash.

Items referred to under Rule No. 1010012865, Rule No. 1010047490 and Rule No. 1030006415 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Bank.

Under Rule No. 10510001510 issued by the FSC on May 25, 2016, the Bank should appropriate 0.5%-1.0% net income as a special reserve when distributing surplus earnings for 2016, 2017 and 2018. Since 2017, the Bank should reverse an amount which is the same as the distributed surplus earnings mentioned above for the expense of employees' bridging-over arrangements and settlements caused by the development of financial technology.

The Bank cannot distribute cash dividends or purchase treasury stocks if the Bank has any of the situations cited in Item 1, Section 1, Article 44 of the Banking Law.

The maximum amount of cash dividends cannot exceed 15% of the Bank's total capital if the Bank's capital surplus is less than the capital based on Section 1.

The restriction of the cash dividends stated above does not apply if the Bank's capital surplus exceeds the capital or the Bank's financial position satisfied the criteria from the authority and also the Bank appropriates the legal reserve based on the Banking Law.

The appropriations of earnings for 2019 and 2018 were approved in the stockholders' meetings on June 19, 2020 and June 14, 2019, respectively. The appropriations of earnings and dividends per stock were as follows:

	2019	2018
Legal reserve	\$ 3,434,160	\$ 3,793,961
Special reserve	-	63,232
Cash dividends	3,994,124	6,265,293
Share dividends	3,994,125	1,957,904
Cash dividends per share (NT\$)	0.40	0.64
Share dividends per share (NT\$)	0.40	0.20

The appropriation of earnings for 2020 is subject to the resolution of shareholders in the shareholders' meeting to be held in June 2021.

c. Special reserve

	2020	2019
Balance at January 1	\$ 11,778,829	\$ 11,778,829
Initial application of IFRSs	-	-
Reversals	(3,058)	-
Disposal of investment properties	425,819	425,819
Others	-	-
	<u>\$ 12,201,590</u>	<u>\$ 12,204,648</u>

The special reserve relating to land may be reversed on the disposal or reclassification of the related assets. Additional special reserve should be appropriated for the amount equal to the difference between net debit balance reserves and the special reserve appropriated on the first-time adoption of IFRSs. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses and is thereafter distributed.

30. NET INCOME

a. Net interest income

	2020	2019
Interest income	\$ 24,427,538	\$ 29,268,023
Loans	1,778,288	5,289,325
Due from and call loans to banks	3,470,860	4,367,222
Investments in marketable securities	139,473	265,665
Others	<u>29,816,159</u>	<u>39,190,235</u>
Interest expense	(8,769,548)	(12,664,246)
Deposits	(854,438)	(2,530,693)
Due to central bank and call loans from banks	(1,051,921)	(1,145,589)
Others	<u>(10,675,907)</u>	<u>(16,340,528)</u>
Net interest income	<u>\$ 19,140,252</u>	<u>\$ 22,849,707</u>

b. Net service fee income

	<u>For the Year Ended December 31</u>	<u>2019</u>
Service fee income		
Fees from import and export	\$ 251,461	\$ 313,138
Remittance fees	376,966	451,563
Loan fees	623,804	460,531
Fees from trust	1,057,414	774,748
Fees from trust business	394,890	330,872
Fees from insurance agency	1,633,445	2,239,128
Others (1) (2)	<u>1,281,681</u>	<u>1,267,462</u>
	<u>5,619,661</u>	<u>5,837,442</u>
Service charge		
Interbank charges	(158,421)	(159,582)
Charges from trust	(18,673)	(17,884)
Custodian fees	(113,728)	(115,441)
Charges from insurance agency	(184,233)	(262,997)
Others	<u>(617,038)</u>	<u>(646,772)</u>
	<u>(1,092,093)</u>	<u>(1,202,676)</u>
Net service fee income	<u>\$ 4,527,568</u>	<u>\$ 4,634,766</u>

- 1) The service fee income from electronic payment business was \$1,071 thousand and \$4,257 thousand for the years ended December 31, 2020 and 2019, respectively.
- 2) In accordance with "Regulation Governing the Organization and Administration of Sinking Fund Established by Electronic Payment Institutions", the yield income from electronic payment business was \$0.3 thousand and \$1 thousand for the years ended December 31, 2020 and 2019, respectively.

c. Gain (loss) on financial assets or liabilities measured at FVTPL

	<u>For the Year Ended December 31</u>	<u>2019</u>
Realized gain (loss) on financial assets or liabilities measured at FVTPL		
Stock and mutual funds	\$ (25,842)	\$ 30,748
Bonds	14,782	20,351
Bills	653	(32)
Derivative financial instruments	1,924,002	2,301,772
Net interest (loss) gain	87,036	(304,628)
Stock dividends and bonus	<u>-</u>	<u>2,469</u>
	<u>2,000,631</u>	<u>2,050,680</u>
Valuation gain (loss) on financial assets or liabilities measured at FVTPL		
Stock	2,618	(455)
Bonds	(73,579)	(317,847)
Bills	(2,604)	215
Derivative financial instruments	<u>(278,996)</u>	<u>104,180</u>
	<u>(352,561)</u>	<u>(213,907)</u>
	<u>\$ 1,648,070</u>	<u>\$ 1,836,773</u>

d. Realized gain (loss) on financial assets at FVTOCI

	<u>For the Year Ended December 31</u>	<u>2019</u>
Stock dividends and bonus	\$ 633,958	\$ 521,158
Disposal gains		
Beneficiary securities	52,266	58,990
Bonds	605,800	799,172
Disposal losses		
Beneficiary securities	(7,178)	(671)
Bonds	<u>(65,770)</u>	<u>(13,378)</u>
	<u>\$ 1,219,076</u>	<u>\$ 1,365,271</u>

e. Depreciation and amortization expense

	<u>For the Year Ended December 31</u>	<u>2019</u>
Property and equipment	\$ 492,023	\$ 536,501
Investment property	6,920	6,867
Right-of-use assets	659,408	673,084
Intangible assets and other deferred assets	<u>244,268</u>	<u>220,417</u>
	<u>\$ 1,402,619</u>	<u>\$ 1,436,869</u>

f. Employee benefits expenses

	<u>For the Year Ended December 31</u>	<u>2019</u>
Short-term employee benefits	\$ 9,616,925	\$ 9,796,042
Post-employment benefits		
Defined contribution plans	215,672	195,093
Defined benefit plans	257,908	274,622
High-yield savings account for employees	330,207	316,694
Other post-employment benefits	375,279	275,550
Termination benefits	<u>11,716</u>	<u>9,640</u>
	<u>\$ 10,807,707</u>	<u>\$ 10,867,641</u>

Salary adjustments for 2020:

- 1) As recognition of the employees' dedication and hard work and to boost employee morale, the Bank made an adjustment to annual salary in 2020 and implemented overall evaluation on April 1, 2020.
- 2) The salary adjustment is based on the results of the performance appraisal and the demonstrated motivation and dedication of outstanding rank-and-file employees, the salary adjustment plan of the Bank in 2020 consisted of performance grades: Employees who earned 6 points performance appraisal received a 3.3% raise in monthly salary; employees who earned 5 points (including 5A and 5B) received a 2.4% raise in monthly salary; employees who earned 4 points (including 4A, 4B and 4C) received a 1.6% raise in monthly salary; employees who earned 3 points received a 1% raise in monthly salary.

3) To take care of the grassroots employees, the Bank also provided qualified fixed salary adjustments for employees at job levels 5 to 7.

4) The annual salary adjustment in 2020 was implemented on April 1, 2020. The average salary increase of all employees was 1.6%. The average salary increase and the highest salary increase of employees at job levels 5 to 7 were both 5.78%. In spite of the environment affected by COVID-19 and the low profit, the salary adjustments show the determination of the Bank to fulfill the duty of care towards its employees and implement corporate social responsibility.

Year	2020	
	Job Levels 5 to 7 and Less than 5	Other Job Levels
Appraisal		
6 points (Premium)	1,000+3.3%	3.3%
5 points (Including 5A and 5B)	1,000+2.4%	2.4%
4 points (Including 4A, 4B and 4C)	1,000+1.6%	1.6%
3 points (Qualified)	800+1%	1%
2 points (Unqualified)	-	-
1 points (Unqualified)	-	-
Average salary increase of the Bank	-	1.60%

g. Employees' compensation and remuneration of directors

The Bank accrued employees' compensation and remuneration of directors at the rates of 1%-6% and no higher than 0.8%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. The employees' compensation and the remuneration of directors for the years ended December 31, 2020 and 2019, which were approved by the Group's board of directors on March, 2021 and March 20, 2020, respectively, are as follows:

Amount	For the Year Ended December 31	
	2020 (Expected)	2019
Accrual rate		
Employees' compensation	5.00%	5.00%
Remuneration of directors	0.40%	0.40%
Amount		
Employees' compensation	\$ 447,199	\$ 714,178
Remuneration of directors	35,200	57,134

If there is a change in the amounts after the annual consolidated financial statements were authorized for issue, the differences are recorded as a change in the accounting estimate.

There was no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the year ended December 31, 2019.

Due to changes in accounting estimates, the actual amount of employees' compensation and directors' remuneration, which was resolved in the meeting of the board of directors dated on March 15, 2019 differs from what was accrued in the consolidated financial statements for 2018. The difference was then adjusted to profit and loss for 2019.

	For the Year Ended December 31, 2018
Amounts approved in the board of directors' meeting	\$ 777,327
Amounts recognized in the annual consolidated financial statements	\$ 62,186
Differences	\$ (173)

Information on the employees' compensation and remuneration of directors resolved by the Group's board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

31. INCOME TAX

a. Major components of tax expense recognized in profit or loss

	For the Year Ended December 31	
	2020	2019
Current income tax	\$ 1,007,506	\$ 1,428,865
In respect of the current period	1,186	15,617
Income tax on unappropriated earnings		
Deferred income tax		
In respect of the current period	260,947	504,028
Income tax expense recognized in profit or loss	\$ 1,269,639	\$ 1,948,510

A reconciliation of accounting profit and income tax expenses is as follows:

	For the Year Ended December 31	
	2020	2019
Profit before tax	\$ 8,310,566	\$ 13,520,292
Income tax expense calculated at the statutory rate	1,662,113	2,704,058
Non-deductible expenses in determining taxable income	3,320	479
Income tax on unappropriated earnings	1,186	15,617
Land value increment tax	(2,476)	-
Overseas branch's additional income of deferred tax effect	(13,221)	203,757
Tax-exempt income	(680,953)	(1,077,899)
Non-deductible tax of overseas branches	285,437	112,096
Adjustments for prior years' tax	11,864	4,748
Others	2,369	(14,346)
Income tax expense recognized in profit or loss	\$ 1,269,639	\$ 1,948,510

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	2019
	2020	
<u>Deferred tax</u>		
In respect of the current year:		
Exchange differences on translation	\$ 109,766	\$ (157,891)
Unrealized gains (losses) on financial assets at FVTOCI	(13,700)	43,946
Actuarial losses on defined benefit plan	(51,935)	(31,412)
Total income tax benefit recognized in other comprehensive income	<u>\$ 44,131</u>	<u>\$ (145,357)</u>

c. Current tax assets and liabilities

	December 31	2019
	2020	
Current tax assets		
Tax refund receivable	\$ 164,394	\$ 164,394
Others	232,122	43,126
	<u>\$ 396,516</u>	<u>\$ 207,520</u>
Current tax liabilities		
Income tax payable	<u>\$ 841,436</u>	<u>\$ 507,880</u>

d. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2020

	Beginning Balance	Recognized in Profit or Loss	Other Comprehensive Income	Ending Balance
<u>Deferred tax assets</u>				
Temporary differences	\$ 1,521,899	\$ (279,014)	-	\$ 1,242,885
Doubtful debts	1,790,426	403,619	(57,831)	2,136,214
Others	<u>3,312,325</u>	<u>124,605</u>	<u>(57,831)</u>	<u>3,379,099</u>
<u>Deferred tax liabilities</u>				
Land value increment tax	\$ 6,156,692	\$ (2,476)	-	\$ 6,154,216
Temporary differences	1,745,917	388,028	13,700	2,147,645
	<u>7,902,609</u>	<u>385,552</u>	<u>13,700</u>	<u>8,301,861</u>

For the year ended December 31, 2019

	Beginning Balance	Recognized in Profit or Loss	Other Comprehensive Income	Ending Balance
<u>Deferred tax assets</u>				
Temporary differences	\$ 1,510,676	\$ 11,223	-	\$ 1,521,899
Doubtful debts	1,609,988	192,972	(12,534)	1,790,426
Others	<u>3,120,664</u>	<u>204,195</u>	<u>(12,534)</u>	<u>3,312,325</u>
<u>Deferred tax liabilities</u>				
Land value increment tax	\$ 6,156,692	-	-	\$ 6,156,692
Temporary differences	1,195,585	708,223	(157,891)	1,745,917
	<u>7,352,277</u>	<u>708,223</u>	<u>(157,891)</u>	<u>7,902,609</u>
e. Income tax assessments				
The Bank's income tax returns through 2017 had been examined and cleared by the tax authority.				

32. EARNINGS PER SHARE

The computation of earnings per share was retrospectively adjusted for the effects of adjustments resulting from bonus stock issues on August 17, 2020. The basic and diluted after-tax earnings per stock of 2019 were adjusted retrospectively as follows:

	Before Adjusted Retrospectively	After Adjusted Retrospectively
Basic earnings per stock	\$ 1.16	\$ 1.11
Diluted earnings per stock	<u>1.15</u>	<u>1.11</u>
The earnings and weighted average number of common stock outstanding in the computation of earnings per stock were as follows:		
	For the Year Ended December 31	2019
	<u>2020</u>	<u>2019</u>
Net profit for the year	\$ 7,040,927	\$ 11,571,782

Unit: NT\$ Per Share

The weighted average number of common stocks outstanding (in thousands of stocks) is as follows:

	For the Year Ended December 31	
	2020	2019
Weighted average number of common stock used in the computation of basic earnings per stock	10,384,724	10,384,724
Effect of potentially dilutive common stock: Employees' compensation issued	<u>31,277</u>	<u>38,631</u>

Weighted average number of common stock used in the computation of diluted earnings per stock

10,416,001 10,423,355

If the Group offered to settle compensation or bonuses paid to employees in cash or stock, the Group assumed the entire amount of the compensation or bonus would be settled in stock and the resulting potential stock were included in the weighted average number of stock outstanding used in the computation of diluted earnings per stock, as the effect is dilutive. Such dilutive effect of the potential stock is included in the computation of diluted earnings per stock until the number of stock to be distributed to employees is resolved in the following year.

33. CAPITAL RISK MANAGEMENT

a. Summary

The Group's goals in capital management are as follows:

- 1) The Group's qualified regulatory capital should meet the requirement of capital adequacy regulations, and reached the minimum capital adequacy ratio.
 - 2) To ensure the Group is able to meet the capital needs, it should be evaluated periodically and observed the variation between regulatory capital and risk assets to keep common equity ratio in the interval approved by the board of directors.
 - 3) Related to the calculation of qualified regulatory capital and legal capital were according to the regulation of administration.
- b. Capital management procedures

The Group kept capital adequacy ratio completely to meet the requirement of the administration, and declared to the administration quarterly.

In addition, the capital management procedures for the overseas subsidiaries of the Group were carried out according to the regulation of local administrations.

The Group's capital adequacy performance, which was calculated based on Regulations Governing the Capital Adequacy and Capital Category of Banks, was reported to the Asset and Liability Management Committee of the Group periodically. The regulatory capital was classified into Tier I Capital, other Tier I Capital and Tier 2 Capital.

- 1) Tier I Capital: Include Common Equity and other Tier I Capital

Common Equity: Include common stock (include capital collected in advance), Capital reserves (exclude additional paid-in capital in excess of par - preferred stock), accumulated profit, reserve and adjusted equity. Deduct: Legal adjustments.

- 2) Other Tier 1 Capital: Include noncumulative perpetual preferred stock, noncumulative perpetual subordinated debts. Deduct: Legal adjustments.

- 3) Tier 2 Capital: Include cumulative perpetual preferred stock, cumulative perpetual subordinated debts, revaluation reserve, long-term subordinated debt, non-perpetual preferred stock include stock issue price 45% of financial assets at fair value through other comprehensive income convertible bonds, operating reserves and allowance for doubtful accounts. Deduct: Legal adjustments.

c. Capital adequacy

Item	Period		
	December 31, 2020	December 31, 2019	
Self-owned capital	Common equity Tier I	\$ 145,659,743	\$ 140,790,667
	Other Tier I capital	26,422,600	16,874,772
	Tier II capital	48,629,424	54,231,213
Self-owned capital	220,711,767	211,896,652	
Credit risk	Standardized approach	1,390,652,840	1,360,106,227
	IRB	-	-
	Securitization	533,801	-
Risk-weighted assets	Basic indicator approach	-	-
	Standardized approach/optional standard	55,422,259	57,819,213
	Advanced internal rating based approach	-	-
Market price risk	Standardized approach	14,806,764	22,515,159
	Internal model approach	-	-
Total	1,461,415,664	1,440,440,599	
Capital adequacy ratio	15.10%	14.71%	
Common equity Tier I to risk-weighted assets ratio	9.97%	9.77%	
Tier I capital to risk-weighted assets ratio	11.78%	10.95%	
Leverage ratio	6.94%	6.90%	

Note 1: The ratios are calculated in accordance with the Regulations Governing the Capital Adequacy and Capital category of Banks.

Note 2: Annual financial report should include the capital adequacy ratio in current and previous period. Besides semiannual report should disclose the ratio the end of last year.

Note 3: Formula:

- a. Self-owned capital = Common equity Tier I + Other Tier I capital + Tier II capital
- b. Risk-weighted assets = Credit risk-weighted assets + (Operation risk capital + Market price risk capital) x 12.5
- c. Capital adequacy = Self-owned capital ÷ Risk-weighted assets
- d. Common equity Tier I capital to risk-weighted assets ratio = Common equity Tier I capital ÷ Risk-weighted assets
- e. Tier I capital to risk-weighted assets ratio = (Common equity Tier I + Other Tier I capital) ÷ Risk-weighted assets
- f. Leverage ratio = Tier I capital ÷ Adjusted average assets

34. FINANCIAL INSTRUMENTS

- a. Fair value of financial instruments that are not measured at fair value

Fair value of financial instruments not measured at fair value

December 31, 2020

	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets					
Financial assets at amortized cost	\$ 345,283,447	\$ 3,610,277	\$ 341,736,917	\$ -	\$ 345,347,194
Financial liabilities					
Bank notes payable	61,351,032	-	8,451,032	54,695,616	63,146,648

December 31, 2019

	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets					
Financial assets at amortized cost	\$ 276,058,976	\$ 5,708,893	\$ 270,388,077	\$ -	\$ 276,096,970
Financial liabilities					
Bank notes payable	55,521,014	-	8,461,014	48,299,657	56,760,671

- b. Fair values of financial instruments that are measured at fair value on a recurring basis

- 1) Fair value hierarchy

December 31, 2020

Fair Value Measurement of Financial Instruments	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at FVTPL	\$ -	\$ 8,811,111	\$ 110,525	\$ 8,921,636
Financial assets mandatorily measured at FVTPL	-	-	-	-
Stock investments	-	7,091	110,525	117,616
Bond investments	-	1,761,188	-	1,761,188
Others	-	7,042,832	-	7,042,832
Financial assets at FVTOCI	70,546,949	43,318,147	8,830,725	122,695,821
Stock investments	7,362,952	30,550	8,830,725	16,224,227
Bond investments	59,607,303	43,287,597	-	102,894,900
Others	3,576,694	-	-	3,576,694
Derivative financial products				
Assets				
Financial assets at FVTPL	120,403	5,539,435	-	5,659,838
Other financial assets	-	-	-	-
Financial assets for hedging	-	231,693	-	231,693
Liabilities				
Financial liabilities at FVTPL	-	7,293,565	-	7,293,565

December 31, 2019

Fair Value Measurement of Financial Instruments	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at FVTPL	\$ 75,046	\$ 8,468,118	\$ -	\$ 8,543,164
Financial assets mandatorily measured at FVTPL	-	-	-	-
Stock investments	75,046	907,705	-	75,046
Bond investments	-	7,560,413	-	7,560,413
Others	-	31,784,179	-	31,784,179
Financial assets at FVTOCI	76,511,042	8,000,918	8,000,918	116,296,139
Stock investments	6,400,568	49,630	8,000,918	14,451,116
Bond investments	69,021,146	31,734,549	-	100,755,695
Others	1,089,328	-	-	1,089,328
Derivative financial products				
Assets				
Financial assets at FVTPL	114,919	2,825,306	-	2,940,225
Other financial assets	-	-	-	-
Financial assets for hedging	-	247,375	-	247,375
Liabilities				
Financial liabilities at FVTPL	-	4,247,279	-	4,247,279

There were no transfers between Levels 1 and 2 in the current and prior periods.

- 2) Reconciliation of Level 3 fair value measurements of financial instruments

For the year ended December 31, 2020

Financial Assets	Financial Assets at FVTPL		Financial Assets at FVTOCI	
	Equity Instrument	Equity Instrument	Equity Instrument	Equity Instrument
Beginning balance	\$ -	\$ -	\$ 8,000,918	\$ -
Recognizing in other comprehensive income (unrealized gain on financial assets at FVTOCI)	-	-	811,080	-
Purchase	110,525	110,525	18,727	-
Ending balance	\$ 110,525	\$ 110,525	\$ 8,830,725	\$ -

For the year ended December 31, 2019

Financial Assets	Financial Assets at FVTPL		Financial Assets at FVTOCI	
	Equity Instrument	Equity Instrument	Equity Instrument	Equity Instrument
Beginning balance	\$ -	\$ -	\$ 7,138,045	\$ -
Recognizing in other comprehensive income (unrealized gain on financial assets at FVTOCI)	-	-	862,873	-
Ending balance	\$ -	\$ -	\$ 8,000,918	\$ -

3) Definition for the hierarchy classifications of fair value measurements

a) Level 1

Level 1 inputs are quoted prices unadjusted in active markets for identical financial instruments. An active market indicates the market that is in conformity with all of the following conditions: The products in the market are identical; it is easy to find a knowledgeable and willing transaction counterparty; and price information is available to the public.

The fair values of the Group investments in listed stocks, beneficiary certificates, on-the-run Taiwan central government bonds and derivative instruments with quoted market prices are included in Level 1.

b) Level 2

Level 2 inputs are inputs other than quoted prices with reference to an active market that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). The fair values of the Group's investments in off-the-run government bonds, corporate bonds, bank debentures, convertible bonds and most derivative bank debentures issued by the Group are included in Level 2.

c) Level 3

The input parameters used are not based on observable market data (unobservable input parameters are those such as option pricing models using historical volatility which cannot represent the expected value of all market participants). The fair values of the Group's investments in derivatives and equity investments without an active market are included in Level 3.

4) Valuation techniques and assumptions applied for the purpose of measuring fair value

a) Determination of fair value

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

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

In addition to the above financial instruments with an active market, other financial instruments at fair value are assessed by valuation techniques or by referencing counterparties with other financial instruments at fair value with similar conditions and characteristics in actual practice, including market information obtained by exercising valuation models at the balance sheet date (such as yield curves used by TPEX and TAIBIR (page 02) secondary market fixing rates used by the Taiwan Depository & Clearing Corporation).

When a financial instrument has no standardized valuation and has a greater level of complexity, such as interest rate swaps, currency swaps and options, the Group usually adopts the valuation generally accepted by market users. The inputs used for these financial instruments' valuations are usually observable information in the market.

For financial instruments with greater 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 without quoted market price (including debt instruments 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 Group need to make appropriate estimates based on assumptions.

b) The types and nature of the valuation methods for financial instruments used by the Bank and its subsidiaries are as follows:

- i. NTD central government bonds: The bond market rate and theoretical interest rate are price-per-hundred conversions announced by TPEX.
- ii. NTD corporate bonds and bank notes: The corporate bond reference rate is announced by TPEX, and the Group uses the appropriate credit rate and the remaining period to calculate the yield rate and convert it to price-per-hundred.
- iii. NTD convertible corporate bonds: The closing prices of outright purchase/sale trading are listed on TPEX on the valuation day. If the price is not available, the price is referenced from the outright purchase/sale trading information listed on TPEX.
- iv. Securitization instruments: Prices are those quoted from Bloomberg.
- v. NTD short-term bills: The TAIBIR (page 02) secondary market fixing rates used by the Taiwan Depository & Clearing Corporation are discounted from future cash flows.
- vi. Foreign securities: The latest prices quoted from Bloomberg, Reuters or other systems on the valuation day are used, if there is no available price or valuation, then the price used is that which is quoted from counterparties.
- vii. Listed stock, call/put warrants and depository receipts: The closing price listed on TWSE or TPEX is adopted.
- viii. Unlisted stock: The fair value is referenced from related financial information or estimated using the price and parameters of listed companies which have similar service attributes.
- ix. Beneficiary certificates: Closed-end funds use the closing price in an active market as the fair value and open-end funds use the net asset value of the fund as the fair value.
- x. Derivatives:
 - i) Call/put warrants and stock index futures: Prices quoted from an active market are deemed the fair values.
 - ii) Foreign currency forward contracts, currency swaps, interest rate swaps, cross currency swaps and operating deposits of transactions: Discounted future cash flows are adopted.
 - iii) Options: The Black-Scholes model, binomial tree model and Monte Carlo method are mainly adopted for valuation.
 - iv) Certain derivatives use the quoted price from counterparties.
- xi. Mixing Tools: The price from the active market, deal brokers and valuation models is used.

- c) Adjustments for credit risks and the definitions are as follows:

Credit valuation adjustment (CVA) is a measurement for derivatives which are not transacted through the stock market, or for over-the-counter derivatives. CVA reflects the fair value should a counterparty default and the possibility of not collecting the derivative's full market value.

CVA is calculated by applying the loss given default (LGD) to the exposure at default (EAD), along with the consideration of the counterparty's probability of default (PD), assuming the condition that the Group does not default.

- c. Financial risk management objectives and policies

1) Market risk

- a) The source and definition of market risk

Market risk is the uncertainty of changes in fair value of on- and off-balance sheet financial instruments due to changes in market risk factors. Market risk factors include interest rates, exchange rates, equity security prices and commodity prices.

The major market risks of the Group are equity securities price risks, interest rate risks, and exchange rate risks. The majority of equity securities risk includes domestic public stock, over-the-counter stock, emerging market stock, domestic stock index options and stock index futures. The main position of interest rate risk includes bonds and interest derivative instruments, such as interest rate swap. The main position of exchange rate risk includes the Group's investments denominated in foreign currencies, such as foreign currency spots, currency futures and foreign currency options.

- b) Market risk management policy

The Group classifies the financial instruments held by the Group as trading book and banking book, and determines the market risk as interest rate risk, exchange rate risk, and equity security price risk. The Group establishes "Market Risk Management Regulation", "Derivative Financial Trading Process" and various financial instrument related regulations to manage the market risk of overall foreign exchange position, normal position, interest rate position of trading book and equity security position. The overall interest rate risk management of banking book belongs to assets and liabilities management committee.

The market risk management regulations are as follows:

- i. Establish the market risk management process to ensure the risk would be identified, measured, monitored and reported.
- ii. Measure and monitor the market risk and keep it under the risk limit and minimize unexpected loss from market risk.
- iii. Follow the regulations of Basel Accord.
- iv. Establish the market risk management system and economic capital allocation process.
- v. Monitor the credit line management of financial instrument, sensitivity analysis, stress testing and the calculation of VaR, and report the result of market risk monitoring to risk management committee periodically and board of director quarterly.

- c) Market risk management procedures

According to "Whole Risk Management Policy", risk management department is the second line of defense against the market risk. Risk management department performs the market risk management, establishes related management process, and reports to the appropriate level of the management. Besides, risk management department establishes independent risk management process and ensures its effectiveness.

- i. Identifying and measuring

The effective market risk management process begins with identifying the inherent risk of operating activities and financial instruments. The Group reviews the risk identifying method timely when the market environment changes and makes necessary adjustment to ensure the effective operation of the market risk management process. The Group's risk management department identifies market risk factors and measures the market risk. The market risk factors refer to the factors which affect the interest rate, exchange rate or the fair value of equity instruments. The market risk factors include the position, profits and loss, loss from stress testing, PVOI, Delta, VaR, etc.

- ii. Monitoring and reporting

The Group controls market risk by managing risk limits. The risk management department sets various trading limits, such as position limits, stop-loss limits, and maximum potential loss. The trading limits are implemented only after they are reported to and approved by the board of directors.

The risk management department calculates exposures and estimated gains and losses on positions daily to make sure that the positions held and losses do not exceed the limits approved by the board of directors and prepares reports to the high-level management and the board of directors periodically for their sufficient understanding of the implementation of the market risk management and, if necessary, issuance of additional guidance.

The risk management department reports important market risk issues, such as discovery of possible loss on positions in each trading book or identification of weakness in the market risk management system, to the Risk Management Committee in order to improve the effectiveness of the market risk management.

- iii. Stress testing

The stress testing is one of the important tools for risk management. It is used for verifying effects on the investment portfolio due to some extremely disadvantageous but possible stressful events and for analyzing exposure level and risk tolerance in such situations and furthermore evaluating the portfolio loss or the impact on the capital. Chang Hwa Bank performs stress testing for forecasting risk and for assessment and reinforcement of statistical models or historical data limitations.

- d) Trading book market risk management

The trading book refers to the position of financial instruments held for trading or hedging. The position of financial instruments held for trading refers to the position which earns profits from actual or expected short-term price fluctuations.

- i. Strategy

The Group determines the risk limitation of the investment portfolio of trading book by evaluating trading strategy, trading category, and annual performance.



- ii. Management strategy on banking book interest rate risk
 - According to the Group's interest rate risk management policy, the Group has set various measurement indicators and limits on banking book interest rate risk. To pursue profits and steady growth of stockholder value without exposure to extreme loss risks, the Group applies appropriate management strategy including on- and off-balance sheet adjustments and maintains appropriate amounts of assets and liabilities.
 - iii. Banking book interest rate risk report/range of measuring system
 - The Group mainly applies standard method for interest rate risk sensitivity gap analysis to measure banking book interest rate risks. The responsible department periodically measures banking book interest rate risks and reports to related departments and to the asset and liability management committee in order to adopt appropriate strategies for adjusting banking book interest rate risk combinations. Assessment information of banking book interest rate risk would be presented to the board of directors periodically to let the high-level management controls such risks.
 - g) Exchange rate risk management
 - i. Definition of exchange rate risk
 - Exchange rate risk is the gain or loss resulting from exchange or translation of two different foreign currencies at different times. The Group's exchange rate risk mainly comes from spot and forward exchange positions.
 - ii. Exchange rate risk management policy, procedures and measuring methods
 - The risk management department sets the position limit and stop-loss limit of trading book investment combinations in order to control exchange rate risk. If the losses reach the stop-loss limit, the trading department should decrease risk exposure positions so as to control losses.
 - The risk management department applies sensitivity analysis or Value at Risk to measure exchange rate risk and calculates stress loss of risk position held. In sensitivity analysis, Delta is applied to measure the exchange rate risk of the first order change and Gamma is applied to measure the exchange rate risk of the second order change. In addition, Vega is used to measure the first order risk of implied volatility rate. With regard to the Group's Value at Risk assumptions and calculation methods, refer to item i.
 - h) Equity security price risk management
 - i. Definition of equity security price risk
 - Equity security price risk is the valuation effect on the position held by the Group when the equity security price changes. The Group's equity security price risk mainly comes from public and over-the-counter stock, index futures and options.
 - ii. Equity security price risk management purpose
 - The risk management department applies sensitivity analysis or Value at Risk to measure equity security price risk and calculates stress loss of risk position held. In sensitivity analysis, Delta, Gamma and Vega are applied to measure the independent equity security price risk of the first order change, or market value is applied to indicate the exposure risks on positions of stock. With regard to the Group's Value at Risk assumptions and calculation methods, refer to item i.
- ii. Management policy and procedures
 - The Group follows "Market Risk Management Rules", "Derivative Financial Trading Process" and various financial instrument related regulations as the important management rules of trading book.
 - iii. Valuation policy
 - The trading positions are valued on a real time or daily basis. The hedging derivatives are valued at least twice a month. The resources of fair value of financial instruments are categorized as: (1) those derived from quoted prices in active markets; (2) the latest price without active market; (3) valuation without active market.
 - iv. Risk measuring methods
 - i) The sensitivity of the interest rate changes of investment portfolio is measured by DV01. The sensitivity of the foreign exchange derivatives is measured by the sensitivity factors (Delta, Gamma, and Vega).
 - ii) With regard to the Group's Value at Risk assumptions and calculation methods, refer to item i.
 - iii) The Group performs the stress test quarterly and report the result to Risk Management Committee periodically.
 - e) Trading book interest rate risk management
 - i. Definition of interest rate risk
 - Interest rate risk is fair value changes in interest rate risk position held by the Group due to interest rate changes. The risks are mainly in debt securities and interest rate derivatives.
 - ii. Management procedures on trading book interest rate risk
 - The Group defines the trading limit of trading book and the stop-loss limit of different financial instruments by assessing the credit and the financial position of the issuers.
 - iii. Measuring methods
 - The interest rate factor sensitivity of debt securities and interest rate derivatives is measured by DV01. With regard to the Group's Value at Risk assumptions and calculation methods, refer to item i.
 - f) Banking book interest rate risk management
 - i. Definition of banking book interest rate risk
 - The Group's banking book interest rate risk means the unfavorable change of interest rate of non-trading-book interest rate position which changes the present value of revenue and costs or assets and liabilities and causes a decrease in earnings or impairment of economic value.

iii. Equity security price risk management procedures

The Group sets restrictions on credit extensions with the same person, the same concerned party or the same affiliate to control the risk concentration. Risk management department monitors unrealized gain or loss of the holding position daily. If unrealized loss is over the stop-loss threshold, risk management department would notice the department which holds the position to subject to the related regulations. The department which holds the position should report to risk management committee if unrealized loss is over the stop-loss threshold but the department still holds the position.

iv. Measuring methods

The equity security price risk of trading book is monitored and controlled by VaR, please refer to item i.

The Group would perform stress testing for the equity security price risk of non-trading position and report the result to risk management committee.

i) Market risk measuring method

i. Value at Risk, "VaR"

The Group uses VaR model and stress testing to evaluate the risk of trading portfolio the market risk and the maximum expected loss of positions held through assumptions of changing market situation. VaR is the statistical estimation of potential losses of existing positions arising from unfavorable market changes. VaR refers to the maximum potential loss that Chang Hwa Bank might be exposed to within the confidence interval (99%), which means there is a certain probability (1%) that the actual loss would exceed VaR. Significant loss caused by excessive market volatility could not be avoided by using VaR.

The Group has been using historical simulation method to calculate VaR since January 27, 2014. The historical simulation method is based on historical data to estimate the future cash flow and assess the market risk of financial instrument. There are more and more financial institutions using the historical simulation method. However, there are some limitations for using the method. One of the limitations is that the assumption used in the method may not reflect the real situation. Besides, the simulation result may not be representative if the historical data used are too small. The Group would use proxy to respond to the limitations mentioned above.

According to the Group's "Risk Management Committee Establishment Points", the risk appetite of trading book market risk, operating limits and VaR limits should be approved by the risk management committee. VaR is an important internal risk control in the Group. The VaR limits of investment portfolio are approved annually by the risk management committee and reported to the board of directors. In addition, the daily actual VaR is monitored by the Group's risk management department.

ii. As of December 31, 2020 and 2019, the Bank's VaR factors based on historical simulation method were as follows:

	For the Year Ended December 31, 2020				Ending Balance
	Average	Highest	Lowest		
Exchange VaR	\$ 207,143	\$ 306,766	\$ 132,496	\$ 181,156	
Interest rate VaR	12,499	18,690	5,214	7,296	
Equity securities VaR	7,485	13,951	-	-	
Value at risk	<u>\$ 227,127</u>	<u>\$ 339,407</u>	<u>\$ 137,710</u>	<u>\$ 188,452</u>	

	For the Year Ended December 31, 2019				Ending Balance
	Average	Highest	Lowest		
Exchange VaR	\$ 87,557	\$ 164,507	\$ 46,990	\$ 149,852	
Interest rate VaR	4,292	6,997	2,070	5,039	
Equity securities VaR	3,396	13,489	-	2,516	
Value at risk	<u>\$ 95,245</u>	<u>\$ 184,993</u>	<u>\$ 49,060</u>	<u>\$ 157,407</u>	

2) Primary foreign currencies

The significant foreign-currency financial assets and liabilities as of December 31, 2020 and 2019 were as follows:

(In Thousands of Foreign Currencies/New Taiwan Dollars)

Foreign Currencies	December 31, 2020	
	Exchange Rate	New Taiwan Dollars
Financial assets		
Monetary items		
USD	\$ 7,376,691	\$ 207,285,017
GBP	79,348	3,042,996
AUD	1,456,483	31,532,857
HKD	1,310,846	4,750,506
CAD	133,336	2,941,392
ZAR	4,208,211	1,9210
JPY	58,467,743	0.2725
EUR	684,298	34,5900
NZD	54,312	20,3200
RMB	12,028,965	4,3250

For the years ended December 31, 2020 and 2019, net foreign exchange gains were \$339,421 thousand and \$918,885 thousand, respectively. It is impractical to disclose net foreign exchange gains by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the Bank and entities under its control.

3) Credit risk

a) Credit risk source and definition

Credit risk means the possible loss due to failure of debtors or counterparties to fulfill their contractual obligations or their ability to fulfill contractual obligations is impaired. Credit risk arises from the operation, on- and off-balance sheet items, including credit loans, derivatives transactions and securities investment, etc. Because the business becomes more complex, the credit risk is often generated with other risks that affect one another. For example, exchange rate risk also exists in foreign currency debt investment. Secured loans will be affected by the price volatility of the collateral and market liquidity risk of the collateral.

b) Credit risk management policy

The related mechanism and procedures for monitoring credit risk includes:

- i. The Group continuously improves its credit risk management technology and its efficiency to meet the requirements of internal operations, business scale and management objectives and build up the risk management system that fits the requirement of accuracy and completeness of the Group's risk management technology.
 - ii. The Group is building a complete monitoring mechanism, setting up a loan early warning system to track down bad indications and risk changes of high-risk credits, setting up "corporate clients' risk exposure and credit risk quick-search system" to understand the negative reporting and transactions with the Group in order to enhance the credit risk's identification, measurement and monitoring and improve the quality of risk management.
 - iii. The Group continues to develop methods of credit risk quantification models to elevate credit risk management techniques, which enable the Group's capital requirement and expected loss to become more risk sensitive.
 - iv. The Group implements strict and forward-looking credit risk stress testing to respond to the events or changes which may be unfavorable to the Group and in compliance with the requirements of the competent authority supervising risk management and improves the effectiveness of the Group's risk management.
 - v. The Group is holding sessions and training in risk management to strengthen risk management intelligence and increase the Group's financial institution of loan.
 - vi. Information on credit risk would be presented to the high-level management periodically.
- The Group's credit risk management procedures and measuring methods for major business operations are described as follows:
- i. Credit business (including loan commitments and guarantees)
 - i) A determined signification increase in credit risk since initial recognition.
- At the end of every reporting period, the Group evaluates the risk of default on credit assets occurring over their expected lifetime to determine whether the credit risk has increased significantly since their initial recognition.

	December 31, 2020	New Taiwan Dollars
Foreign Currencies	Exchange Rate	
Monetary items		
USD	28.1000	\$ 334,700,336
GBP	38.3500	2,477,410
AUD	21.6500	23,404,213
HKD	3.6240	3,485,991
CAD	22.0600	2,405,003
ZAR	1.9210	7,548,623
JPY	0.2725	14,880,166
EUR	34.5900	21,251,612
NZD	20.3200	1,376,639
RMB	4.3250	54,361,033
		(Concluded)

(In thousands of Foreign Currencies/New Taiwan Dollars)

	December 31, 2019	New Taiwan Dollars
Foreign Currencies	Exchange Rate	
Monetary items		
USD	29.9900	\$ 227,361,358
GBP	39.3800	870,534
AUD	21.0150	26,729,651
HKD	3.8510	8,704,273
CAD	22.9800	1,494,458
ZAR	2.1200	9,083,017
JPY	0.2761	13,438,197
EUR	33.6400	20,465,331
NZD	20.2000	1,435,735
RMB	4.2950	49,446,265
Non-monetary items		
USD	29.9900	317,661,158
GBP	39.3800	1,131,860
AUD	21.0150	22,869,280
HKD	3.8510	5,874,762
CAD	22.9800	1,602,097
ZAR	2.1200	8,511,781
JPY	0.2761	13,710,908
EUR	33.6400	20,134,650
NZD	20.2000	1,706,435
RMB	4.2950	51,768,649
USD	29.9900	77,764

Financial liabilities

Monetary items

USD	28.1000	\$ 334,700,336
GBP	38.3500	2,477,410
AUD	21.6500	23,404,213
HKD	3.6240	3,485,991
CAD	22.0600	2,405,003
ZAR	1.9210	7,548,623
JPY	0.2725	14,880,166
EUR	34.5900	21,251,612
NZD	20.3200	1,376,639
RMB	4.3250	54,361,033

(In thousands of Foreign Currencies/New Taiwan Dollars)

	December 31, 2019	New Taiwan Dollars
Foreign Currencies	Exchange Rate	
Monetary items		
USD	29.9900	\$ 227,361,358
GBP	39.3800	870,534
AUD	21.0150	26,729,651
HKD	3.8510	8,704,273
CAD	22.9800	1,494,458
ZAR	2.1200	9,083,017
JPY	0.2761	13,438,197
EUR	33.6400	20,465,331
NZD	20.2000	1,435,735
RMB	4.2950	49,446,265
Non-monetary items		
USD	29.9900	317,661,158
GBP	39.3800	1,131,860
AUD	21.0150	22,869,280
HKD	3.8510	5,874,762
CAD	22.9800	1,602,097
ZAR	2.1200	8,511,781
JPY	0.2761	13,710,908
EUR	33.6400	20,134,650
NZD	20.2000	1,706,435
RMB	4.2950	51,768,649
USD	29.9900	77,764

Financial liabilities

Monetary items

USD	28.1000	\$ 334,700,336
GBP	38.3500	2,477,410
AUD	21.6500	23,404,213
HKD	3.6240	3,485,991
CAD	22.0600	2,405,003
ZAR	1.9210	7,548,623
JPY	0.2725	14,880,166
EUR	34.5900	21,251,612
NZD	20.3200	1,376,639
RMB	4.3250	54,361,033

Non-monetary items

USD	29.9900	317,661,158
GBP	39.3800	1,131,860
AUD	21.0150	22,869,280
HKD	3.8510	5,874,762
CAD	22.9800	1,602,097
ZAR	2.1200	8,511,781
JPY	0.2761	13,710,908
EUR	33.6400	20,134,650
NZD	20.2000	1,706,435
RMB	4.2950	51,768,649
USD	29.9900	77,764

For this credit risk evaluation, the Group considers corroborative information (including forward-looking information) which indicates a significant increase in credit risk since initial recognition of the credit assets. The key indicators include:

- Quantitative indicators
 - A change in internal credit rating
- The Group classifies each type of credit asset into three categories according to credit quality, internal credit rating and external credit rating (refer to the following table). A financial instrument is determined as having a significant increase in credit risk since initial recognition if its internal credit rating is at the level of 16-18 or if the scoring of a housing loan debtor is lower than 340.
- Qualitative indicators
- A credit account is rated as ordinary-overdue in accordance with the Group's "Detailed Rules for the Processing of Ordinary-overdue Accounts".
- The result of the credit review shows that the credit application and the loan application are inconsistent.

ii) Definition of the credit-impaired financial assets

A credit account that meets one of the following conditions is classified under Stage 3 (Credit impaired):

- The debtor's payment of the principal or interest is past due for more than 3 months from the end of the credit term; or the Bank has already petitioned or withdrawn the debtor's collateral.
- The case has been agreed to be repaid in installments and is exempt from being listed as an overdue loan.
- The case was negotiated and adopted in accordance with the debt negotiation mechanism set by the Association of Banks in 2006.
- The case has been negotiated and agreed upon in accordance with "The Statute for Consumer Debt Clearance" (excluding secured debt fulfilled under the original contractual conditions).
- The case is ruled to undergo restructuring or liquidation by the court.
- The case is ruled to be restricted by the court.
- The case is declared bankrupt by the court.
- The case involves credit accounts of a debtor, excluding credit card accounts, which is partly transferred to class A and B non-performing loans (excluding the sixth item of class B). The credit account is totally guaranteed and the interest payment is not past due during the inheritance period after the death of the debtor and the collateral provider), as well as overdue loans or bad debt loans.
- The case is an enterprise account which has applied for relief from the Ministry of Economic Affairs.

- The case involves a credit account which has an internal credit rating at the level of 19-21.
- The case is a mortgage loan credit account of the Group which has no rating score.
- The case is a credit account which is determined as Stage 3 by the internal or external auditors, or the risk management department of the Group.

iii) Expected credit loss measurement

The Group classifies credit assets into the following nine categories by the credit risk characteristics of the debtor's industry and organization size:

Business	Combination
Corporate banking loans	Government
	Large enterprise
	Small enterprise
	Legal person/group
	Overseas credit account
Individual banking loans	Other groups
	Individual-residential loan group
	Individual-other groups (unsecured)
	Individual-other groups (secured)

The Group measures the expected credit loss as follows:

- Stage 1, no significant increase in credit risk
- The Group measures the loss allowance for Stage 1 financial instruments at an amount equal to the 12-month ECLs based on past loss experience. The ECLs is the difference between the respective asset's EAD carrying amount and the present value of its estimated future cash flows, estimated at the forward-looking adjusted PD and discounted at the effective interest rate.
- Stage 2, significant increase in credit risk
- The Group measures the loss allowance for Stage 2 financial instruments at an amount equal to the lifetime ECLs. The ECLs is the difference between the respective asset's EAD carrying amount and the present value of its computed outcome which is discounted at the effective interest rate. The computed outcome is the product of the unpaid principal for each year end over instruments expected lifetime, the forward-looking adjusted PD, and the LGD.
- Stage 3, credit impairment
- The Group measures the loss allowance for Stage 3 financial instruments at an amount equal to the lifetime ECLs. The ECLs is the difference between the asset's EAD carrying amount and the present value of its estimated future cash flows, estimated assuming the credit impairment situation is given and discounted at effective interest rate.

The PD and EAD and LGD are used to measure the impairment loss for financial assets in the credit business:

- PD is meaning of using past credit-impaired situations to predict the probability of credit impairment in normal situation in a year. The PD for Stage 3 financial instruments is determined as 100%. The PD for Stages 1 and 2 are based on the categories and the remaining lifetime for each credit account. The credit accounts are divided into groups by remaining lifetimes. The PD of each group is determined as the PD of each credit quality stage. The Group shall update the probability of default at least once a year.
- The EAD is the total expected exposure amount of default which includes the unsecured line of credit.
- The exposure amount of impairment-tested off-balance sheet assets (i.e. guarantees, letters of credit issued yet unused, irrevocable loan commitments issued, and revocable loan commitments issued) is converted into the equivalent exposure amount of on-balance sheet assets through a credit conversion factor (CCF). The CCF is determined according to the standardized approach of the Capital Adequacy Ratio as either 0%, 20%, 50% or 100% by referring to the respective off-balance sheet item's characteristics.
- The LGD is one minus the present value of the annual recovery rate. The annual recovery rate refers to the annual recovery amount of principal (including litigation expenses) and interest over non-performing loans plus accrued interest and litigation expenses.

iv) Forward-looking information

The Group classifies credit assets as either corporate banking - domestic, corporate banking - overseas, corporate banking - Singapore branch or individual banking business. Macroeconomic indicators for each of the above categories are estimated using the domestic economic growth rate, global economic growth rate, Southeast Asia economic growth rate and the domestic unemployment rate, respectively, and are updated at least once a year.

Macroeconomic indicators include the actual statistical value of the past five years and predicted value of the current year and the next five years at the time of calculation. The forward-looking adjusted PD is adjusted based on the reasonableness of each value's predicted trend.

The outbreak of the COVID-19 has resulted in obvious changes in various macroeconomic indicators since this year (2020). In response to the impact of the epidemic, the head office updated the macroeconomic indicators in May 2020 and adjusted the forward-looking macroeconomic indicators in order to reflect the impact of the future macroeconomic factors on PD.

The total amount of undiscounted ECLs at the time of initial recognition of the credit impaired financial assets - loans which were purchased or originated is as follows:

	December 31	
	2020	2019
Discounts and Loans	\$ 7,446,309	\$ 6,252,756

ii. Call loans to banks

The Group evaluates the credit status of counterparties before deals are closed. The Group grants different limits to counterparties based on their respective credit ratings as suggested by domestic and foreign credit rating agencies. The Group assesses the credit limits of counterparties by level and financial status; the Group efficiently manages counterparties' credit risks through regular and special reviews, monitoring and reporting. Additionally, in accordance with the application of IFRS 9, the Group performs credit impairment assessments for call loans to banks, transfers the related credit losses to each of the three stages of credit impairment, and measures the related expected credit loss, so as to ensure adequate allowance for losses, in accordance with regulations.

iii. Debt instruments and derivative financial instruments

The Group identifies and manages the credit risks from debt instruments through the use of external credit ratings of the debt instruments along with the evaluation of credit qualities of bonds, regional conditions and counterparty risks.

The other banks with which the Group conducts derivative transactions are mostly considered investment grade. The Group monitors the credit limits (including lending limits) by counterparties. The credits extended to counterparties who are general customers are monitored in accordance with the related contract terms and conditions and the credit limits for derivatives established in normal credit granting processes.

A change in an external credit rating announced by international credit rating institutions (e.g. S&P and Moody's) is one of the quantitative indicators for judging a significant increase in the credit risk of financial assets at amortized cost and investments in debt instruments at FVTOCI. The measurement of ECLs is calculated using the PD and LGD announced periodically by international credit rating institutions. The international credit rating institutions consider forward-looking information when establishing credit ratings. Thus, when the Group measures ECLs using such credit ratings, it holds that an adequate evaluation of the forward-looking information, which was used by the institutions for establishing such credit rating, is inherent therein.

c) Credit risk hedging or mitigation policies

i. Collateral

The Group has a series of measures for credit granting to reduce credit risks. One of the procedures is asking for collateral from the borrowers. To secure the loans, the Group manages and assesses the collateral following the procedures that suggest the scope of collateralization and valuation of collateral and the process of disposition. In credit contracts, the Group stipulates the security mechanism for loans and the conditions and terms for collateral offsetting to state clearly that the Group reserves the right to reduce granted limit, to reduce repayment period, to demand immediate settlement or to offset the debts of the borrowers with their deposits in the Group in order to reduce the Group's credit risks.

ii. Credit line credit risks and control over concentration of credit risks

To avoid the concentration of credit risks, the Group has included credit limits for a single counterparty and for a single group in its credit-related guidelines. The Group has also included credit limits for an individual (entity) and for related enterprises (group) in the guidelines for investment and regulations for risk control on equity investments. To manage the concentration risk on the assets, the Group has set credit limits by industry, conglomerate, transactions collateralized by stock, specific industry of China-United States trade way and other categories and integrated within one system to supervise concentration of credit risk in these categories. Various credit limits are regularly evaluated and revised in a timely manner based on the economic circumstances, financial environment and overseas development strategies, etc. In order to strengthen the credit risk control of business branches and take into account the severe impact of the COVID-19 in foreign regions, the head office will monitor the loan limit of every single credit account for industries severely and moderately affected by the epidemic, and even the loan limit of individual branch for real estate and aviation-related industries.

The table below analyzes the collateral held as security and other credit enhancements, and their financial effect in respect of the financial assets recognized in the Group's consolidated balance sheets:

December 31, 2020

	Carrying Amount	Collateral	Maximum Exposure to Credit Risk Mitigated by Master Netting Arrangement	Other Credit Enhancements	Total
Discounts and loans	\$ 1,496,835,119	\$ 1,087,161,683	-	-	\$ 1,087,161,683
Financial assets at FVTPL	11,483,389	5,466,346	-	-	5,466,346
Investments in debt instruments at FVOCI	106,371,594	3,074,425	-	-	3,074,425
Investments in debt instruments at amortized cost	345,283,447	-	-	-	-

December 31, 2019

	Carrying Amount	Collateral	Maximum Exposure to Credit Risk Mitigated by Master Netting Arrangement	Other Credit Enhancements	Total
Discounts and loans	\$ 1,444,888,311	\$ 962,332,022	-	-	\$ 962,332,022
Financial assets at FVTPL	11,483,389	5,466,346	-	-	5,466,346
Investments in debt instruments at FVOCI	100,845,023	2,102,573	-	-	2,102,573
Investments in debt instruments at amortized cost	276,088,976	405,115	-	-	405,115

The carrying amount of financial assets with maximum exposure is as follows:

	Discounts and Loans			
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Total	Total
Credit rating				
Levels 1-15	\$ 799,726,001	\$ 1,000,131	\$ 66,640	\$ 800,792,772
Levels 16-18	-	66,956,531	1,860,040	68,816,571
Levels 19-21	612,823,835	1,734,511	1,471,121	11,196,309
No rating	-	-	-	616,029,467
Total carrying amount	\$ 1,412,549,836	\$ 69,691,173	\$ 14,594,110	\$ 1,496,835,119
Expected credit losses	\$ 1,595,328	\$ 2,099,425	\$ 5,742,200	\$ 9,436,953
Recognized impairment based on the Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing Loans and Bad Debts	-	-	-	9,511,321
				\$ 18,948,274

	Discounts and Loans			
	December 31, 2019	December 31, 2020	December 31, 2019	December 31, 2020
Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Total	Total
Credit rating				
Levels 1-15	\$ 830,468,301	\$ 3,677,985	\$ -	\$ 834,146,286
Levels 16-18	-	58,217,320	3,013,311	61,230,631
Levels 19-21	535,839,914	2,511,762	1,953,296	9,186,322
No rating	-	-	-	540,324,972
Total carrying amount	\$ 1,366,308,215	\$ 64,407,067	\$ 14,159,929	\$ 1,444,888,211
Expected credit losses	\$ 1,772,566	\$ 1,920,375	\$ 5,033,684	\$ 8,726,625
Recognized impairment based on the Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing Loans and Bad Debts	-	-	-	8,810,639
				\$ 17,537,264

	Guarantees issued in guarantee business			
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Total	Total
Carrying amount	\$ 57,805,189	\$ 859,186	\$ 100,842	\$ 58,765,217
Expected credit losses	161,107	17,485	22,605	201,197
Recognized impairment based on the Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing Loans and Bad Debts	-	-	-	8,810,639
				\$ 17,537,264

	Guarantees issued in guarantee business			
	December 31, 2019	December 31, 2020	December 31, 2019	December 31, 2020
Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Total	Total
Carrying amount	\$ 53,119,374	\$ 519,415	\$ 111,321	\$ 53,750,110
Expected credit losses	133,570	10,306	23,813	167,689
Recognized impairment based on the Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing Loans and Bad Debts	-	-	-	8,810,639
				\$ 17,537,264

	Loan Commitments			
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Total	Total
Carrying amount	\$ 64,527,353	\$ 5,216,346	\$ 8,499	\$ 69,752,198
Expected credit losses	693,529,862	9,549,555	229,714	703,309,131
Recognized impairment based on the Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing Loans and Bad Debts	-	-	-	8,810,639
				\$ 17,537,264

	Loan Commitments			
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Total	Total
Carrying amount	\$ 56,137	\$ 62,696	\$ 2,739	\$ 121,572
Expected credit losses	190,399	166	142	190,707
Recognized impairment based on the Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing Loans and Bad Debts	-	-	-	8,810,639
				\$ 17,537,264

	Loan Commitments			
	December 31, 2019			
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Total
Carry amount - non-cancellable	\$ 68,073,103	\$ 4,280,634	\$ 7	\$ 72,353,744
Carry amount - cancellable	\$ 584,231,889	\$ 9,654,753	\$ 591,910	\$ 594,478,552
	<u>\$ 652,304,992</u>	<u>\$ 13,935,387</u>	<u>\$ 591,917</u>	<u>\$ 666,832,296</u>
Expected credit losses - non-cancellable	\$ 79,097	\$ 39,077	\$ 1	\$ 118,175
Expected credit losses - cancellable	237,476	211	154	237,841
	<u>\$ 316,573</u>	<u>\$ 39,288</u>	<u>\$ 155</u>	<u>\$ 356,016</u>

d) Maximum exposure to credit risk

The maximum credit risk exposures of various financial instruments held by the Group are the same as per book amounts. Refer to the notes to the consolidated financial statements.

As of December 31, 2020 and 2019, the maximum exposure to credit risk (before deducting the guarantees or other credit enhancement instruments and the irrevocably maximum amount of exposure) were as follows:

Financial Instrument Type	December 31	
	2020	2019
Unused loan commitments (excluding credit card)	\$ 69,752,198	\$ 72,353,744
Credit card commitments	348,160	322,128
Unused issued letters of credit	22,504,168	21,538,830
Guarantees issued in guarantee business	58,765,217	53,750,110

e) Situation of credit risk concentration

Prominent concentration of credit risks occurs when transaction parties for financial instruments prominently concentrate on one party, or on a few that are in similar business lines or exhibit similar economic characteristics. The characteristics of concentration of credit risks include the nature of business activities engaged by debtors. The Group has not engaged in transactions that involved a prominent concentration to one client or one transaction party, but has engaged in transaction parties of similar industry type or from similar region.

The Group's information on prominent concentration of credit risk was as follows:

Industry Type	December 31, 2020	
	Carrying Amount	Percentage of Item (%)
Financial and insurance	\$ 52,359,578	4
Manufacturing	366,004,508	24
Wholesale and retail	127,318,600	9
Real estate and leasing	108,559,295	7
Service	46,200,706	3
Individuals	551,058,152	37
Others	245,334,280	16
	<u>\$ 1,496,835,119</u>	

Industry Type	December 31, 2019	
	Carrying Amount	Percentage of Item (%)
Financial and insurance	\$ 57,859,637	4
Manufacturing	365,087,003	25
Wholesale and retail	119,352,855	9
Real estate and leasing	116,599,212	8
Service	41,458,147	3
Individuals	480,099,759	33
Others	264,431,598	18
	<u>\$ 1,444,888,211</u>	

Geographic Location	December 31, 2020	
	Carrying Amount	Percentage of Item (%)
Asia	\$ 1,405,012,433	94
America	63,855,369	4
Europe	18,232,567	1
Others	9,734,750	1
	<u>\$ 1,496,835,119</u>	

Geographic Location	December 31, 2019	
	Carrying Amount	Percentage of Item (%)
Asia	\$ 1,339,980,751	93
America	75,096,223	5
Europe	16,976,716	1
Others	12,834,521	1
	<u>\$ 1,444,888,211</u>	

Securities Type	December 31, 2020	
	Carrying Amount	Percentage of Item (%)
Unsecured	\$ 439,673,436	29
Secured	898,300,022	60
Properties	158,861,661	11
Others		
	<u>\$ 1,496,835,119</u>	

c) Maturity analysis of non-derivative financial assets and liabilities

The Group adopted appropriate grouping methods, which are based on the nature of non-derivative financial assets and liabilities, to do maturity analysis in order to assess liquidity. The maturity analysis is presented as follows:

Item	(In Thousands of New Taiwan Dollars)				
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Major maturity fund inflows	\$ 16,557,339	\$ -	\$ -	\$ -	\$ -
Cash and cash equivalents	65,908,909	4,357,103	4,412,952	6,465,311	30,209,215
Due from the Central Bank and call loans to banks	7,505,165	3,700,000	553,622	1,210,938	284,900
Financial assets at FVTPL	31,700,000	635,025	152,004,186	215,731,253	725,087,878
Receivables	81,568,301	-	-	-	-
Due from banks	-	-	-	-	-
Investments in equity instruments designated at FVTOCI	-	-	-	-	16,224,227
Investments in debt instruments at FVTOCI	-	200,491	200,518	25,074	42,333,523
Investments in equity instruments at amortized cost	-	-	-	-	-
Other maturity funds	222,800,000	25,260,000	8,000,000	29,535,000	13,386,380
Major maturity fund outflows	\$ 428,100,100	\$ 142,901,070	\$ 165,171,278	\$ 232,967,838	\$ 811,630,121
Due from the Central Bank and banks	210,043	106,691	14,294	215,605	-
Due to the Central Bank and banks	5,510,000	9,477,050	-	5,367,000	-
Securities sold under repurchase agreements	557,094	699,539	1,428,640	1,116,691	1,298,524
Payables	36,520,000	129,571,977	131,686,167	192,930,253	90,044,154
Due to banks	125,994,072	1,100,000	8,900,000	-	51,100,000
Bank notes payable	-	-	-	-	-
Other maturity fund outflow items	37,965	80,298	75,086	324,150	5,756,222
Gap	\$ 264,978,593	\$ 1,445,178	\$ 23,067,151	\$ 53,013,859	\$ 117,568,290
					\$ 224,935,992

Note: The amounts listed above were the position in N.T. dollars of the Bank.

Item	(In Thousands of New Taiwan Dollars)				
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Major maturity fund inflows	\$ 21,988,924	\$ -	\$ -	\$ -	\$ -
Cash and cash equivalents	21,174,806	4,128,212	4,296,655	6,421,140	25,971,795
Due from the Central Bank and call loans to banks	7,740,526	813,294	763,137	299,610	639,465
Financial assets at FVTPL	24,121,768	133,212,354	131,849,292	208,462,566	657,484,886
Receivables	103,829,848	-	-	-	-
Due from banks	-	-	-	-	-
Investments in equity instruments designated at FVTOCI	-	100,162	400,335	620,821	14,451,116
Investments in debt instruments at FVTOCI	-	-	-	-	37,913,399
Investments in equity instruments at amortized cost	141,850,000	8,099,449	9,455,000	51,499,929	13,672,588
Other maturity funds inflow items	330,205,202	146,553,871	146,765,219	264,304,066	14,121,036
Major maturity fund outflows	\$ 141,895	\$ 146,204	\$ 16,352	\$ 263,105	\$ -
Due to the Central Bank and banks	9,610,000	10,000	-	-	-
Securities sold under repurchase agreements	510,935	1,036,356	-	-	-
Payables	22,431,702	645,811	1,459,879	1,403,074	967,276
Due to banks	107,916,729	124,678,010	130,074,293	194,398,694	26,997,742
Bank notes payable	-	-	-	-	1,342,107,250
Other maturity fund outflow items	80,115	91,720	113,601	289,441	5,911,293
Gap	\$ 180,014,326	\$ 19,245,370	\$ 15,101,094	\$ 62,859,752	\$ 777,922,823
					\$ 190,797,714

Securities Type	December 31, 2019	
	Carrying Amount	Percentage of Item (%)
Unsecured	\$ 482,636,189	33
Secured	823,464,467	57
Properties	138,787,555	10
Others	\$ 1,444,888,211	

f) Financial assets credit quality and non-performing impairment analysis

A portion of financial assets held by the Group, such as cash and cash equivalents, due from the Central Bank and call loans to banks, financial assets at FVTPL, securities investments purchased under resale agreements, refundable deposits, operating deposits, and settlement deposits are exposed to low credit risks because the counterparties have rather high credit ratings.

4) Liquidity risk management

a) The definition of liquidity risk
Liquidity risk is the potential loss that the Group may suffer due to inability to liquidate assets or raise enough funds in reasonable time to perform obligations when due and to meet the demands of assets growth.

b) Liquidity risk management procedures

According to the Group's liquidity risk management policy, the Group clearly sets various indicators and limits for liquidity risk. The responsible department should implement operation procedures for funding liquidity, monitor and prepare maturity analysis periodically to assess liquidity risk. In addition, the responsible department should also report to related departments and asset and liability committee to enable them to make appropriate adjustments to meet the needs of liquidity. Related information about the liquidity risk assessment should be reported to the board of directors to let the high-level management understand the Group's funding liquidity.

As of December 31, 2020 and 2019, the ratios of the liquidity reserve were 23.56% and 19.03%, respectively. Since the capital and working funds are deemed sufficient to meet the cash flow needs for performance of all contracted obligations, liquidity risk is not considered to be significant.



Note: The amounts listed above were the position in N.T. dollars of the Bank

Item	(In Thousands of United States Dollars)					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Major maturity fund inflows	\$ 250,522	\$ 50,000	\$ -	\$ -	\$ -	\$ 300,522
Cash and cash equivalents	2,029,277	1,211,793	307,263	107,589	5,132	3,661,054
Due from the Central Bank and call loans to banks	48,273	-	-	-	-	48,273
Financial assets at FVTPL	821,763	102,690	200,958	19,889	2,744	1,148,044
Receivables	1,020,941	730,488	546,591	415,628	3,000,423	5,714,071
Deposits and loans	-	-	-	-	-	-
Investments in debt instruments at FVOCI	-	23,030	28,625	38,584	944,365	1,034,604
Investments in debt instruments at amortized cost	-	10,498	-	3,001	86,942	100,441
Other maturity fund inflow items	5,000	-	-	600,000	79,346	684,346
	4,125,726	2,128,499	1,083,437	1,184,691	4,118,952	12,691,355
Major maturity fund outflows	-	-	-	-	-	-
Deposits from the Central Bank and banks	13,524	611	917	1,834	784	17,670
Due to the Central Bank and banks	2,639,237	355,000	-	-	-	2,994,237
Financial liabilities at FVTPL	1,169,585	47,281	8,659	5,728	1,254	1,235,507
Payables and commitments	2,179,972	2,246,177	1,817,530	2,141,938	4,156,206	12,541,843
Deposits and remittances	3,822	15,276	617	38	-	10,120
Other maturity fund outflow items	6,034,190	2,664,845	1,827,743	2,149,538	4,168,364	16,864,680
	(4,878,414)	(536,346)	(748,306)	(964,842)	(49,412)	(6,427,320)
Gap	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Note: The amounts listed above were the position in U.S. dollars of the Bank.

Item	(In Thousands of United States Dollars)					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Major maturity fund inflows	\$ 544,782	\$ 100,000	\$ -	\$ -	\$ -	\$ 644,782
Cash and cash equivalents	1,996,946	1,106,586	31,809	1,884	3,516	3,140,721
Due from the Central Bank and call loans to banks	26,769	-	-	-	-	26,769
Financial assets at FVTPL	585,187	106,515	217,117	22,894	3,934	935,647
Receivables	367,702	388,287	502,438	357,900	3,169,978	5,186,325
Deposits and loans	-	-	-	-	-	-
Investments in debt instruments at FVOCI	-	12,983	22,531	48,113	745,592	829,219
Investments in debt instruments at amortized cost	-	7,997	9,495	27,974	218,425	263,889
Other maturity fund inflow items	3,721,336	1,922,348	1,000,000	883,408	23,056	6,730,148
	(4,878,414)	(536,346)	(748,306)	(964,842)	(49,412)	(6,427,320)
Major maturity fund outflows	-	-	-	-	-	-
Deposits from the Central Bank and banks	16,819	523	784	1,568	85	19,779
Due to the Central Bank and banks	1,817,252	732,000	-	-	-	2,549,252
Financial liabilities at FVTPL	813,101	48,488	10,068	6,836	1	878,494
Payables and commitments	2,354,485	2,223,801	1,549,521	1,705,462	3,196,569	11,021,838
Deposits and remittances	49,223	1,129	1,571	6,167	63,244	121,884
Other maturity fund outflow items	5,051,330	3,065,991	1,561,944	1,720,033	3,259,899	14,599,247
	(4,878,414)	(536,346)	(748,306)	(964,842)	(49,412)	(6,427,320)
Gap	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Note: The amounts listed above were the position in U.S. dollars of the Bank.

d) Maturity analysis of derivative financial assets and liabilities

The derivative instruments held by the Group, except for interest rate swaps with leveraging effects, have very little probabilities of failing to be sold with reasonable prices in the market, and thus have very low liquidity risks.

Item	(In Thousands of New Taiwan Dollars and Foreign Currencies)					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Foreign currency derivative instruments	\$ 133,921,922	\$ 198,985,577	\$ 71,032,627	\$ 78,311,985	\$ 1,315,123	\$ 483,567,234
Inflows	132,032,625	199,384,526	70,332,453	79,134,719	1,328,151	482,212,474
Outflows	-	-	-	-	-	-
Interest rate derivative instruments	-	3,303,180	-	-	22,746	3,326,926
Inflows	-	3,691,000	-	-	-	3,691,000
Outflows	-	-	4,089	-	-	4,089
Others	22,057	-	-	-	-	22,057
Total outflows	\$ 133,921,922	\$ 202,288,757	\$ 71,032,627	\$ 78,311,985	\$ 1,337,869	\$ 486,893,160
Total inflows	\$ 132,133,336	\$ 202,475,526	\$ 70,336,542	\$ 79,134,719	\$ 1,328,151	\$ 485,408,294

Item	(In Thousands of New Taiwan Dollars and Foreign Currencies)					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Foreign currency derivative instruments	\$ 154,875,016	\$ 324,648,718	\$ 65,469,620	\$ 49,988,208	\$ -	\$ 994,981,562
Inflows	154,178,175	324,467,148	65,300,756	50,001,141	-	593,947,220
Outflows	-	-	-	-	-	-
Interest rate derivative instruments	610,300	-	-	7,044,840	12,824	7,667,964
Inflows	676,016	-	-	6,918,860	-	7,594,876
Outflows	-	-	-	-	-	-
Others	28,749	-	-	-	-	28,749
Total outflows	\$ 155,485,316	\$ 324,648,718	\$ 65,469,620	\$ 57,033,048	\$ 12,824	\$ 602,649,526
Total inflows	\$ 154,882,940	\$ 324,467,148	\$ 65,300,756	\$ 56,920,001	\$ -	\$ 601,570,845

e) Maturity analysis of off-balance sheet items

Bank's off-balance sheet items - irrevocable loans, guarantees, and letters of credit presented based on the residual time from the balance sheet date to the maturity date were as follows:

Item	(In Thousands of New Taiwan Dollars)					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Unused loan commitments (excluding credit cards)	\$ 58,422,232	\$ 17,300	\$ 924,910	\$ 2,747,143	\$ 7,640,613	\$ 69,752,198
Credit card commitments	17	281	609	18,210	329,043	348,160
Unused issued letters of credit	22,360,834	143,334	-	-	-	22,504,168
Guarantees issued in	-	-	-	-	-	-
guarantee business	58,134,032	25,024	130,140	407,109	68,012	58,765,217
	138,918,015	185,939	1,055,659	3,172,462	8,037,668	151,309,743

Item	(In Thousands of New Taiwan Dollars)					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Unused loan commitments (excluding credit cards)	\$ 57,017,716	\$ 178,259	\$ 1,130,997	\$ 1,693,847	\$ 12,332,925	\$ 72,353,744
Credit card commitments	-	7	11,045	21,906	289,170	322,128
Unused issued letters of credit	21,437,556	101,274	-	-	-	21,538,830
Guarantees issued in	-	-	-	-	-	-
guarantee business	52,828,773	63,119	144,737	648,768	64,463	53,750,110
	131,284,045	342,659	1,286,829	2,064,521	12,686,738	147,964,812

35. OTHER DISCLOSURES OF FINANCIAL INSTITUTION

a. Asset quality

Business Type	December 31, 2020				December 31, 2019			
	Non-performing Loans (Note a)	Loans	Allowance for Loan Losses (Note b)	Coverage Ratio (Note c)	Non-performing Loans (Note a)	Loans	Allowance for Loan Losses (Note b)	Coverage Ratio (Note c)
Corporate finance	\$ 3,835,867	\$ 506,445,342	\$ 61,702,676	160.87%	\$ 3,212,827	\$ 482,411,090	\$ 5,660,321	176.18%
Finance	700,201	458,224,894	5,448,238	749.55%	157,130	467,427,059	5,302,464	3,374.57%
Mortgage loans (Note d)	402,317	335,231,097	5,060,884	1,257.95%	767,435	255,491,530	4,331,663	564.42%
Consumer finance	5,983	2,270,417	26,848	450.41%	4,825	1,756,335	19,927	412.99%
Credit loans (Note e)	592,701	212,226,466	21,78,685	367.59%	767,907	191,611,766	1,967,755	256.25%
Others (Note f)	51,704	1,320,172	17,771	34.37%	2,948	1,240,129	13,919	472.15%
Total	5,888,173	1,461,122,185	118,020,292	234.66%	4,973,095	1,429,921,990	17,296,049	352.04%

Business Type	December 31, 2020				December 31, 2019			
	Non-performing Loans (Note a)	Loans	Allowance for Loan Losses (Note b)	Coverage Ratio (Note c)	Non-performing Loans (Note a)	Loans	Allowance for Loan Losses (Note b)	Coverage Ratio (Note c)
Credit card	\$ 4,812	\$ 2,106,627	\$ 20,805	434.43%	\$ 5,181	\$ 2,161,805	\$ 20,714	399.81%
Non-recourse receivable financing (Note g)	-	8,396,314	134,015	-	-	9,700,199	127,002	-

Note a: Non-performing loans are classified in accordance with the Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Past Due/Non-performing Loans and Bad Debts issued by the MOF. Non-performing loans of credit cards are defined in the Letter issued by the Banking Bureau on July 6, 2005 (Ref. No. Jin-Guan-Yin (4) (0944000378)).

Note b: Non-performing loans ratio = Non-performing loans / Loans
Non-performing loans of credit card ratio = Non-performing loans of credit cards / Accounts receivable

Note c: Coverage ratio of allowances for loan losses = Allowances for loan losses / Non-performing loans
Coverage ratio of allowance for loan losses of credit card = Allowance for loan losses of credit card / Non-performing loans of credit cards

Note d: Mortgage loans are for borrowers to build or repair buildings, allowing the borrowers, their spouses or their minor children to fully use their buildings as collateral and to mortgage their rights to financial institutions.

Note e: Credit loans are defined in the Letter issued by the Banking Bureau on December 19, 2005 (Ref. No. Jin-Guan-Yin (4) (0944001099)), excluding credit loans of credit cards and cash cards.

Note f: The other consumer financial businesses are defined as secured or unsecured consumer financial businesses, excluding mortgage loans, cash cards, credit loans and credit cards.

Note g: In accordance with the Letter issued by the Banking Bureau on July 19, 2005 (Ref. No. Jin-Guan-Yin (5) (094000494)) non-recourse receivable financings are not defined as non-performing loans until compensation from debtors or insurance companies are ascertained to be non-recoverable.

Note h: The Bank does not engage in cash cards business.

Item	December 31, 2020		December 31, 2019	
	Non-performing Loans Exempted from Reporting	Non-performing Receivables Exempted from Reporting	Non-performing Loans Exempted from Reporting	Non-performing Receivables Exempted from Reporting
Business Type				
Negotiated loans transacted in accordance with the agreement and exempted from reporting as non-performing loans (Note a)	\$ -	\$ 650	\$ -	\$ 943
Negotiated accounts receivable transacted in accordance with the agreement and exempted from reporting as non-performing receivables (Note b)	419	20,531	486	19,520
Total	419	21,181	486	20,463

Note a: Negotiated loans and accounts receivable transacted in accordance with the agreement and exempted from reporting as non-performing loans are disclosed in accordance with the Letter issued by Banking Bureau on April 25, 2006 (Ref. No. Jin-Guan-Yin (1) (09510001270)).

Note b: Loans and receivables transacted in accordance with debt clearance and renewal regulation and exempted from reporting as non-performing loans or receivables are disclosed in accordance with the Letter issued by Banking Bureau on September 15, 2008 (Ref. No. Jin-Guan-Yin (1) (09700318940)).

b. Concentration of credit risk

Rank (Note a)	December 31, 2020		As Proportion of Net Equity (%) (Note d)
	Transaction Party (Note b)	Loans (Note c)	
1	A Group (airline industry)	\$ 28,268,528	17.13
2	B Corporation (railway transportation industry)	24,048,482	14.57
3	C Group (construction industry)	13,787,561	8.35
4	D Group (enterprise general management agency)	10,835,606	6.56
5	E Group (concrete manufacturing industry)	9,331,292	5.65
6	F Group (steel smelting industry)	8,945,697	5.42
7	G Group (steel manufacturing industry)	7,091,890	4.30
8	H Group (liquid crystal panel and components manufacturing industry)	6,409,996	3.88
9	I Group (computer manufacturing industry)	6,331,866	3.84
10	J Group (vessel carriers industry)	5,788,390	3.51

Rank (Note a)	December 31, 2019		As Proportion of Net Equity (%) (Note d)
	Transaction Party (Note b)	Loans (Note c)	
1	B Corporation (railway transportation industry)	\$ 25,827,350	15.92
2	A Group (airline industry)	24,490,414	15.10
3	C Group (construction industry)	18,791,012	11.58
4	F Group (steel smelting industry)	16,970,744	10.46
5	E Group (concrete manufacturing industry)	16,318,376	10.06
6	G Group (steel manufacturing industry)	7,248,601	4.47
7	D Group (enterprise general management agency)	6,547,128	4.04
8	K Group (real estate development industry)	6,145,549	3.79
9	L Group (electric wire and cable manufacturing industry)	5,989,758	3.69
10	M Group (real estate leasing industry)	5,811,259	3.58

Note a: Sorted by the balance of loans on December 31, 2020 and 2019, excluding government or state-run business. The number of transaction party which belongs to a group business was included in the balance of group business.

Note b: Transaction party is in accordance with article 6 of the Supplementary Provisions to the Taiwan Stock Exchange Corporation Criteria for Review of Securities Listings.

Note c: Loans include import and export bill negotiations, bills discounted, overdraft, short-term loan, short-term secured loan, accounts receivable financing, medium-term loan, medium-term secured loan, long-term loan, long-term secured loan, delinquent loans, inward remittances, factoring without recourse, acceptance, and guarantee.

Note d: The percentage of loans to equity for the period: Domestic banks should use bank equity to calculate; the Taiwan branch of foreign banks should use branch's equity to calculate.

c. Interest rate sensitivity

(In Thousands of New Taiwan Dollars; %)

Item	December 31, 2020				Total
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	
Interest-sensitive assets	\$ 1,533,388,887	\$ 38,679,450	\$ 53,467,034	\$ 127,311,205	\$ 1,752,846,576
Interest-sensitive liabilities	334,937,053	1,030,158,641	102,284,728	57,144,447	1,524,524,869
Interest sensitivity gap	1,198,451,834	(991,479,191)	(48,817,694)	70,166,758	228,321,707
Net equity					143,844,100
Ratio of interest-sensitive assets to liabilities					114.98%
Ratio of interest sensitivity gap to net equity					158.73%

(In Thousands of New Taiwan Dollars; %)

Item	December 31, 2019				Total
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	
Interest-sensitive assets	\$ 1,351,733,509	\$ 59,655,353	\$ 65,091,720	\$ 112,365,049	\$ 1,588,245,631
Interest-sensitive liabilities	320,397,347	894,994,787	98,106,938	53,953,478	1,367,452,550
Interest sensitivity gap	1,031,336,162	(835,339,434)	(33,015,218)	58,411,571	220,798,081
Net equity					141,078,002
Ratio of interest-sensitive assets to liabilities					116.15%
Ratio of interest sensitivity gap to net equity					156.50%

Note a: The amounts listed above include accounts in N.T. dollars only (i.e. excluding foreign currency) for both head office and domestic branches.

Note b: Interest-sensitive assets and liabilities are interest-earning assets and interest-bearing liabilities with income or cost affected by interest rate fluctuations.

Note c: Interest sensitivity gap = Interest-sensitive assets - Interest-sensitive liabilities

Note d: Ratio of interest-sensitive assets to interest-sensitive liabilities = $\frac{\text{Interest-sensitive assets (N.T. dollars only)}}{\text{Interest-sensitive liabilities (In Thousands of U.S. Dollars; %)}}$

Item	December 31, 2020				Total
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	
Interest-sensitive assets	\$ 12,129,741	\$ 926,807	\$ 785,097	\$ 361,925	\$ 14,203,570
Interest-sensitive liabilities	15,038,000	1,581,428	1,704,086	29	18,323,543
Interest sensitivity gap	(2,908,259)	(654,621)	(918,989)	361,896	(4,119,973)
Net equity					565,221
Ratio of interest-sensitive assets to liabilities					77.52%
Ratio of interest sensitivity gap to net equity					(728.91%)

(In Thousands of U.S. Dollars; %)

Item	December 31, 2019				Total
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	
Interest-sensitive assets	\$ 12,559,869	\$ 830,942	\$ 480,275	\$ 74,057	\$ 13,945,143
Interest-sensitive liabilities	13,950,748	1,413,764	1,405,394	109	16,770,015
Interest sensitivity gap	(1,390,879)	(582,822)	(925,119)	73,948	(2,824,872)
Net equity					508,858
Ratio of interest-sensitive assets to liabilities					83.16%
Ratio of interest sensitivity gap to net equity					(555.14%)

Note a: The amounts listed above include accounts in U.S. dollars only for domestic branches, offshore banking unit (OBU), and overseas branches, excluding contingent assets and contingent liabilities.

Note b: Interest-sensitive assets and liabilities are interest-earning assets and interest-bearing liabilities with income or cost affected by interest rate fluctuations.

Note c: Interest sensitivity gap = Interest-sensitive assets - Interest-sensitive liabilities

Note d: Ratio of interest-sensitive assets to interest-sensitive liabilities = $\frac{\text{Interest-sensitive assets (U.S. dollars only)}}{\text{Interest-sensitive liabilities}}$

d. Profitability

Item	December 31, 2020	December 31, 2019
Return on total assets	Pretax 0.37%	0.64%
	After tax 0.32%	0.55%
Return on net equity	Pretax 5.08%	8.48%
	After tax 4.30%	7.26%
Profit margin	25.77%	36.07%

Note a: Return on total assets = $\frac{\text{Income before (after) tax}}{\text{Average assets}}$

Note b: Return on net equity = $\frac{\text{Income before (after) tax}}{\text{Average net equity}}$

f. Trust accounts

Under article 3 of the Trust Law, the Group can offer trust services. The items and amounts of trust accounts as of December 31, 2020 and 2019 were as follows:

	December 31	
	2020	2019
Special purpose trust accounts - domestic	\$ 30,786,243	\$ 32,055,153
Special purpose trust accounts - foreign	71,425,270	74,642,122
Insurance trust	10,805	10,760
Retirement and breeds trust	950,331	643,512
Umbilical cord blood trust	12,574,377	12,199,191
Money claim and guarantee trust	54,800	58,800
Marketable securities trust	956,540	866,543
Real estate trust	19,219,168	25,092,597
Securities under custody	237,662,053	215,616,230
Other money trust	3,950,133	2,248,066
	<u>\$ 377,589,720</u>	<u>\$ 363,432,974</u>

g. Disclosures on trust assets and liabilities and assets register as required by Enforcement Rules of ROC Trust Law Article 17 were as follows:

	December 31		December 31	
	2020	2019	2020	2019
Trust Assets			Trust Liabilities	
Bank deposits	\$ 6,122,855	\$ 5,350,631	Trust capital	\$ 119,348,535
Insurance claims	54,800	58,800	Money trust	\$ 126,248,077
Financial assets			Insurance claims	54,800
Common stock	3,076,953	2,244,637	Marketable securities trust	954,239
Mutual funds	109,891,141	120,082,141	Real estate trust	20,273,438
Bonds	2,665,273	3,560,451	Securities under custody	237,662,053
Interest receivable	298	921	payable	-
Land	13,139,955	4,384,643	Withholdings	215,616,230
Buildings	562,688	580,681	Profit and loss	218,211
Construction in progress	4,413,704	11,553,839	Unappropriated retained earnings - realized capital gain/loss	57,791
Securities under custody	237,662,053	215,616,230	Unappropriated retained earnings - gain on revenue/expense investment	1,094,422
	<u>\$ 377,589,720</u>	<u>\$ 363,432,974</u>	Unappropriated retained earnings	(883,795)
Total trust assets			Total trust liabilities	<u>\$ 377,589,720</u>
				<u>\$ 363,432,974</u>

Note c: Profit margin = $\frac{\text{Income after tax}}{\text{Net revenue and gains}}$

Note d: Profitability presented above is cumulative from January 1 to December 31 of 2020 and 2019, respectively.

e. Maturity analysis of assets and liabilities

	(In Thousands of New Taiwan Dollars)					
	Total	December 31, 2020		December 31, 2019		More Than 1 Year
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	
Major maturity cash inflows	\$ 2,043,718,393	\$ 2,064,410,869	\$ 2,382,532,222	\$ 2,412,296,420	\$ 186,734,547	\$ 876,267,439
Major maturity cash outflows	2,698,346,676	123,495,015	18,831,318	398,474,668	332,690,341	529,248,705
Gap	(654,628,283)	82,915,854	49,421,184	(146,178,248)	(145,955,794)	(257,339,170)

	(In Thousands of New Taiwan Dollars)					
	Total	December 31, 2020		December 31, 2019		More Than 1 Year
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	
Major maturity cash inflows	\$ 1,940,852,644	\$ 169,115,385	\$ 187,074,922	\$ 353,348,038	\$ 158,894,940	\$ 798,945,630
Major maturity cash outflows	2,474,479,448	134,112,738	19,853,921	454,588,706	279,925,485	456,973,212
Gap	(533,626,804)	35,002,647	47,221,001	(101,240,668)	(121,030,545)	(182,499,483)

Note: The amounts listed above include accounts in N.T. dollars only (i.e. excluding foreign currency) for both head office and domestic branches.

	(In Thousands of U.S. Dollars)				
	Total	December 31, 2020		December 31, 2019	
		1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year
Major maturity cash inflows	\$ 25,351,004	\$ 10,393,875	\$ 5,501,311	\$ 2,645,232	\$ 2,323,036
Major maturity cash outflows	29,733,667	9,480,010	4,917,244	3,518,461	5,344,146
Gap	(4,382,663)	913,865	584,067	(873,229)	(3,021,110)

	(In Thousands of U.S. Dollars)				
	Total	December 31, 2020		December 31, 2019	
		1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year
Major maturity cash inflows	\$ 25,894,487	\$ 9,998,071	\$ 5,145,260	\$ 2,581,022	\$ 1,997,240
Major maturity cash outflows	28,555,457	9,783,120	5,570,195	3,660,626	4,260,119
Gap	(2,660,970)	214,951	(424,935)	(1,079,604)	(2,262,879)

Note: The amounts listed above include accounts in U.S. dollars for head office, domestic branches, and OBU.

Trust Assets Register

36. RELATED-PARTY TRANSACTIONS

	December 31	
	2020	2019
Investments		
Bank deposits	\$ 6,122,855	\$ 5,350,631
Insurance claims	54,800	58,800
Financial assets		
Common stock	3,076,953	2,244,637
Mutual funds	109,891,141	120,082,141
Bonds	2,665,273	3,560,451
Land	13,139,955	4,384,643
Buildings	562,688	580,681
Construction in progress	4,413,704	11,553,839
Others	298	921
Securities under custody	<u>237,662,053</u>	<u>215,616,230</u>
Total trust assets	<u>\$ 377,589,720</u>	<u>\$ 363,432,974</u>

Income Statement of Trust

	For the Year Ended December 31	
	2020	2019
Investments		
Revenue		
Interest income	\$ 77,687	\$ 91,926
Dividends	73,987	92,496
Gain on mutual funds	17,954	9,133
Foreign exchange gains	914,811	806,432
Realized capital gain - mutual funds	4,048	5,659
Realized capital gain - bonds	22,971	4,519
Realized capital gain - quoted stock	<u>188,025</u>	<u>11,114</u>
Expense	<u>1,299,483</u>	<u>1,021,279</u>
Maintenance	(4,714)	(1,948)
Tax expense	(4,190)	(3,508)
Others	(706)	(320)
Foreign exchange losses	(938,240)	(758,539)
Realized capital loss - bonds	(13,620)	(1,785)
Realized capital loss - mutual funds	(2,313)	(23,966)
Realized capital loss - quoted stock	<u>(254,072)</u>	<u>(13,002)</u>
	<u>(1,217,855)</u>	<u>(803,068)</u>
	<u>\$ 81,628</u>	<u>\$ 218,211</u>

a. Related parties and their relationships with the Bank

Name	Relationship
Director and managers	The Bank's director and managers
Taishin Financial Holding	The Bank's related party in substance (as the Bank's corporate director before June 19, 2020)
Taishin International Bank	The subsidiary of Bank's related party in substance (owned by the same parent company before June 19, 2020)
Chungwa Post Co., Ltd.	The Bank's corporate director (as the Bank's related party since June 19, 2020)
The Export-Import Bank	Its director is the Bank's corporate director
Land Bank	Its director is the Bank's corporate director
Taiwan Business Bank	Its director is the Bank's corporate director
Taichung Commercial Bank Co., Ltd.	Its director is the spouse of the Bank's manager
Taiwan High Speed Rail Corporation	Its director is the Bank's corporate director
Yang Ming Marine Transport Corporation	Its director is the Bank's corporate director
China Airlines, Ltd.	Its director is the Bank's corporate director
Unity OPTO Technology Co., Ltd.	Its director is the Bank's corporate director
Powerec Electronical Corporation	Its director is the Bank's corporate director
CSBC Corporation	Its director is the Bank's corporate director
United Renewable Energy Co., Ltd.	Its director is the Bank's corporate director
Kaohsiung Rapid Transit Corporation	Its director is the Bank's corporate director
Luangteh Shipbuilding Co., Ltd.	Its director is the Bank's corporate director
EirGenx, Inc.	Its director is the Bank's corporate director
Adimmune Corporation	Its director is the Bank's corporate director
Others	Other related parties (IAS 24 -Related Party Disclosures)

b. Significant transactions with related parties

	Balance	Percentage of Loans (%)
1) Loans		
Balance as of December 31, 2020	\$ 32,684,371	2.21
Balance as of December 31, 2019	31,515,937	2.21

For the years ended December 31, 2020 and 2019, interest rates ranged from 0.00% to 3.57% and from 0.63% to 4.20%, respectively, and interest income amounted to \$518,118 thousand and \$611,993 thousand, respectively.

	December 31, 2020				Difference in Terms Between Related Parties and Non-related Parties
	Ending Balance	Highest Amount	Normal Loans	Non-performing Loans	Collateral
Consumer loans					
48 accounts	\$ 28,650	\$ 30,104	\$ 28,650	\$ -	Credit
Self-use residential mortgage loans					
251 accounts	1,587,334	1,640,520	1,587,334	-	Real estate

(Continued)

2) Guaranteed loans

	December 31, 2020				Difference in Terms Between Related Parties and Non-related Parties
	Ending Balance	Highest Amount	Normal Loans	Non-performing Loans	
<u>Others</u>					
Taiwan High Speed Rail Corporation	\$ 23,961,579	\$ 23,982,424	\$ 23,961,579	\$ -	Credit and station equipment
Yang Ming Marine Transport Corporation	2,974,000	2,974,000	2,974,000	-	Credit and ship
China Airlines, Ltd.	1,000,000	1,000,000	1,000,000	-	Credit and fund guarantee
CSBC Corporation	1,000,000	1,168,892	1,000,000	-	Credit
Unity Opto Technology Co., Ltd.	630,162	631,719	630,162	-	Credit and land and plant
Powertec Electronics Corporation	466,027	668,002	-	466,027	Plant
United Renewable Energy Co., Ltd.	320,405	466,932	320,405	-	Credit
Kaohsiung Rapid Transit Corporation	200,000	530,000	200,000	-	Credit
Lungshen Shipbuilding Co., Ltd.	120,224	136,804	120,224	-	Credit and land and plant
Evergis, Inc.	103,365	103,365	103,365	-	Plant
Other - 9 corporation accounts (Note 1)	290,324	459,012	290,324	-	Credit and fund guarantee and real estate
Other - 7 individual accounts (Note 2)	2,301	2,535	2,301	-	Deposit

(Concluded)

	December 31, 2019				Difference in Terms Between Related Parties and Non-related Parties
	Ending Balance	Highest Amount	Normal Loans	Non-performing Loans	
<u>Consumer loans</u>					
37 accounts	\$ 18,234	\$ 19,552	\$ 18,234	\$ -	Credit
Self-use residential mortgage loans					
222 accounts	1,480,928	1,524,348	1,480,928	-	Real estate
<u>Others</u>					
Taiwan High Speed Rail Corporation	25,674,629	25,683,510	25,674,629	-	Credit and station equipment
Yang Ming Marine Transport Corporation	1,878,000	2,378,000	1,878,000	-	Credit and ship
Unity Opto Technology Co., Ltd.	744,849	1,142,872	744,849	-	Credit and land and plant
Powertec Electronics Corporation	666,383	666,383	666,383	-	Credit and plant
CSBC Corporation	500,000	672,483	500,000	-	Credit
United Renewable Energy Co., Ltd.	100,000	490,000	100,000	-	Credit
Other - 10 corporation accounts (Note 1)	452,092	929,683	452,092	-	Credit and fund guarantee and real estate
Other - 6 individual accounts (Note 2)	823	1,633	823	-	From currency of deposit

Note 1: The balance of each corporate entity does not exceed \$1 billion.

Note 2: The balance of each single entity does not exceed 1% of the total ending balance.

Mortgage loans to managers within \$8,000 thousand and credit loans within \$800 thousand per person all bore interests at 1.01% and 1.26% in December 31, 2020 and 2019. The interest rates and other terms provided to the other related parties are the same as those offered to the public.

	December 31, 2020				Collateral
	Ending Balance	Highest Amount	Reserve for Guarantee Liabilities	Interest Rate (Per Annum %)	
CSBC Corporation	\$ 2,010,650	\$ 2,010,650	\$ 20,107	0.65	None
Yang Ming Marine Transport Corporation	1,370,685	1,511,100	13,707	0.80-1.00	None
Kaohsiung Rapid Transit Corporation	6,000	6,000	60	0.50	None

	December 31, 2019				Collateral
	Ending Balance	Highest Amount	Reserve for Guarantee Liabilities	Interest Rate (Per Annum %)	
Yang Ming Marine Transport Corporation	\$ 1,511,100	\$ 1,511,100	\$ 15,111	0.80-1.00	None
Kaohsiung Rapid Transit Corporation	21,327	21,327	213	0.50	None
Adimmune Corporation	18,457	18,771	185	1.80	Pledged demand deposit

3) Deposits

	Balance	Percentage of Loans (%)
Balance as of December 31, 2020	\$ 7,384,898	0.39
Balance as of December 31, 2019	9,078,174	0.51

For the years ended December 31, 2020 and 2019, the interest rates intervals were both between 0.00% and 13.00%; the interest expense was \$97,510 thousand and \$72,814 thousand, respectively.

The interest rate for managers' deposits amounting to \$480 thousand per person was 13% per annum. The part of deposit exceeding \$480 thousand will earn interest calculated at the demand savings rate. The interest rates and others terms provided to the other related parties are the same as those offered to general public.

4) Transactions of derivative financial products

	December 31, 2020				Subject
	Contract	Duration	Nominal Principal Amount	Current Valuation Gain (Loss)	
Chunghua Post Co., Ltd.	Currency swaps	2020.8.10-2021.6.15	\$ 11,942,500	\$ (371,770)	Financial liabilities at fair value through profit or loss

(In Thousands of New Taiwan Dollars)

5) Call loans to banks and call loans from banks

Call loans to banks

(In Thousands of Original Currencies)

Name	December 31, 2020			Interest Income	
	Department	Currency	Ending Balance		Interest Rate (Per Annum %)
Chunghua Post Co., Ltd	DBU	NTD	\$ 15,000	0.08-0.77	\$ 445
Land Bank	DBU	NTD	2,005,000	0.07-0.67	3,201
	DBU	USD	115,000	0.08-2.35	1,423
	DBU	AUD	80,000	0.06-0.38	53
Taiwan Business Bank	Hong Kong Branch	USD	40,000	0.10-2.38	768
	DBU	USD	30,000	0.09-2.30	143
	DBU	USD	15,000	0.16-0.53	13
Taichung Commercial Bank	Hong Kong Branch	USD	30,000	0.14-2.37	197
	DBU	NTD	500,000	0.20-0.43	1,030
	DBU	JPY	1,500,000	0.02	3

Name	December 31, 2019			Interest Income	
	Department	Currency	Ending Balance		Interest Rate (Per Annum %)
Land Bank	DBU	USD	\$ 260,000	1.55-3.28	\$ 5,418
	London Branch	USD	10,000	2.38-2.94	258
	Hong Kong Branch	USD	70,000	2.34-3.32	2,570
Taiwan Business Bank	DBU	USD	41,000	1.52-3.25	1,327
	Hong Kong Branch	USD	10,000	1.60-3.25	542
	Singapore Branch	USD	10,000	2.25-2.79	81

Call loans from banks

(In Thousands of Original Currencies)

Name	December 31, 2020			Interest Expense	
	Department	Currency	Ending Balance		Interest Rate (Per Annum %)
Land Bank	DBU	NTD	\$ 5,000	0.18-0.66	\$ 180
Taiwan Business Bank	Singapore Branch	SGD	6,000	0.10-2.20	41

Name	December 31, 2019			Interest Expense	
	Department	Currency	Ending Balance		Interest Rate (Per Annum %)
Land Bank	DBU	NTD	\$ 2,005,000	0.18-0.67	\$ 378
Taiwan Business Bank	Singapore Branch	SGD	5,500	1.20-2.55	65
	London Branch	GBP	5,000	1.05	12

6) Due from banks and deposits from banks

Due from banks

(In Thousands of New Taiwan Dollars)

Name	Department	Currency	December 31	
			2020 Ending Balance	2019 Ending Balance
Land Bank	DBU	NTD	\$ 4	\$ 2
Taiwan Business Bank	DBU	NTD	4	819
Chunghua Post Co., Ltd	DBU	NTD	121	-

Deposits from banks

(In Thousands of Original Currencies)

Name	Department	Currency	December 31	
			2020 Ending Balance	2019 Ending Balance
Land Bank	DBU	NTD	\$ 277	\$ 277
The Export-Import Bank	DBU	NTD	2,205	3,536
Chunghua Post Co., Ltd	DBU	NTD	355,766	-
Taishin International Bank	New York Branch	USD	68	67

c. Compensation of directors and management personnel

For the Year Ended December 31

	2020	2019
Short-term employee benefits	\$ 86,980	\$ 112,885
Post-employment benefits	21,291	10,755
	<u>\$ 108,271</u>	<u>\$ 123,640</u>

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

d. Others

The Bank signed two-year information system service contracts in the amounts of \$2,000 thousand and \$46 thousand each on April 8, 2020 and April 30, 2020, with its subsidiaries Chang Hua Commercial Bank, Ltd. and Chang Hua Bank Venture Capital Co., Ltd., respectively and recognized other income in the amounts of \$1,191 thousand and \$22 thousand.

The Bank signed three-year legal advice service contract with its subsidiary, Chang Hua Bank Venture Capital Co., Ltd., on November 26, 2020. Under the contract, the annual service fee is \$68 thousand. In 2020, the Bank recognized other income in the amount of \$65 thousand.

37. PLEDGED ASSETS

The summary of the Group's pledged assets as of December 31, 2020 and 2019 is as follows:

Pledged Assets	December 31	
	2020	2019
Investments in debt instruments at FVTOCI	\$ 1,126,969	\$ 988,004
Investments in debt instruments at amortized cost	41,440,500	41,389,970
Time deposits with original maturities of more than 3 months	2,811,250	2,577,000
Refundable deposits	2,601,890	959,061
Reserves for demand Account	30,000,000	-

38. CONTINGENT LIABILITIES AND COMMITMENTS

- a. In addition to those mentioned in Note 7, the Group had the following contingent liabilities and commitments as of December 31, 2020 and 2019:

	December 31, 2020	2019
Trust liabilities	\$ 377,589,720	\$ 363,432,974
Unused loan commitments (excluding credit cards)	69,752,198	72,353,744
Credit card commitments	348,160	322,128
Unused issued letters of credit	22,504,168	21,538,830
Guarantees issued in guarantee business	58,765,217	53,750,110
Repayment notes and times deposit held for custody	14,530,602	13,910,771
Liabilities on joint loans	629,849	915,013

The unrecognized commitments for the acquisition of equipment and intangible assets, as well as the commitments for construction, appointment and security as of December 31, 2020 were \$530,860 thousand, \$25,650 thousand, \$521,789 thousand and \$132,683 thousand, respectively.

- b. TDK Corporation filed a legal proceeding against the Bank for damages in the amount of \$45,794 thousand. On April 19, 2017, the Taiwan Superior Court passed a verdict partially in favor of and partially against the Bank, and the Bank shall compensate the damages in the amount of \$11,448 thousand. The Bank had appealed to the Supreme Court. The Supreme Court remanded the case and held a hearing on September 3, 2019. Then, the Supreme Court held another hearing on November 4, 2019. The oral argument session had concluded on January 14, 2020, and the judgement procedure was held on May 11, 2020. The Court held a hearing for oral argument on July 16, 2020, and ruled that both parties should submit an appeal. The Supreme Court held another hearing on September 30, 2020 and held judgement procedure on November 25, 2020 and January 25, 2021. Then, another judgement procedure would be held on April 12, 2021.

- c. The Bank's of North Taichung branch was fined due to the misappropriation of customers' deposits. The Bank has negotiated with its customers and confirmed the amount of misappropriated deposits.

39. OTHER ITEMS

The outbreak of the COVID-19 has had a significant global impact since the beginning of this year, and the operations of the Group have also been affected considerably. The decrease in the Group's earnings was in accordance with the government's policies for the relief package and reduction of interest rate. In addition, due to an increase in non-performing loans, it is necessary to increase the amount of bad debts, which led to an increase in the non-performing loans ratio. The income from credit card and insurance fees also decreased relatively because of the epidemic. However, the above effects are still within the acceptable range and they have no impact on the Group's ability to continue as a going concern.

40. DISCLOSURES UNDER STATUTORY REQUIREMENTS

- a. Material transactions

No.	Item	Explanation
1	Accumulated purchases and sales balance of specific investees' marketable security over NT\$300 million or 10% of outstanding capital for the year ended December 31, 2020	None
2	Acquisition of fixed assets over NT\$300 million or 10% of outstanding capital for the year ended December 31, 2020	None
3	Disposal of fixed assets over NT\$300 million or 10% of outstanding capital for the year ended December 31, 2020	None
4	Discount on fees income from related parties over NT\$5 million	None
5	Receivables from related parties over NT\$300 million or 10% of outstanding capital as of December 31, 2020	None
6	Sale of NPL	None
7	Securitized instruments and related assets which are in accordance with the Statute for Financial Assets Securitization and the Statute for Real Estate Securitization	None
8	Other significant transactions which may affect decisions of the users of the financial statements	None

- b. Information on the Bank's investees

No.	Item	Explanation
1	Investees' names, locations, etc.	Table 1
2	Capital lending to another party	None
3	Endorsement for another party	None
4	Marketable securities held as of December 31, 2020	Table 2
5	Accumulated purchases and sales balance of specific marketable security over NT\$300 million or 10% of outstanding capital for the year ended December 31, 2020	None
6	Acquisition of property, plant and equipment over NT\$300 million or 10% of outstanding capital for the year ended December 31, 2020	None
7	Disposal of property, plant and equipment over NT\$300 million or 10% of outstanding capital for the year ended December 31, 2020	None
8	Receivables from related parties over NT\$300 million or 10% of outstanding capital as of December 31, 2020	None
9	Derivative instrument	None
10	Discount on fees income from related parties over NT\$5 million	None
11	Sale of NPL by subsidiary	None
12	Other significant transactions which may affect decisions of the users of the financial statements	None

- c. Investment in mainland China: Table 3.

- d. Intercompany relationships and significant intercompany transactions: Table 4.

- e. Information of major shareholders: The name of the shareholder, shareholding amount and ratio of shareholders with a shareholding ratio more than 5%. (Table 5)

41. INFORMATION ON INVESTEEES

Investee's Name (Note a)	Investee's Location	Principal Business Activities	Ownership Interest at End of Balance	Investment Book Value	Recognized Investment Income (Loss)	Current Stock	Imputed Stock (Note b)	Stock	Ownership Interest (%)
Shin Keng Financial Holding	Hong Kong	Financial holding company	0.50	\$ 47,073	\$ -	\$ 50,760,125	\$ -	\$ 90,760,125	0.50
Avic Pacific Investment	Hong Kong	Investment holding company	0.26	\$ 99,288	\$ -	\$ 9,831,471	\$ -	\$ 9,831,471	0.26
Avic Pacific Investment	Hong Kong	Investment holding company	0.26	\$ 14,000,000	\$ -	\$ 14,000,000	\$ -	\$ 14,000,000	0.26
Avic Pacific Investment	Hong Kong	Investment holding company	0.26	\$ 2,570,333	\$ -	\$ 22,515,177	\$ -	\$ 22,515,177	0.26
Avic Pacific Investment	Hong Kong	Investment holding company	0.41	\$ 1,380,357	\$ -	\$ 23,266,159	\$ -	\$ 23,266,159	0.41
Avic Pacific Investment	Hong Kong	Investment holding company	0.71	\$ 21,380,000	\$ -	\$ 235,726,532	\$ -	\$ 235,726,532	0.71
Avic Pacific Investment	Hong Kong	Investment holding company	3.55	\$ 32,641	\$ -	\$ 70,000,000	\$ -	\$ 70,000,000	3.55
Avic Pacific Investment	Hong Kong	Investment holding company	4.95	\$ 529,780	\$ -	\$ 54,000,000	\$ -	\$ 54,000,000	4.95
Avic Pacific Investment	Hong Kong	Investment holding company	4.00	\$ 5,529	\$ -	\$ 14,015,725	\$ -	\$ 14,015,725	4.00
Avic Pacific Investment	Hong Kong	Investment holding company	1.19	\$ 142,849	\$ -	\$ 6,229,900	\$ -	\$ 6,229,900	1.19
Avic Pacific Investment	Hong Kong	Investment holding company	1.00	\$ 346,522	\$ -	\$ 3,683,018	\$ -	\$ 3,683,018	1.00
Avic Pacific Investment	Hong Kong	Investment holding company	1.15	\$ 1,599,600	\$ -	\$ 15,000,000	\$ -	\$ 15,000,000	1.15
Avic Pacific Investment	Hong Kong	Investment holding company	2.94	\$ 44,850	\$ -	\$ 5,000,000	\$ -	\$ 5,000,000	2.94
Avic Pacific Investment	Hong Kong	Investment holding company	4.12	\$ 8,647	\$ -	\$ 905,475	\$ -	\$ 905,475	4.12
Avic Pacific Investment	Hong Kong	Investment holding company	0.08	\$ 19,865	\$ -	\$ 322,862	\$ -	\$ 322,862	0.08
Avic Pacific Investment	Hong Kong	Investment holding company	0.70	\$ 500	\$ -	\$ 41,768	\$ -	\$ 41,768	0.70
Avic Pacific Investment	Hong Kong	Investment holding company	3.00	\$ 9,718	\$ -	\$ 1,800,000	\$ -	\$ 1,800,000	3.00
Avic Pacific Investment	Hong Kong	Investment holding company	5.00	\$ 17,875	\$ -	\$ 2,500,000	\$ -	\$ 2,500,000	5.00
Avic Pacific Investment	Hong Kong	Investment holding company	4.77	\$ 5,783,352	\$ -	\$ 5,783,352	\$ -	\$ 5,783,352	4.77

Note a: The investees' voting shares, and imputed stock were owned by the Bank and related parties.

Note b: 1) Imputed stock refers to the purchase of securities with equity or derivative commodity contracts (not yet converted into equity holding), which is linked to the equity of the reinvestment business according to the agreed transaction conditions and the bank's commitment to be used as Article 74 of The Banking Act of The Republic of China stipulates that for the purpose of reinvestment, under the assumption of conversion, the shares acquired as a result of the conversion.

2) The above-mentioned "securities with equity" refers to the securities stipulated in the first paragraph of Article 11 of the Securities and Exchange Act Enforcement Rules, such as convertible corporate bonds and call warrants.

3) The above-mentioned "derivative commodity contract" refers to those who meet the definition of derivative instruments in IFRS 9, such as stock options.

Note c: The Bank had recognized the loss on investment in Tai Yu Products Corporation.

42. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of services provided.

a. Segment revenue and results

	For the Year Ended December 31, 2020						
	Loans	Deposits and Remittances	Financial Instruments and Investments	Wealth Management	Subsidiaries and Overseas Branch	Others	Total
Net interest income	\$ 12,706,658	\$ 4,592,420	\$ (1,123,831)	\$ -	\$ 2,980,206	\$ (23,601)	\$ 19,140,252
Net fee income	1,485,714	241,694	(29,377)	2,722,469	107,068	-	4,527,548
Net income on financial instrument	3,191,610	-	3,191,610	-	108,831	-	3,300,441
Others	17,469	-	4,922	2,722,469	47,748	283,512	3,300,441
Bad debts expense, commitment and guarantee liability provision	(13,524,241)	(4,834,111)	2,054,531	-	3,243,832	357,911	(2,217,022)
Operating expenses	(83,297)	-	171	-	(2,553,073)	-	(2,636,460)
Income before income tax	\$ 13,921,134	\$ 4,834,111	\$ 2,054,475	\$ 2,722,469	\$ 698,800	\$ 287,911	\$ 28,918,699

	For the Year Ended December 31, 2019						
	Loans	Deposits and Remittances	Financial Instruments and Investments	Wealth Management	Subsidiaries and Overseas Branch	Others	Total
Net interest income	\$ 12,242,151	\$ 6,080,548	\$ 218,221	\$ -	\$ 3,635,586	\$ (28,229)	\$ 22,840,707
Net fee income	1,710,351	267,693	(57,229)	3,057,844	132,115	-	4,904,764
Net income on financial instrument	12,547	-	4,162,547	-	(20,982)	-	4,144,545
Others	17,415	-	4,326,652	3,057,844	3,726,027	324,327	32,028,333
Bad debts expense, commitment and guarantee liability provision	(1,805,648)	-	(81)	-	(31,263)	-	(1,837,092)
Operating expenses	(12,590,016)	(4,838,242)	(4,356,608)	(3,057,844)	(4,444,411)	(274,432)	(33,520,552)
Income before income tax	\$ 11,966,509	\$ 1,241,851	\$ 1,961,982	\$ 3,057,844	\$ 3,671,850	\$ 274,432	\$ 22,174,468

The reported revenue and results on the segment information did not include inter-segment revenue for the years ended December 31, 2020 and 2019.

This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

b. Segment total assets and liabilities

	December 31, 2020						
	Loans	Deposits and Remittances	Financial Instruments and Investments	Wealth Management	Subsidiaries and Overseas Branch	Others	Total
Assets	\$ 1,138,038,660	\$ 1,877,383,413	\$ 675,755,496	\$ -	\$ 1,652,778,559	\$ 83,867,213	\$ 2,114,463,329
Liabilities	\$ 1,071,126	\$ 1,877,383,413	\$ 109,757,373	\$ -	\$ 1,473,179	\$ 53,840,256	\$ 2,114,463,329

	December 31, 2019						
	Loans	Deposits and Remittances	Financial Instruments and Investments	Wealth Management	Subsidiaries and Overseas Branch	Others	Total
Assets	\$ 1,126,655,664	\$ 1,724,514,016	\$ 645,665,655	\$ -	\$ 1,065,655,653	\$ 107,641,407	\$ 2,114,463,329
Liabilities	\$ 83,389	\$ 1,724,514,016	\$ 88,311,823	\$ -	\$ 139,545,608	\$ 8,105,965	\$ 2,114,463,329

TABLE 1

CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEE'S NAMES AND LOCATIONS
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Except for Percentage and Shares)

Investor	Investees' Names	Investees' Location	Line of Business	Original Investment Amount		Ending Balance			Net Income (Loss) of Current Period	Recognized Income (Loss) of Current Period	Note
				End of December 31, 2020	End of December 31, 2019	Stock	Ownership Interest (%)	Book Value			
Chang Hwa Bank	Chang Hua Commercial Bank, Ltd. Chang Hwa Bank Venture Capital Co., Ltd.	China Taiwan	Banking Venture capital	\$ 12,117,288 600,000	\$ 12,117,288 600,000	Note 60,000,000	100 100	\$ 12,928,728 583,040	\$ 413,565 (1,129)	\$ 413,565 (1,129)	

Note: Limited company organization.

TABLE 2

CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities (Note 1)	Relationship with the Holding Company (Note 2)	Financial Statement Account	December 31, 2020				Note
				Number of Shares	Carrying Amount (Note 3)	Percentage of Ownership (%)	Fair Value	
Chang Hwa Bank Venture Capital Co., Ltd.	Tigerair Taiwan Co., Ltd.	-	Financial assets at fair value through other comprehensive income	1,000,000	\$ 30,550	0.4	\$ 30,550	
	Cheng Mei Instrument Technology Co., Ltd.	-	Financial assets at fair value through other comprehensive income	790,000	15,800	3.0	15,800	
	Jada International Development Co., Ltd.	-	Financial assets at fair value through other comprehensive income	213,000	2,927	8.5	2,927	
	Yuh Shan Environmental Engineering Co., Ltd.	-	Financial assets at fair value through profit or loss	500,000	10,000	2.6	10,000	
	Enimmune Corporation	-	Financial assets at fair value through profit or loss	80,000	3,576	0.1	3,576	
	Acer E-enabling Service Business Inc.	-	Financial assets at fair value through profit or loss	405,813	17,450	1.1	17,450	
	Advanced Wireless & Antenna Inc.	-	Financial assets at fair value through profit or loss	500,000	12,500	2.0	12,500	
	Hong-Wei Electrical Industry & Co., Ltd.	-	Financial assets at fair value through profit or loss	71,000	3,515	0.2	3,515	
	Huang Chieh Metal Composite Material Tech. Co., Ltd.	-	Financial assets at fair value through profit or loss	350,000	36,575	0.6	36,575	
	Ina Energy Corporation	-	Financial assets at fair value through profit or loss	2,000,000	34,000	1.2	34,000	

Note 1: The securities referred to in this table refer to stocks, bonds, beneficiary certificates and securities derived from the above items within the scope of IFRS 9 "Financial Instruments".

Note 2: If the issuer of securities is not a related party, this column is exempt.

Note 3: As measured by fair value, fill in the balance of book value after adjustment of the fair value and deduct the allowance loss. If not measured by fair value, fill in the amortized cost (after allowance loss has been deducted) of the book balance.

TABLE 3

CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2020	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2020	Net Income (Loss) of the Investee (Note 2)	% of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2020	Accumulated Repatriation of Investment Income as of December 31, 2020	Note
					Outflow	Inflow							
Chang Hua Commercial Bank, Ltd.	Banking	\$ 12,117,288 (US\$ 399,558)	Note 1.c.	\$ 12,117,288 (US\$ 399,558)	\$ -	\$ -	\$ 12,117,288 (US\$ 399,558)	\$ 413,565	100	\$ 413,565	\$ 12,928,728	\$ -	

Accumulated Outward Remittance for Investment in Mainland China December 31, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 3)
\$ 12,117,288 (US\$ 399,558)	\$ 12,117,288 (US\$ 399,433)	\$ 24,758,068

Note 1: The three methods of investment are as follows:

- Direct investment in mainland China.
- Investment in mainland China through reinvestment in existing enterprise in a third area.
- Others.

Note 2: Equity in the profit (loss):

- If the entity is still in the preparation stage and there is no equity in profit (loss), the condition should be noted.
- The basis of recognizing equity in profit (loss) is categorized in the following three types and each entity should be noted according to its condition.
 - Financial statements audited (reviewed) by international accounting firms that cooperate with the accounting firms in the ROC.
 - Financial statements audited (reviewed) by the Taiwan-based parent company's CPA.
 - Others.

Note 3: In accordance with the "Bank, Financial Holding Corporation and Related Party Invest China Business Rules" announced by the FSC, the accumulated outflow of operating funds and investment from the following parties may not exceed 15% of net assets while they applied:

- Banks in Taiwan (or subsidiaries in a third area) which establish branches, establish/acquire subsidiaries or acquire stock or capital contributions from local stockholders in mainland China.
- The subsidiaries whose issued stocks with voting rights or more than 50% of capital held by banks in Taiwan that have investments in mainland China.

CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Except for Percentage)

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Transactions Details			
				Financial Statement Accounts	Amount	Payment Terms	% to Total Sales or Assets (Note 3)
0	The Bank	Chang Hua Commercial Bank, Ltd.	a.	Due from the Central Bank and call loans to bank	\$ 20,783	Same as normal customers	-
		Chang Hua Commercial Bank, Ltd.	a.	Cash and cash equivalents	216,956	Same as normal customers	0.01
		Chang Hua Commercial Bank, Ltd.	a.	Receivables	125,628	Same as normal customers	0.01
		Chang Hua Commercial Bank, Ltd.	a.	Other financial assets	4,325,000	Same as normal customers	0.19
		Chang Hua Commercial Bank, Ltd.	a.	Interest income	119,118	Same as normal customers	0.44
		Chang Hua Commercial Bank, Ltd.	a.	Net non-interest income	1,191	Same as normal customers	-
		Chang Hwa Bank Venture Capital Co., Ltd.	a.	Deposits and remittances	416,881	Same as normal customers	0.02
		Chang Hwa Bank Venture Capital Co., Ltd.	a.	Payables	37	Same as normal customers	-
		Chang Hwa Bank Venture Capital Co., Ltd.	a.	Other liabilities	5	Same as normal customers	-
		Chang Hwa Bank Venture Capital Co., Ltd.	a.	Interest expense	1,361	Same as normal customers	-
		Chang Hwa Bank Venture Capital Co., Ltd.	a.	Net non-interest income	1,783	Same as normal customers	0.01

Note 1: Transaction details: Methods of numbering are as follows:

- a. 0 for parent company.
- b. In accordance with subsidiary number starts from 1.

Note 2: Relationships are as follows:

- a. Parent company to subsidiary.
- b. Subsidiary to parent company.
- c. Subsidiary to subsidiary.

Note 3: Transactions amounts are calculated as percentage of accrued amounts of total income or ending balance of total assets.

TABLE 5

CHANG HWA COMMERCIAL BANK, LTD.

INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2020

Name of Major Shareholders	Shares	
	Number of Shares	Percentage of Ownership (%)
Taishin Financial Holding Co., Ltd.	2,341,359,234	22.54
Ministry of Finance	1,266,207,840	12.19
Chungwa Post Co., Ltd.	623,127,589	6.00

Note: The main shareholder information in this table is calculated by the insurance company on the last business day at the end of the quarter, and the total number of ordinary shares and special shares held by the shareholders who have completed the delivery without physical registration (including treasury shares) is more than 5%. The share capital recorded in the Bank's consolidated financial statement and the actual number of shares delivered without physical registration may be different due to the basis of preparation and calculation.

F. The Bank's Individual Financial Statements of Recent Years Which Have Been Certified by CPAs

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Chang Hwa Commercial Bank, Ltd.

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

The following is the description for the key audit matter in the audit of the financial statements of the Bank for the year ended December 31, 2020.

Impairment Assessment of Loans

Loans are the most important assets of the Bank. As of December 31, 2020, the balance of the Bank's loans totaled \$1,463,024,593 thousand, accounting for 63% of the Bank's total assets. The Bank assessed the impairment on loans in accordance with IFRS 9 and with relevant regulations on recognizing allowance for loans. As the assessment of the impairment on the aforementioned assets involves the management's critical judgments, estimations and assumptions, we considered the impairment assessment on loans as a key audit matter. Refer to Notes 4, 5 and 12 to the Bank's financial statements for related information.

Our main audit procedures performed in response to the key audit matter described above were as follows:

When assessing the appropriateness of the impairment on loans, we understood and tested the internal controls relevant to the lending process and assessment of loan impairment. We tested whether the expected credit loss was calculated by loans grouped by borrowers and credit risk characteristics. We further verified whether the parameters utilized in the impairment loss model (including probability of default adjusted for forward looking factors, loss given default, and exposure at default) reflect the actual situation, and recalculated the impairment loss on loans, examined the classification of loan credit assets, and assessed the loan provisions in compliance with relevant regulations.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

The engagement partners on the audits resulting in this independent auditors' report are Mei Hui Wu and Tung Feng Lee.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 25, 2021

Notice to Readers

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

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

CHANG HWA COMMERCIAL BANK, LTD.

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

ASSETS	2020		2019	
	Amount	%	Amount	%
Cash and cash equivalents (Notes 4, 6 and 36)	\$ 25,167,907	1	\$ 31,849,140	1
Due from the Central Bank and call loans to banks (Notes 4, 6 and 36)	232,247,047	10	161,472,256	8
Financial assets at fair value through profit or loss (Notes 4, 7, 34 and 37)	14,463,858	1	11,483,389	1
Financial assets at fair value through other comprehensive income (Notes 4, 8, 10, 34 and 37)	116,479,219	5	111,610,083	5
Financial assets for hedging (Notes 4 and 13)	231,693	-	247,375	-
Investments in debt instruments at amortized cost (Notes 4, 5, 9, 10, 34 and 37)	345,283,447	15	276,058,976	13
Receivables, net (Notes 4, 11 and 12)	21,300,335	1	22,979,066	1
Current tax assets (Notes 4 and 31)	396,258	-	207,398	-
Discounts and loans, net (Notes 4, 5, 12, 34, 35 and 36)	1,463,024,593	63	1,412,641,860	66
Investments measured by equity method, net (Notes 4 and 15)	13,511,768	1	13,087,475	1
Other financial assets, net (Notes 4, 14, 36 and 37)	29,915,786	1	44,428,881	2
Property and equipment, net (Notes 4 and 16)	20,160,372	1	19,995,240	1
Right-of-use assets, net (Notes 4 and 17)	1,500,974	-	1,601,174	-
Investment property, net (Notes 4 and 18)	13,858,910	1	13,872,790	1
Intangible assets, net (Notes 4 and 19)	608,517	-	645,360	-
Deferred tax assets (Notes 4 and 31)	3,245,453	-	3,197,348	-
Other assets, net (Notes 20 and 37)	<u>2,727,131</u>	<u>-</u>	<u>1,051,475</u>	<u>-</u>
TOTAL	<u>\$ 2,304,123,268</u>	<u>100</u>	<u>\$ 2,126,429,286</u>	<u>100</u>
LIABILITIES AND EQUITY				
Deposits from the Central Bank and banks (Notes 4, 21 and 36)	\$ 102,193,025	5	\$ 102,187,587	5
Due to the Central Bank and banks (Note 6 and 37)	14,829,050	1	-	-
Financial liabilities at fair value through profit or loss (Notes 4, 7 and 36)	7,293,565	-	4,247,279	-
Securities sold under repurchase agreements (Note 4)	1,226,633	-	1,547,291	-
Payables (Notes 4, 22 and 29)	21,966,509	1	21,676,201	1
Current tax liabilities (Notes 4 and 31)	829,711	-	465,752	-
Deposits and remittances (Notes 4, 23 and 36)	1,910,034,360	83	1,757,136,850	83
Bank notes payable (Notes 4, 24 and 34)	61,351,032	3	55,521,014	3
Other financial liabilities (Notes 4 and 25)	1,949,149	-	4,274,900	-
Reserve for liabilities (Notes 4, 5, 27, 28)	5,306,731	-	5,322,733	-
Lease liabilities (Notes 4 and 17)	1,325,275	-	1,401,162	-
Deferred tax liabilities (Notes 4 and 31)	8,294,747	-	7,892,389	-
Other liabilities (Notes 4, 16 and 26)	<u>2,469,691</u>	<u>-</u>	<u>2,518,933</u>	<u>-</u>
Total liabilities	<u>2,139,069,478</u>	<u>93</u>	<u>1,964,192,091</u>	<u>92</u>
EQUITY (Notes 4, 29 and 31)				
Capital stock				
Common stock	103,847,236	5	99,853,111	5
Retained earnings				
Legal reserve	38,266,789	2	34,832,629	2
Special reserve	12,201,590	-	12,204,648	1
Unappropriated earnings	6,884,362	-	11,458,160	-
Other equity	<u>3,853,813</u>	<u>-</u>	<u>3,888,647</u>	<u>-</u>
Total equity	<u>165,053,790</u>	<u>7</u>	<u>162,237,195</u>	<u>8</u>
TOTAL	<u>\$ 2,304,123,268</u>	<u>100</u>	<u>\$ 2,126,429,286</u>	<u>100</u>

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

CHANG HWA COMMERCIAL BANK, LTD.

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

	2020		2019		Percentage
	Amount	%	Amount	%	Increase (Decrease) %
INTEREST INCOME (Notes 4, 30 and 36)	\$ 28,936,758	108	\$ 38,189,030	121	(24)
INTEREST EXPENSE (Notes 30, 36 and 40)	<u>(10,495,056)</u>	<u>(39)</u>	<u>(16,118,024)</u>	<u>(51)</u>	(35)
NET INCOME OF INTEREST	<u>18,441,702</u>	<u>69</u>	<u>22,071,006</u>	<u>70</u>	(16)
NET NON-INTEREST INCOME (LOSS)					
Net service fee income (Notes 4 and 30)	4,513,873	17	4,615,049	15	(2)
Gain (loss) on financial assets or liabilities measured at fair value through profit or loss (Notes 4, 7 and 30)	1,638,846	6	1,836,773	6	(11)
Realized gain (loss) on financial assets at fair value through other comprehensive income (Notes 4 and 30)	1,155,973	4	1,352,667	4	(15)
Gain (loss) arising from derecognition of financial assets at amortized cost	97	-	-	-	-
Foreign exchange gain (loss) (Notes 4 and 34)	350,682	1	968,007	3	(64)
Share of profit (loss) of associates and joint ventures accounted for using equity method (Notes 4 and 15)	412,436	2	418,059	1	(1)
Net other non-interest income (loss) (Notes 13 and 15)	<u>400,089</u>	<u>1</u>	<u>450,463</u>	<u>1</u>	(11)
Net non-interest income	<u>8,471,996</u>	<u>31</u>	<u>9,641,018</u>	<u>30</u>	(12)
NET REVENUE AND GAINS	<u>26,913,698</u>	<u>100</u>	<u>31,712,024</u>	<u>100</u>	(15)
BAD DEBTS EXPENSE, COMMITMENT AND GUARANTEE LIABILITY PROVISION (Notes 4 and 12)	<u>(2,841,478)</u>	<u>(10)</u>	<u>(2,148,065)</u>	<u>(7)</u>	32 (Continued)

CHANG HWA COMMERCIAL BANK, LTD.

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

	2020		2019		Percentage Increase (Decrease) %
	Amount	%	Amount	%	
OPERATING EXPENSES					
Employee benefit expenses (Notes 4 and 30)	\$ (10,550,323)	(39)	\$ (10,641,484)	(33)	(1)
Depreciation and amortization expenses (Notes 4 and 30)	(1,348,889)	(5)	(1,394,368)	(4)	(3)
Other general and administrative expenses	<u>(3,861,509)</u>	<u>(15)</u>	<u>(4,015,631)</u>	<u>(13)</u>	(4)
Total operating expenses	<u>(15,760,721)</u>	<u>(59)</u>	<u>(16,051,483)</u>	<u>(50)</u>	(2)
INCOME BEFORE INCOME TAX	8,311,499	31	13,512,476	43	(38)
INCOME TAX EXPENSE (Notes 4 and 31)	<u>(1,270,572)</u>	<u>(5)</u>	<u>(1,940,694)</u>	<u>(6)</u>	(35)
NET INCOME	<u>7,040,927</u>	<u>26</u>	<u>11,571,782</u>	<u>37</u>	(39)
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX					
Items that will not be reclassified to profit or loss, net of tax:					
Remeasurement of defined benefit plans (Notes 4 and 28)	(259,674)	(1)	(157,063)	-	65
Revaluation gains (losses) on investments in equity instruments measured at fair value through other comprehensive income	767,769	3	1,620,760	5	(53)
Changes in fair value of financial liabilities attributable to changes in credit risk of liabilities	-	-	(818)	-	100
Share of other comprehensive income (loss) of subsidiaries, associates and joint ventures accounted for using the equity method	(19,080)	-	8,630	-	(321)
Income tax related to items that will not be reclassified to profit or loss (Notes 4 and 31)	51,935	-	31,412	-	65

(Continued)

CHANG HWA COMMERCIAL BANK, LTD.

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

	2020		2019		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
Items that will be reclassified to profit or loss, net of tax:					
Exchange differences on translation (Note 4)	\$ (1,118,628)	(4)	\$ (1,185,701)	(4)	(6)
Share of other comprehensive income (loss) of subsidiaries, associates and joint ventures accounted for using the equity method	(62,289)	-	24,041	-	(359)
Revaluation gains (losses) on investments in debt instruments measured at fair value through other comprehensive income	548,422	2	14,443	-	3,697
(Impairment loss) reversal of impairment loss on investments in debt instruments measured at fair value through other comprehensive income	(21,622)	-	(108,202)	-	(80)
Income tax related to items that will be reclassified to profit or loss (Notes 4 and 31)	<u>(117,041)</u>	<u>(1)</u>	<u>121,573</u>	<u>-</u>	<u>(196)</u>
Other comprehensive income (loss), net of tax	<u>(230,208)</u>	<u>(1)</u>	<u>369,075</u>	<u>1</u>	<u>(162)</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 6,810,719</u>	<u>25</u>	<u>\$ 11,940,857</u>	<u>38</u>	<u>(43)</u>
EARNINGS PER SHARE (Note 32)					
Basic	<u>\$ 0.68</u>		<u>\$ 1.11</u>		
Diluted	<u>\$ 0.68</u>		<u>\$ 1.11</u>		

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

(Concluded)

CHANG HWA COMMERCIAL BANK, LTD.

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

	Equity Attributable to Owners of the Bank										
	Capital Stock			Retained Earnings			Unappropriated Earnings		Other Equity		Total Equity
	Common Stock (in Thousands)	Amount		Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Financial Statements	Financial Assets Measured at Fair Value Through Other Comprehensive Income	Change in Fair Value of Financial Liability Attributable to Change in Credit Risk of Liability		
BALANCE, JANUARY 1, 2019	9,789,521	\$ 97,895,207	\$ 31,038,668	\$ 12,141,416	\$ 12,091,349	\$ (614,793)	\$ 4,008,966	\$ 818	\$ 156,561,631		
Appropriation of 2018 earnings	-	-	3,793,961	-	(3,793,961)	-	-	-	-		
Legal reserve appropriated	-	-	-	63,232	(63,232)	-	-	-	-		
Special reserve appropriated	-	-	-	-	(6,265,293)	-	-	-	(6,265,293)		
Cash dividends	-	-	-	-	(1,957,904)	-	-	-	-		
Stock dividends	195,790	1,957,904	-	-	(1,957,904)	-	-	-	-		
Net income for the year ended December 31, 2019	-	-	-	-	11,571,782	-	-	-	11,571,782		
Other comprehensive income (loss) for the year ended December 31, 2019, net of tax	-	-	-	-	(125,651)	(1,027,810)	1,523,354	(818)	369,075		
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	11,446,131	(1,027,810)	1,523,354	(818)	11,940,857		
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	1,070	-	(1,070)	-	-		
BALANCE, DECEMBER 31, 2019	9,985,311	99,853,111	34,832,629	12,204,648	11,458,160	(1,642,603)	5,531,250	-	162,237,195		
Appropriation of 2019 earnings	-	-	-	(3,058)	3,058	-	-	-	-		
Special reserve appropriated	-	-	-	-	(3,434,160)	-	-	-	-		
Legal reserve appropriated	-	-	3,434,160	-	(3,434,160)	-	-	-	-		
Cash dividends	-	-	-	-	(3,994,124)	-	-	-	(3,994,124)		
Stock dividends	399,413	3,994,125	-	-	(3,994,125)	-	-	-	-		
Net income for the year ended December 31, 2020	-	-	-	-	7,040,927	-	-	-	7,040,927		
Other comprehensive income (loss) for the year ended December 31, 2020, net of tax	-	-	-	-	(207,739)	(1,228,393)	1,205,924	-	(230,208)		
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	6,833,188	(1,228,393)	1,205,924	-	6,810,719		
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	12,365	-	(12,365)	-	-		
BALANCE, DECEMBER 31, 2020	10,384,724	103,847,236	38,266,789	12,201,590	6,884,362	(2,870,996)	6,724,809	-	165,053,290		

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

CHANG HWA COMMERCIAL BANK, LTD.

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

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income before income tax	\$ 8,311,499	\$ 13,512,476
Non-cash (income and gains) or expenses and losses		
Expected credit loss recognized on trade receivables	2,841,478	2,148,065
Depreciation expense	1,126,668	1,185,464
Amortization expense	222,221	208,904
Share of profit (loss) of subsidiaries for using equity method	(412,436)	(418,059)
Interest income	(28,936,758)	(38,189,030)
Dividend income	(631,958)	(523,627)
Interest expense	10,495,056	16,118,024
Net gain on financial assets or liabilities at fair value through profit or loss	(1,585,861)	(72,939)
Gain on disposal of investments	(524,112)	(831,510)
Unrealized foreign exchange gains	(52,985)	(1,763,834)
Other adjustments	(204,611)	224,708
Changes in operating assets and liabilities		
(Increase) decrease in due from the Central Bank	(23,040,939)	4,882,909
(Increase) decrease in financial assets at fair value through profit or loss	(370,102)	52,006
Decrease in receivables	195,479	5,535,746
Increase in discounts and loans	(53,417,906)	(94,712,733)
Increase in financial assets at fair value through other comprehensive income	(3,050,552)	(18,861,052)
Increase in investments in debt instruments at amortized cost	(69,224,374)	(8,009,682)
Decrease in other financial assets	14,610,464	7,392,828
Increase in other assets	(1,674,782)	(263,436)
Decrease in deposits from the Central Bank and banks	(1,722)	(26,378,048)
Increase in deposits and remittances	152,897,510	77,048,874
Increase (decrease) in payables	1,180,284	(14,014,519)
Increase in financial liabilities at fair value through profit or loss	1,987,729	2,337,430
Decrease in reserve for liabilities	(299,033)	(250,624)
Decrease in other financial liabilities	(2,325,751)	(111,522)
Decrease in other liabilities	(61,077)	(229,336)
Cash flows generated from (used in) operations	8,053,429	(73,982,517)
Interest received	30,641,065	38,811,954
Dividends received	629,458	523,627
Interest paid	(11,386,281)	(16,099,320)
Income taxes paid	(614,991)	(1,194,421)
Net cash flows generated from (used in) from operating activities	<u>27,322,680</u>	<u>(51,940,677)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of investment accounted for using the equity method	-	(600,000)
Acquisition of property and equipment	(636,015)	(441,322)
Proceeds from disposal of property and equipment	-	170

(Continued)

CHANG HWA COMMERCIAL BANK, LTD.

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

	2020	2019
Acquisition of intangible assets	\$ (175,494)	\$ (137,032)
Acquisition of right-of-use assets	-	(424,879)
Acquisition of investment properties	(580)	(1,203)
Proceeds from disposal of investment properties	<u>17,218</u>	<u>-</u>
Net cash flows used in investing activities	<u>(794,871)</u>	<u>(1,604,266)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in due to the Central Bank and banks	14,836,210	17,707,456
Proceeds from issuing bank notes	10,840,000	5,960,000
Repayments of bank notes	(5,000,000)	(7,991,100)
Decrease in securities sold under repurchase agreement	(320,658)	(3,738,599)
Repayments of the principal portion of lease liabilities	(624,764)	(349,851)
Cash dividends paid	<u>(3,994,124)</u>	<u>(6,265,293)</u>
Net cash flows generated from financing activities	<u>15,736,664</u>	<u>5,322,613</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>(1,211,854)</u>	<u>(681,329)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	41,052,619	(48,903,659)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>130,896,039</u>	<u>179,799,698</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 171,948,658</u>	<u>\$ 130,896,039</u>
	December 31	
	2020	2019
Reconciliation of cash and cash equivalents		
Cash and cash equivalents in the balance sheets	\$ 25,167,907	\$ 31,849,140
Call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	<u>146,780,751</u>	<u>99,046,899</u>
Cash and cash equivalents at end of year	<u>\$ 171,948,658</u>	<u>\$ 130,896,039</u>

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

(Concluded)

CHANG HWA COMMERCIAL BANK, LTD.

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. ORGANIZATION AND BUSINESS SCOPE

Chang Hwa Commercial Bank, Ltd. (the "Bank") was incorporated under Banking Law, Securities and Exchange Law and Taiwan Company Law on March 1, 1947 and obtained its banking license from the Ministry of Economic Affairs in July 1950. The Bank's shares have been listed and traded on the Taiwan Stock Exchange (TWSE) since February 1962.

The Bank mainly engages in the following business:

- All commercial banking operations allowed by the Banking Law;
- Trust operations;
- International banking operations;
- Overseas branch operations authorized by the respective foreign governments; and
- Other operations authorized by the central authority.

The financial statements are presented in the Bank's functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Bank's board of directors on February 25, 2021.

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

- Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

Except for the following, the initial application of the amendments to the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Bank's accounting policies:

- 1) Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform"

Upon retrospective application of the amendments, the Bank complied with the hedge accounting requirements under the assumption that the interest rate benchmark (such as the London Interbank Offered Rate or LIBOR) on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform.

- 2) Amendment to IFRS 16 "Covid-19 - Related Rent Concessions"

The Bank elected to apply the practical expedient provided in the amendment to IFRS 16 with respect to rent concessions negotiated with the lessor as a direct consequence of the COVID-19. The related accounting policies are stated in Note 4. Prior to the application of the amendment, the Bank shall determine whether or not the abovementioned rent concessions need to be accounted for as lease modifications.

The Bank applied the amendment from January 1, 2020. Because the abovementioned rent concessions affect only in 2020, retrospective application of the amendment has no impact on the retained earnings as of January 1, 2020.

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

New IFRSs	Effective Date Announced by the International Accounting Standards Board (IASB)
Amendments to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9"	Effective immediately upon promulgation by the IASB January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform - Phase 2"	June 1, 2020
Amendment to IFRS 16 "Covid-19 - Related Rent Concessions"	June 1, 2020

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

"Interest Rate Benchmark Reform - Phase 2" primarily amends IFRS 9, IFRS 7 and IFRS 16 to provide practical relief from the impact of the interest rate benchmark reform.

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

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

Hedging accounting

The amendments provide the following temporary exceptions to hedging relationships that are subject to the reform:

- 1) The changes to the hedging relationship that are needed to reflect changes required by the reform are treated as a continuation of the existing hedging relationship, and do not result in the discontinuation of hedge accounting or the designation of a new hedging relationship.
- 2) If an entity reasonably expects that an alternative benchmark rate will be separately identifiable within a period of 24 months, it is not prohibited from designating the rate as a non-contractually specified risk component if it is not separately identifiable at the designation date.
- 3) After a cash flow hedging relationship is amended, the amount accumulated in the gain/(loss) on hedging instruments of cash flow hedge is deemed to be based on the alternative benchmark rate on which the hedged future cash flows are determined.
- 4) An entity should allocate the hedged items of a group hedge that is subject to the reform to subgroups based on whether the hedged items have been changed to reference an alternative benchmark rate, and should designate the hedged benchmark rate separately.

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

New IFRSs	Effective Date Announced by IASB (Note 1)
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 2)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 3)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2022 (Note 4)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 5)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 5)

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

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

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

Note 4: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks and Regulations Governing the Preparation of Financial Reports by Securities Firms.

Basis of Preparation

The financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair values, and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 inputs are unobservable inputs for an asset or liability.

Current/Noncurrent Assets and Liabilities

Because of its business characteristics, assets and liabilities of the Bank are classified according to their liquidity rather than classified as current or noncurrent assets or liabilities.

Foreign Currencies

In preparing the Bank’s financial statements, transactions in currencies other than the Bank’s functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which cases, the exchange differences are also recognized directly in other comprehensive income.

For the purpose of presenting financial statements, the functional currencies of the Bank entities and its foreign operations are translated into the presentation currency, the New Taiwan dollar as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

Investments in Subsidiaries

The Bank uses the equity method to account for its investments in subsidiaries.

A subsidiary is an entity that is controlled by the Bank.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Bank’s share of profit or loss and otherwise comprehensive income of the subsidiary. The Bank also recognizes the changes in the Bank’s share of other equity of subsidiaries.



Property and Equipment

Property and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

Property and equipment in the course of construction are measured at cost less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property and equipment when completed and ready for intended use.

Except for freehold land which is not depreciated, the depreciation of property and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effects of any changes in estimates accounted for on a prospective basis.

On derecognition of an item of property and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

Investment Properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties also include land held for a currently undetermined future use.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation is recognized using the straight-line method.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

Intangible Assets

a. Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

b. Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

Impairment of Property and Equipment, Right-of-use Asset and Intangible Assets

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

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

Financial Instruments

Financial assets and financial liabilities are recognized when the bank becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

a. Financial assets

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

1) Measurement categories

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and investments in debt instruments and equity instruments at FVTOCI.

a) Financial assets at FVTPL

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

A financial asset may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise.

Financial assets at FVTPL are subsequently measured at fair value, and dividends, interest earned and remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 34.

- b) Financial assets at amortized cost
- Financial assets that meet the following conditions are subsequently measured at amortized cost:
- i. The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
 - ii. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, trade receivables at amortized cost, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.
- Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:
- i. Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit adjusted effective interest rate to the amortized cost of such financial assets; and
 - ii. Financial assets that are not credit impaired on purchase or origination but have subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.
- A financial asset is credit impaired when one or more of the following events have occurred:
- i. Significant financial difficulty of the issuer or the borrower;
 - ii. Breach of contract, such as a default;
 - iii. It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
 - iv. The disappearance of an active market for that financial asset because of financial difficulties.
- Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.
- c) Investments in debt instruments designated at FVTOCI
- Debt instruments that meet the following conditions are subsequently measured at FVTOCI:
- i. The financial asset is held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of such financial assets; and
 - ii. The contractual terms of the debt instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

d) Investments in equity instruments designated at FVTOCI

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

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

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

2) Impairment of financial assets

The Bank recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables) and investments in debt instruments that are measured at FVTOCI.

The Bank always recognizes lifetime expected credit losses (ECLs) for trade receivables, lease receivables and contract assets. For all other financial instruments, the Bank recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Bank measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

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

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and the carrying amounts of such financial assets are not reduced.

3) Derecognition of financial assets

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



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

b. Equity instruments

Debt and equity instruments issued by the Bank are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by the Bank are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Bank's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Bank's own equity instruments.

c. Financial liabilities

1) Subsequent measurement

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

a) Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when such financial liabilities are either held for trading or designated as at FVTPL.

Financial liabilities held for trading are stated at fair value, and any interest paid on such financial liabilities is recognized in finance costs; any remeasurement gains or losses on such financial liabilities are recognized in other gains or losses.

A financial liability may be designated as at FVTPL upon initial recognition when doing so results in more relevant information and if:

- i. Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- ii. The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and has performance evaluated on a fair value basis, in accordance with the Bank's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- iii. The contract contains one or more embedded derivatives so that the entire combined contract (asset or liability) can be designated as at FVTPL.

For a financial liability designated as at FVTPL, the amount of changes in fair value attributable to changes in the credit risk of the liability is presented in other comprehensive income and will not be subsequently reclassified to profit or loss. The remaining amount of changes in the fair value of that liability which incorporates any interest or dividends paid on such financial liability is presented in profit or loss. The gain or loss accumulated in other comprehensive income will be transferred to retained earnings when the financial liability is derecognized. If this accounting treatment related to credit risk would create or enlarge an accounting mismatch, all changes in the fair value of the liability are presented in profit or loss.

Fair value is determined in the manner described in Note 34.

b) Financial guarantee contracts

Financial guarantee contracts issued by the Bank, if not designated as at FVTPL, are subsequently measured at the higher of:

- i. The amount of the loss allowance reflecting expected credit losses; and
- ii. The amount, initially recognized less, where appropriate, the cumulative amount of income recognized in accordance with the revenue recognition policies.

2) Derecognition of financial liabilities

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

d. Derivative financial instruments

The Bank enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts, FX swap, cross currency swap, interest rate swaps and currency option.

Derivatives are initially recognized at fair value at the date on which the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument; in which event the timing of the recognition in profit or loss depends on the nature of the hedging relationship. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instrument is negative, the derivative is recognized as a financial liability.

Derivatives embedded in hybrid contracts that contain financial asset hosts that is within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets that is within the scope of IFRS 9 (i.e. financial liabilities) are treated as separate derivatives when they meet the definition of a derivative; their risks and characteristics are not closely related to those of the host contracts; and the host contracts are not measured at FVTPL.

Bonds or Securities Purchased/Sold under Specific Agreements

Bonds or securities sold under repurchase agreement are recorded at sale price. Interest revenues and expenses are recorded on accrual basis.

Hedge Accounting

The Bank designates certain hedging instruments, which include derivatives, embedded derivatives and non-derivatives in respect of foreign currency risk, as either fair value hedges. Hedges of foreign exchange risk on firm commitments are accounted for as fair value hedges.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognized in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognized in profit or loss in the line item relating to the hedged item.

The Bank discontinues hedge accounting only when the hedging relationship ceases to meet the qualifying criteria; for instance, when the hedging instrument expires or is sold, terminated or exercised. The fair value adjustment to the carrying amount of the hedged instrument arising from the hedged risk for which the effective interest method is used is amortized to profit or loss from the date on which the hedge accounting is discontinued. The adjustment is based on a recalculated effective interest rate at the date on which amortization begins and will be amortized fully upon maturity of the financial instrument.

Reserve for Liabilities

Reserve for liabilities, including those arising from contractual obligations specified in service concession arrangements to maintain or restore infrastructure before it is handed over to the grantor and levies imposed by governments, are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

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

Revenue Recognition

- a. Dividend and interest income

Dividend income from investments is recognized when the stockholder's right to receive payment has been established provided that it is probable that the economic benefits will flow to the Bank and the amount of income can be measured reliably.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Bank and the amount of income can be measured reliably. Interest income is accrued on a time basis with reference to the principal outstanding and at the applicable effective interest rate. When the loans become past due and are considered uncollectible, the principal and interest receivable are transferred to delinquent loan accounts, and the accrual of interest income is stopped. Interest income will be recognized when the delinquent interest is collected.

If the repayment of loan is extended under an agreement, the related interest should be recognized as deferred revenue, classified into other liability and recognized as income when collected.

A single or a group of financial assets are written off due to impairment loss, the subsequent recognition of interest income is calculated by using the interest rate used by discount future cash flows when measuring impairment loss.

- b. Service fee

Service revenue and real estate management service revenue are recognized at once after providing loans or other services. If the service revenue belongs to several significant items, it is recognized when the significant items accomplished, such as the service revenue which the lead arranger bank of syndication loan received. If the service revenue is for further loan service and of significant amount, it is allocated during the period of the service or included in the base of calculation of the effective interest rate of loans and receivables.

Leases

At the inception of a contract, the Bank assesses whether the contract is, or contains, a lease.

For a contract that contains a lease component and non-lease components, the Bank allocates the consideration in the contract to each component on the basis of the relative stand-alone price and accounts for each component separately.

- a. The Bank as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

When the Bank subleases a right-of-use asset, the sublease is classified by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. However, if the head lease is a short-term lease that the Bank, as a lessee, has accounted for applying recognition exemption, the sublease is classified as an operating lease.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

- b. The Bank as lessee

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

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost, less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms. However, if leases transfer ownership of the underlying assets to the Bank by the end of the lease terms or if the costs of right-of-use assets reflect that the Bank will exercise a purchase option, the Bank depreciates the right-of-use assets from the commencement dates to the end of the useful lives of the underlying assets.



Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate, residual value guarantees, the exercise price of a purchase option if the Bank is reasonably certain to exercise that option, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives receivable. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Bank uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, a change in the amounts expected to be payable under a residual value guarantee, a change in the assessment of an option to purchase an underlying asset, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Bank remeasures the lease liabilities with a corresponding adjustment to the right-of-use assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. For a lease modification that is not accounted for as a separate lease, the Bank accounts for the remeasurement of the lease liability by (a) decreasing the carrying amount of the right-of-use asset of lease modifications that decreased the scope of the lease, and recognizing in profit or loss any gain or loss on the partial or full termination of the lease; (b) making a corresponding adjustment to the right-of-use asset of all other lease modifications. Lease liabilities are presented on a separate line in the balance sheets.

The Bank negotiates with the lessor for rent concessions as a direct consequence of the Covid-19 to change the lease payments originally due by June 30, 2021, that results in the revised consideration for the lease substantially the less than, the consideration for the lease immediately preceding the change. There is no substantive change to other terms and conditions. The Bank elects to apply the practical expedient to all of these rent concessions and, therefore, does not assess whether the rent concessions are lease modifications. Instead, the Bank recognizes the reduction in lease payment in profit or loss as, in the period in which the events or conditions that trigger the concession occur, and makes a corresponding adjustment to the lease liability.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

Employee Benefits

- a. Short-term employee benefits
Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.
- b. Retirement benefits
Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.
Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost, and net interest cost) and net interest on the net defined benefit liability are recognized as employee benefit expense in the period in which they occur. Remeasurement, comprising actuarial gains and losses, and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

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

The Bank provides employees with high-yield savings account. The premium interest rate applies to a fixed amount of principal and the interest is paid to present employees (within employment and retirement) and retired employees. The difference between the premium rate and the market rate is classified as employee benefits.

According to the "Regulations Governing the Preparation of Financial Reports by Public Banks" Rule No. 28, the premium interest resulting from the yield between the premium rate and the general market rate shall immediately be actuarially calculated based on the FSC-recognized IAS 19 when employees retire. However, if there are authorized regulations from the government regarding the actuarial assumption parameters, the regulations shall prevail. Actuarial benefits and service cost from prior periods are recognized as profit or loss when they are incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

a. Current tax

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

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

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

b. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carry forward, research and development expenditures, and personnel training expenditures to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates and interests in joint ventures, except where the Bank is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are recognized only to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Bank expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

c. Current and deferred taxes

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The Bank considers the economic implications of the COVID-19 when making its critical accounting estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

Key Sources of Estimation Uncertainty

Estimated impairment of financial assets

The provision for impairment of trade receivables, investments in debt instruments and financial guarantee contracts is based on assumptions about risk of default and expected loss rates. The Bank uses judgment in making these assumptions and in selecting the inputs for the impairment calculation, which are based on the Bank's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, see Notes 8, 9, 11, 12 and 27. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

6. CASH AND CASH EQUIVALENTS/DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS/DUE TO THE CENTRAL BANK AND BANKS

a. Cash and cash equivalents

	December 31	
	2020	2019
Cash on hand	\$ 12,204,074	\$ 18,315,646
Checks for clearing	4,251,010	3,559,426
Due from banks	6,981,725	8,443,148
Foreign currencies on hand	<u>1,731,098</u>	<u>1,530,920</u>
	<u>\$ 25,167,907</u>	<u>\$ 31,849,140</u>

b. Due from the Central Bank and call loans to banks

	December 31	
	2020	2019
Call loans to banks	\$ 146,780,751	\$ 99,046,899
Reserve for checking accounts	26,392,663	11,299,268
Reserve for demand accounts	49,651,547	44,349,154
Reserve for foreign deposits	531,980	469,765
Others	<u>8,890,106</u>	<u>6,307,170</u>
	<u>\$ 232,247,047</u>	<u>\$ 161,472,256</u>

Cash and cash equivalents and due from the Central Bank and call loans to banks are assessed for impairment using approach similar to those used for investments in debt instruments (refer to Note 10). The Bank considers its cash and cash equivalents to have low credit risk so its credit loss assessment is on a 12-month expected credit loss basis.

c. Due to the Central Bank and banks

	December 31	
	2020	2019
Other dues to the Central Bank	<u>\$ 14,829,050</u>	<u>\$ -</u>

The Bank set aside \$30,000,000 thousand for the Central Bank reserves for demand account in accordance with the Central Bank's regulations on capital requirements as a response to the COVID-19.

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial Assets at Fair Value through Profit or Loss (FVTPL)

	December 31	
	2020	2019
Financial assets mandatorily classified at FVTPL		
Derivative financial assets (not under hedge accounting)		
Futures	\$ 120,403	\$ 114,919
Forward exchange contracts	124,452	140,099
Interest rate swaps	394,122	468,855
Cross-currency swaps	-	21,671
Currency swaps	4,915,742	2,135,583
Currency call option premiums	105,119	59,098
Non-derivative financial assets		
Investment in bills	7,042,832	7,560,413
Domestic listed stock	-	75,046
Government bonds	5,716	5,678
Corporate bonds	<u>1,755,472</u>	<u>902,027</u>
	<u>\$ 14,463,858</u>	<u>\$ 11,483,389</u>

The par value of notes provided for transactions with repurchase agreements was \$387,600 thousand and \$247,000 thousand as of December 31, 2020 and 2019, respectively.

Financial Liabilities at FVTPL

	December 31	
	2020	2019
Financial liabilities held for trading		
Derivative financial liabilities (not applying hedge accounting)		
Forward exchange contracts	\$ 71,115	\$ 32,285
Interest rate swaps	390,853	465,546
Cross-currency swaps	211,325	128,427
Currency swaps	6,515,131	3,561,915
Currency put option premiums	105,141	59,106
	<u>\$ 7,293,565</u>	<u>\$ 4,247,279</u>

The Bank entered into derivative contracts during the years ended December 31, 2020 and 2019 to manage exposures to exchange rate and interest rate fluctuations. The financial risk management objective of the Bank is to minimize risks due to changes in fair value and cash flows.

The nominal principal amounts of outstanding derivative contracts as of December 31, 2020 and 2019 were as follows:

	December 31	
	2020	2019
Currency swaps	\$ 460,858,070	\$ 544,771,238
Currency options	15,472,077	18,546,651
Forward exchange contracts	17,924,875	13,833,533
Interest rate swaps	191,201,583	338,302,150
Cross-currency swaps	3,091,000	7,497,500

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2020	2019
Investments in equity instruments at FVTOCI		
Domestic listed stock	\$ 7,362,952	\$ 6,400,568
Domestic unlisted stock	8,811,998	8,000,918
	<u>16,174,950</u>	<u>14,401,486</u>
Investments in debt instruments at FVTOCI		
Government bonds	26,568,737	28,085,689
Corporate bonds	31,986,914	20,083,472
Bank notes	36,017,659	45,930,016
Bonds issued by international organizations	2,154,265	2,020,092
Beneficiary and asset-based securities	2,669,006	-
Investments in bills	907,688	1,089,328
	<u>100,304,269</u>	<u>97,208,597</u>
	<u>\$ 116,479,219</u>	<u>\$ 111,610,083</u>

A portion of investments in equity instruments is for strategic instruments and not held for trading, the management designated these investments as at FVTOCI.

- Refer to Note 10 for information relating to their credit risk management and impairment.
- The par value of bonds provided for transactions with repurchase agreements was \$762,200 thousand and \$1,178,600 thousand as of December 31, 2020 and 2019, respectively.
- Government bonds placed as deposits in the Court amounted to \$295,900 thousand and \$335,700 thousand as of December 31, 2020 and 2019, respectively. Another government bonds placed as operating deposits amounted to \$330,000 thousand; government bonds placed as reserve fund for trust compensation amounted to \$220,000 thousand and \$170,000 thousand, respectively; overseas branches' bonds provided as collateral for operations amounted to \$281,069 thousand and \$152,304 thousand as of December 31, 2020 and 2019, respectively. Refer to Note 37 for information relating to investments in debt instruments at FVTOCI pledged as security.

9. INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST

	December 31	
	2020	2019
Investments in bills	\$ 338,044,687	\$ 262,797,272
Bank notes	2,822,380	6,710,913
Corporate bonds	-	2,943,223
Government bonds	4,416,380	3,607,568
	<u>\$ 345,283,447</u>	<u>\$ 276,058,976</u>

- Refer to Note 10 for information relating to their credit risk management and impairment.
- The amounts of the overseas branches' bonds provided as collateral for operations were \$140,500 thousand and \$89,970 thousand as of December 31, 2020 and 2019, respectively.
- Certificates of deposit placed as reserves for clearing at the Central Bank amounted to \$36,000,000 thousand; certificates of deposit which were issued by the Central Bank and pledged for call loans from banks amounted to \$5,300,000 thousand as of December 31, 2020 and 2019.
- Refer to Note 37 for information relating to investments in debt instruments at amortized cost pledged as security.

10. CREDIT RISK MANAGEMENT FOR INVESTMENTS IN DEBT INSTRUMENTS

Investments in debt instruments are classified as at FVTOCI and as at amortized cost.

	December 31, 2020		
	At FVTOCI	At Amortized Cost	Total
Gross carrying amount	\$ 99,581,436	\$ 345,285,234	\$ 444,866,670
Less: Allowance for impairment loss	(36,941)	(1,787)	(38,728)
Amortized cost	99,544,495	345,283,447	444,827,942
Adjustment to fair value	759,774		759,774
	<u>\$ 100,304,269</u>		<u>\$ 445,587,716</u>

December 31, 2019

	At FVTOCI	At Amortized Cost	Total
Gross carrying amount	\$ 97,034,186	\$ 276,063,342	\$ 373,097,528
Less: Allowance for impairment loss	(58,563)	(4,366)	(62,929)
Amortized cost	96,975,623	276,058,976	373,034,599
Adjustment to fair value	232,974		232,974
	\$ 97,208,597	\$ 276,058,976	\$ 373,267,573

The Bank only invests in debt instruments that are rated as investment grade or higher and are assessed as having low credit impairment. The credit rating information is supplied by independent rating agencies. The Bank's exposure and the external credit ratings are continuously monitored and assessed for whether there has been a significant increase in credit risk since the last period to the reporting date.

The Bank considers the historical default rates of each credit rating supplied by external rating agencies to estimate 12-month or lifetime expected credit losses. The Bank's current credit risk grading framework comprises the following categories:

Category	Description	Basis for Recognizing Expected Credit Losses
Performing	The counterparty has a low risk of default and a strong capacity to meet contractual cash flows	12-month ECLs
Doubtful	There has been a significant increase in credit risk since initial recognition	Lifetime ECLs - not credit impaired
Defaulted	There is evidence indicating that the asset is credit impaired	Lifetime ECLs - credit impaired

Gross carrying amount and applicable expected credit loss rate of investments in debt instruments are as follows:

December 31, 2020	Expected Loss Rate	At FVTOCI	At Amortized Cost
Performing	0%-0.3365%	\$ 99,581,436	\$ 345,285,234
December 31, 2019	Expected Loss Rate	At FVTOCI	At Amortized Cost
Performing	0%-0.3271%	\$ 96,975,026	\$ 276,063,342
Doubtful	45.0485%	59,160	-
		\$ 97,034,186	\$ 276,063,342

At FVTOCI

	Performing (12-month ECLs)	Doubtful (Lifetime ECLs - Not Credit-impaired)	Defaulted (Lifetime ECLs - Credit-impaired)	Total
Allowance for Impairment Loss	\$ 31,912	\$ 26,651	\$ -	\$ 58,563
Balance at January 1, 2020	96	(26,651)	-	(26,555)
Transfer from doubtful to performing				
Purchase of investments in debt instruments	11,850	-	-	11,850
Derecognition	(9,059)	-	-	(9,059)
Change in exchange rates or others	2,142	-	-	2,142
Balance at December 31, 2020	\$ 36,941	\$ -	\$ -	\$ 36,941
Balance at January 1, 2019	\$ 24,779	\$ -	\$ 141,986	\$ 166,765
Purchase of investments in debt instruments	22,597	26,651	-	49,248
Derecognition	(14,450)	-	(141,986)	(156,436)
Change in exchange rates or others	(1,014)	-	-	(1,014)
Balance at December 31, 2019	\$ 31,912	\$ 26,651	\$ -	\$ 58,563

At amortized cost

	Performing (12-month ECLs)	Doubtful (Lifetime ECLs - Not Credit-impaired)	Defaulted (Lifetime ECLs - Credit-impaired)	Total
Allowance for Impairment Loss	\$ 4,366	\$ -	\$ -	\$ 4,366
Balance at January 1, 2020	35	-	-	35
Purchase of investments in debt instruments	(2,570)	-	-	(2,570)
Derecognition				
Change in exchange rates or others	(44)	-	-	(44)
Balance at December 31, 2020	\$ 1,787	\$ -	\$ -	\$ 1,787
Balance at January 1, 2019	\$ 6,615	\$ -	\$ -	\$ 6,615
Purchase of investments in debt instruments	56	-	-	56
Derecognition	(1,830)	-	-	(1,830)
Change in exchange rates or others	(475)	-	-	(475)
Balance at December 31, 2019	\$ 4,366	\$ -	\$ -	\$ 4,366

11. RECEIVABLES, NET

a. Details of receivables

	2020	December 31, 2019
Accounts receivable	\$ 9,253,969	\$ 10,707,132
Accrued incomes	4,501	6,816
Interests receivable	3,063,416	4,668,851
Acceptances receivable	4,422,920	4,712,390
Credit cards accounts receivable	2,306,682	2,225,416
Settlement price	856,397	340,835
Accounts receivable for settlement	648,785	305,067
Other receivables	1,042,565	451,334
	<u>21,599,235</u>	<u>23,417,841</u>
Less: Allowance for bad debts, receivables	<u>(298,900)</u>	<u>(438,775)</u>
	<u>\$ 21,300,335</u>	<u>\$ 22,979,066</u>

b. Allowance for receivables

1) Movements in the allowance for receivables

	For the Year Ended December 31, 2020					
	12-Month Expected Credit Losses	Lifetime Expected Credit Losses	Realized Credit Impairment	Loss Recognized Based on IFRS 9	Recognized Impairment Difference Based on Regulations Procedures for Building Evaluating Assets and Deal with Non-performing Loans and Bad Debts	Total
Receivables	\$ 22,751	\$ 3,532	\$ 44,895	\$ 71,178	\$ 367,597	\$ 488,775
Beginning balance	-	-	-	-	-	-
Changes from financial instruments recognized at the beginning of the period	-	-	-	-	-	-
Transfers to lifetime expected credit losses	(81)	152	(20)	51	-	51
Transfers to credit-impaired financial assets	(12)	(6)	694	676	-	676
Transfers to 12-month expected credit losses	741	(88)	(249)	404	-	404
Financial assets derecognized for the period	(21,739)	(1,730)	(23,829)	(47,298)	-	(47,298)
Purchased or originated financial assets	19,106	3,381	24,361	46,848	-	46,848
Recognized impairment difference based on the regulations of the procedures for banking assets and deal with non-performing loans and bad debts	-	-	-	-	-	-
Changes in exchange rates or others	(435)	(13)	(17,420)	(17,420)	(123,077)	(123,077)
	<u>(20,224)</u>	<u>(5,228)</u>	<u>(28,421)</u>	<u>(54,300)</u>	<u>(244,520)</u>	<u>(298,900)</u>
Ending balance						

	For the Year Ended December 31, 2019					
	12-Month Expected Credit Losses	Lifetime Expected Credit Losses	Realized Credit Impairment	Loss Recognized Based on IFRS 9	Recognized Impairment Difference Based on Regulations Procedures for Building Evaluating Assets and Deal with Non-performing Loans and Bad Debts	Total
Receivables	\$ 32,146	\$ 2,675	\$ 18,539	\$ 53,340	\$ 580,507	\$ 683,867
Beginning balance	-	-	-	-	-	-
Changes from financial instruments recognized at the beginning of the period	-	-	-	-	-	-
Transfers to lifetime expected credit losses	(56)	53	(39)	(22)	-	(22)
Transfers to credit-impaired financial assets	(5)	(4)	486	477	-	477
Transfers to 12-month expected credit losses	331	(137)	(27)	167	-	167
Financial assets derecognized for the period	(30,904)	(1,722)	(14,803)	(47,429)	-	(47,429)
Purchased or originated financial assets	21,239	2,672	77,418	101,329	-	101,329
Recognized impairment difference based on the regulations of the procedures for banking assets and deal with non-performing loans and bad debts	-	-	-	-	-	-
Changes in exchange rates or others	(20)	(5)	(1)	(26)	-	(26)
	<u>(22,751)</u>	<u>(3,532)</u>	<u>(44,895)</u>	<u>(71,178)</u>	<u>(367,597)</u>	<u>(488,775)</u>
Ending balance						

2) Movements in the total carrying amount of receivables

	For the Year Ended December 31, 2020					
	12-Month Expected Credit Losses	Lifetime Expected Credit Losses	Significant Increase in Risk Due to Lifetime Expected Credit Losses	Credit Impairment Due to Lifetime Expected Credit Losses	Recognized Impairment Difference Based on Regulations Procedures for Building Evaluating Assets and Deal with Non-performing Loans and Bad Debts	Total
Beginning balance	\$ 22,987,575	\$ 161,834	\$ 2,684,432	\$ 23,417,841	-	-
Changes from financial instruments recognized at the beginning of the period	-	-	-	-	-	-
Transfers to lifetime expected credit loss	(53,937)	54,875	(333)	605	-	605
Transfers to credit-impaired financial assets	(12,931)	(674)	9,058	(4,547)	-	(4,547)
Transfers to 12-month expected credit losses	39,687	(11,941)	(627)	27,119	-	27,119
Purchased or originated financial assets	12,257,521	183,980	82,339	12,523,840	-	12,523,840
Derecognized	(13,982,970)	(132,201)	(219,186)	(14,334,357)	-	(14,334,357)
Doubtful debts written off	-	-	-	(17,420)	-	(17,420)
Changes in exchange rates or others	(9,625)	(3,926)	-	(295)	-	(13,846)
	<u>21,225,320</u>	<u>251,947</u>	<u>121,968</u>	<u>21,599,235</u>	<u>(438,775)</u>	<u>21,160,460</u>
Ending balance						

b. Allowance for discounts and loans
1) Movements in the allowance for discounts and loans

	For the Year Ended December 31, 2020					
	12-Month Expected Credit Losses	Lifetime Expected Credit Losses	Realized Credit Impairment	Loss Recognized Based on IFRS 9	Recognized Impairment Difference Based on Regulations of the Procedures for Evaluate Assets and Deal with Non-performing Loans and Bad Debts	Total
Discounts and loans						
Beginning balance	\$ 1,742,669	\$ 1,916,091	\$ 5,033,684	\$ 8,692,444	\$ 8,603,605	\$ 17,296,049
Changes from financial instruments recognized at the beginning of the period						
Transfers to lifetime expected credit losses	(34,926)	51,622	(8,316)	8,380	-	8,380
Transfers to credit-impaired financial assets	(6,826)	(27,546)	41,740	7,368	-	7,368
Transfers to 12-month expected credit losses	303,575	(239,026)	(51,884)	13,065	-	13,065
Financial assets derecognized for the period	(1,225,387)	(1,083,708)	(1,655,220)	(4,064,315)	-	(4,064,315)
Purchased or originated financial assets	905,869	1,486,392	4,915,425	7,307,686	-	7,307,686
Realized impairment differences of the regulations of the procedures for banking institutions to evaluate assets and deal with non-performing loans and doubtful debts written off	-	-	(2,526,259)	(2,526,259)	690,132	(2,526,259)
Changes in exchange rates or others	(13,066)	(8,328)	(7,320)	(28,814)	-	(28,814)
Ending balance	\$ 1,571,908	\$ 2,095,447	\$ 5,742,200	\$ 9,469,555	\$ 9,293,727	\$ 18,702,292

For the Year Ended December 31, 2019

	12-Month Expected Credit Losses	Significant Increase in Risk Due to Lifetime Expected Credit Losses	Credit Impairment Due to Lifetime Expected Credit Losses	Total
Beginning balance	\$ 29,390,179	\$ 158,705	\$ 69,768	\$ 29,618,652
Changes from financial instruments recognized at the beginning of the period				
Transfers to lifetime expected credit loss	(31,690)	27,564	(207)	(4,333)
Transfers to credit-impaired financial assets	(10,381)	(398)	5,718	(5,061)
Transfers to 12-month expected credit losses	217,454	(13,660)	(215)	203,579
Purchased or originated financial assets	14,003,020	94,294	236,123	14,333,437
Derecognized	(20,573,777)	(103,553)	(6,052)	(20,683,382)
Doubtful debts written off	-	-	(36,678)	(36,678)
Changes in exchange rates or others	(7,230)	(1,118)	(25)	(8,373)
Ending balance	\$ 22,987,575	\$ 161,834	\$ 268,432	\$ 23,417,841

12. DISCOUNTS AND LOANS, NET
a. Details of discounts and loans

	December 31	
	2020	2019
Negotiated and discounted	\$ 3,425,322	\$ 3,870,803
Overdrafts	1,297,092	1,289,623
Short-term loans	378,778,599	407,385,225
Margin loans receivable	353,805	288,722
Medium-term loans	426,787,999	422,157,629
Long-term loans	666,142,677	590,198,771
Overdue loans	4,942,391	4,747,136
	1,481,727,885	1,429,937,909
Less: Allowance for loan losses	(18,703,292)	(17,296,049)
	\$ 1,463,024,593	\$ 1,412,641,860

Loans of which the accrual of interest income had ceased internally as of December 31, 2020 and 2019 were \$4,942,391 thousand and \$4,747,136 thousand, respectively. The amounts of interest income that would have been accrued on these loans for the years ended December 31, 2020 and 2019 were \$127,019 thousand and \$126,749 thousand, respectively.

The Bank did not write off any loans without legal claims process during the years ended December 31, 2020 and 2019.

	For the Year Ended December 31, 2019					
	12-Month Expected Credit Losses	Lifetime Expected Credit Losses	Realized Credit Impairment	Loss Recognized Based on FRS 9	Recognized Impairment Due to Regulations on the Procedures for Banking Institutions to Evaluate Assets Non-performing Loans and Bad Debits	Total
Discounts and loans beginning balance	\$ 1,864,003	\$ 1,843,770	\$ 5,102,485	\$ 8,810,258	\$ 7,505,980	\$ 16,316,238
Changes from financial instruments recognized at the beginning of the period:						
Transfers to lifetime expected credit losses	(41,657)	45,751	(908)	3,186	-	3,186
Transfers to credit-impaired financial assets	(7,825)	(73,822)	82,744	1,097	-	1,097
Transfers to 12-month expected credit losses	246,591	(235,577)	(5,313)	5,701	-	5,701
Financial assets derecognized for the period	(1,308,391)	(973,187)	(1,758,089)	(4,039,667)	-	(4,039,667)
Purchased or originated financial assets	995,649	1,312,342	3,758,626	6,066,617	-	6,066,617
Recognized impairment difference based on the regulations of the Federal Reserve regarding past-due to evaluate assets and deal with non-performing loans and bad debts	-	-	(2,144,763)	(2,144,763)	1,097,625	1,097,625
Doubtful debts written off	(5,701)	(3,186)	(1,098)	(9,983)	-	(9,983)
Changes in exchange rates or others	-	-	-	-	-	-
Ending balance	<u>\$ 1,746,669</u>	<u>\$ 1,916,001</u>	<u>\$ 5,033,684</u>	<u>\$ 8,692,444</u>	<u>\$ 8,603,605</u>	<u>\$ 17,296,049</u>

2) Movements in the total carrying amount of discounts and loans

	For the Year Ended December 31, 2020				
	12-Month Expected Credit Losses	Significant Increase in Risk Due to Lifetime Expected Credit Losses	Impairment Due to Lifetime Expected Credit Losses	Total	
Beginning balance	\$ 1,351,913,648	\$ 63,871,331	\$ 14,152,930	\$ 1,429,937,909	
Changes from financial instruments recognized at the beginning of the period:					
Transfers to lifetime expected credit losses	(19,774,901)	20,889,757	(46,077)	1,068,779	
Transfers to credit-impaired financial assets	(3,324,603)	(1,512,509)	5,063,043	225,931	
Transfers to 12-month expected credit losses	11,825,727	(7,673,506)	(108,803)	4,043,418	
Purchased or originated financial assets	736,266,876	35,784,054	7,446,309	779,497,239	
Doubtful debts written off	(674,746,423)	(41,273,480)	(2,526,259)	(725,181,003)	
Derecognized	-	-	(9,161,100)	-	
Changes in exchange rates or others	(4,043,418)	(1,068,778)	(225,933)	(5,338,129)	
Ending balance	<u>\$ 1,398,116,906</u>	<u>\$ 69,016,869</u>	<u>\$ 14,594,110</u>	<u>\$ 1,481,727,885</u>	

	For the Year Ended December 31, 2019				
	12-Month Expected Credit Losses	Significant Increase in Risk Due to Lifetime Expected Credit Losses	Impairment Due to Lifetime Expected Credit Losses	Total	
Beginning balance	\$ 1,269,212,814	\$ 53,608,495	\$ 13,572,155	\$ 1,336,393,464	
Changes from financial instruments recognized at the beginning of the period:					
Transfers to lifetime expected credit losses	(16,471,034)	16,709,870	(9,966)	228,870	
Transfers to credit-impaired financial assets	(2,806,168)	(1,161,154)	3,999,121	31,799	
Transfers to 12-month expected credit losses	6,535,365	(4,498,690)	(44,918)	1,991,757	
Purchased or originated financial assets	689,737,732	28,254,807	6,252,756	724,245,295	
Doubtful debts written off	(592,303,304)	(28,813,127)	(2,144,763)	(628,556,087)	
Derecognized	-	-	(7,439,656)	-	
Changes in exchange rates or others	(1,991,757)	(228,870)	(31,799)	(2,252,426)	
Ending balance	<u>\$ 1,351,913,648</u>	<u>\$ 63,871,331</u>	<u>\$ 14,152,930</u>	<u>\$ 1,429,937,909</u>	

c. Details of provision for bad debts expense, commitment and guarantee for the years ended December 31, 2020 and 2019

	For the Year Ended December 31, 2020		For the Year Ended December 31, 2019	
	2020	2019	2020	2019
Provision for receivable and loan (including overdue loan) losses	\$ 2,818,120	\$ 2,063,708	\$ 2,818,120	\$ 2,063,708
Reversal for loan commitment	(39,985)	(12,142)	(39,985)	(12,142)
Provision for guarantee liability	59,192	75,336	59,192	75,336
Provision for others	4,151	21,163	4,151	21,163
	<u>\$ 2,841,478</u>	<u>\$ 2,148,065</u>	<u>\$ 2,841,478</u>	<u>\$ 2,148,065</u>

13. FINANCIAL ASSETS FOR HEDGING

Financial assets for hedging
Fair value hedges - interest rate swaps

The Bank used interest rate swaps to minimize its exposure to the fair value fluctuations of its fixed-rate borrowings by entering into fixed-to-floating interest rate swap contracts. The interest swaps and the corresponding borrowings have the same terms, and management believes that the interest rate swaps are highly effective hedging instruments. The respective, nominal principal amount of the Bank's outstanding interest rate swaps as of December 31, 2020 and 2019 was \$8,200,000 thousand. The maturity period is from April 19, 2021 to September 27, 2026.

The fixed-to-floating interest swaps were designated and effective fair value hedging instruments. During the years ended December 31, 2020 and 2019, the swaps were effective in hedging the fair value exposure to interest rate movements, and as a result, the carrying amounts of the fixed-rate borrowings were adjusted by \$251,032 thousand and \$261,014 thousand as of December 31, 2020 and 2019, respectively; these amounts were included in profit or loss at the same time that the fair value of the interest rate swap was included in profit or loss.

The information of hedging transactions is as follows:

- a. Hedging type: Fair value hedging.
- b. Hedging objective: To minimize the Bank's risks from changes in fair value due to fluctuating interest rates, by converting fixed-rate notes to floating-rate notes.
- c. Hedging method: By signing interest rate swap contracts, which pay floating rates (interest rate: 0.4798%) and charge fixed rates (interest rate range: 1.2900%-1.6075%).
- d. Hedging effect: The results of hedging are all in the line with the effective range of hedge accounting as defined by IFRSs. The realized gains from hedging tools were \$61,269 thousand and \$70,234 thousand for the years ended December 31, 2020 and 2019, respectively, and the realized gains or losses from fair-value hedging were \$9,981 thousand and \$(11,958) thousand, accounted for as net other non-interest income or loss, for the years ended December 31, 2020 and 2019, respectively.

14. OTHER FINANCIAL ASSETS

	December 31	2019
	2020	2019
Time deposits with original maturities of more than 3 months	\$ 29,725,000	\$ 44,474,375
Exchange bills negotiated	14,941	13,970
Overdue receivables	170,486	179,538
Call loans to security brokers	140,500	-
Less: Allowance for bad debts	<u>(135,141)</u>	<u>(239,002)</u>
	<u>\$ 29,915,786</u>	<u>\$ 44,428,881</u>

The market rates of time deposits with original maturities of more than 3 months were ranging from 0.70%-3.10% and 2.24%-3.53% for the years ended December 31, 2020 and 2019, respectively.

Refer to Note 37 for information relating to other financial assets pledged as security.

15. INVESTMENTS MEASURED BY EQUITY METHOD

	December 31	2019
	2020	2019
Investments in subsidiaries	\$ 12,928,728	\$ 12,484,226
Chang Hua Commercial Bank Ltd.	<u>583,040</u>	<u>603,249</u>
Chang Hwa Bank Venture Capital Co., Ltd.	<u>13,511,768</u>	<u>13,087,475</u>

The Bank established Chang Hwa Bank Venture Capital Co., Ltd. on April 17, 2019. The percentage of ownership equity and voting rights to subsidiaries as of balance sheet date were as follows:

	December 31	2019
	2020	2019
Chang Hua Commercial Bank, Ltd.	100%	100%
Chang Hwa Bank Venture Capital Co., Ltd.	100%	100%

16. PROPERTY AND EQUIPMENT

	December 31	2019
	2020	2019
Assets used by the Bank	\$ 19,967,720	\$ 19,818,627
Assets leased under operating leases	<u>192,652</u>	<u>176,613</u>
	<u>\$ 20,160,372</u>	<u>\$ 19,995,240</u>

a. Asset used by the Bank

Code	Freehold Land	Buildings	Machinery Equipment	Transportation Equipment	Miscellaneous Equipment	Leasehold Improvement	Leased Assets	Construction in Progress and Building and Equipment	Total
Balance at January 1, 2020	\$ 14,647,146	\$ 8,012,092	\$ 4,511,864	\$ 723,567	\$ 1,469,109	\$ 919,847	\$ -	\$ 16,076	\$ 30,899,738
Depreciation	(152,000)	(29,210)	(134,988)	(13,185)	(13,025)	(9,754)	-	(12,171)	(311,222)
Transfer to asset leased	-	-	-	-	-	-	-	-	-
Transfer to asset leased under operating leases	-	(13,758)	222	-	1,588	395	-	(55,237)	(13,758)
Transfer to asset leased under operating leases currency exchange differences	-	28,525	-	-	-	-	-	-	(9,540)
Balance at December 31, 2020	<u>\$ 14,495,146</u>	<u>\$ 8,006,464</u>	<u>\$ 4,689,108</u>	<u>\$ 710,382</u>	<u>\$ 1,485,249</u>	<u>\$ 920,496</u>	<u>\$ -</u>	<u>\$ 59,662</u>	<u>\$ 31,297,111</u>
Accumulated depreciation and impairment	-	-	-	-	-	-	-	-	-
Balance at January 1, 2020	-	\$ 4,376,945	\$ 3,006,098	\$ 611,763	\$ 1,321,831	\$ 844,554	\$ -	\$ -	\$ 11,081,161
Depreciation expense	-	108,866	181,540	29,785	41,809	26,842	-	-	453,342
Transfer to asset leased	-	-	-	-	-	-	-	-	-
Transfer to asset leased under operating leases	-	(10,660)	-	-	-	-	-	-	(10,660)
Transfer to asset leased under operating leases currency exchange differences	-	-	(620)	(282)	(1,221)	(7,545)	-	-	(4,229)
Balance at December 31, 2020	<u>\$ 4,434,644</u>	<u>\$ 4,386,145</u>	<u>\$ 3,084,148</u>	<u>\$ 682,102</u>	<u>\$ 1,313,165</u>	<u>\$ 837,007</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,307,153</u>
Carry amount at December 31, 2020	<u>\$ 14,834,623</u>	<u>\$ 4,401,624</u>	<u>\$ 6,793,256</u>	<u>\$ 78,280</u>	<u>\$ 150,231</u>	<u>\$ 65,492</u>	<u>\$ -</u>	<u>\$ 59,662</u>	<u>\$ 19,967,720</u>
Code									
Balance at January 1, 2020	\$ 14,677,660	\$ 8,578,791	\$ 4,536,744	\$ 718,899	\$ 1,441,896	\$ 923,770	\$ 908	\$ 34,584	\$ 30,915,102
Adjustments on initial investments of IFRS 16	-	-	-	-	-	-	-	-	-
Balance at January 1, 2020	-	-	-	-	-	-	-	-	-
Additions	14,677,660	8,578,791	4,536,744	718,899	1,441,896	923,770	908	34,584	30,915,102
Disposals	(165,000)	(32,911)	(173,307)	(26,622)	(40,316)	(9,492)	-	-	(41,322)
Transfer to asset leased	-	-	-	-	-	-	-	-	-
Transfer to asset leased under operating leases	-	(26,066)	(207,686)	(25,897)	(15,333)	(17,963)	-	-	(292,827)
Transfer to asset leased under operating leases currency exchange differences	(1,831,191)	(10,010)	7,701	4,065	2,145	5,341	-	(72,011)	(100,810)
Balance at December 31, 2019	<u>\$ 14,677,660</u>	<u>\$ 8,602,605</u>	<u>\$ 4,511,864</u>	<u>\$ 723,567</u>	<u>\$ 1,469,109</u>	<u>\$ 919,847</u>	<u>\$ -</u>	<u>\$ 16,076</u>	<u>\$ 30,899,738</u>

(Continued)

Operating leases relate to buildings owned by the Bank with lease terms between 1 and 20 years without an option to extend lease terms. All operating lease contracts contain market review clauses in the event that the lessees exercise their options to extend. The lessees do not have bargain purchase options to acquire the assets at the expiry of the lease periods.

The maturity analysis of lease payments receivable under operating lease payments for property used by the Bank was as follows:

	December 31	
	2020	2019
Year 1	\$ 68,737	\$ 23,081
Year 2	67,682	19,160
Year 3	47,269	10,796
Year 4	16,435	1,883
Year 5	6,671	-
Year 6 onwards	<u>20,330</u>	<u>-</u>
	<u>\$ 227,124</u>	<u>\$ 54,920</u>

The above items of property and equipment leased under operating leases are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings	
Main buildings	20-60 years
Air-conditioning units	5-10 years
Machinery equipment	4-16 years
Transportation equipment	2-10 years
Miscellaneous equipment	3-10 years
Leasehold improvements	5 years

17. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2020	2019
<u>Carrying amount</u>		
Land	\$ 846	\$ 1,636
Buildings	1,429,240	1,523,201
Machinery equipment	34	289
Transportation equipment	57,145	62,677
Miscellaneous equipment	<u>13,709</u>	<u>13,371</u>
	<u>\$ 1,500,974</u>	<u>\$ 1,601,174</u>

	Freehold Land	Buildings	Machinery Equipment	Transportation Equipment	Miscellaneous Equipment	Leasehold Improvement	Leased Assets	Construction in Progress and Work in Hand for Building and Equipment	Total
Balance at January 1, 2020	\$ -	\$ 4,260,000	\$ 3,904,144	\$ 613,640	\$ 1,284,340	\$ 810,959	\$ 148	\$ -	\$ 10,900,033
Adjustments on initial application of IFRS 16	-	-	-	-	-	-	(148)	-	(148)
Depreciation expense	-	(426,000)	(3,904,144)	(613,640)	(1,284,340)	(810,959)	-	-	(10,900,033)
Disposals	-	(25,882)	(206,922)	(23,914)	(15,220)	(17,865)	-	-	(291,703)
Transfers to assets leased under operating leases	-	170,159	309,688	44,375	45,131	32,323	-	-	699,016
Effect of foreign exchange	-	(17,933)	-	-	-	-	-	-	(17,933)
Effect of foreign exchange differences	-	(12,627)	-	-	(12,627)	-	-	-	(25,254)
Balance at December 31, 2019	-	-	(242)	(99)	(129)	(983)	-	-	(1,733)
Balance at December 31, 2020	-	\$ 4,206,045	\$ 3,906,068	\$ 613,263	\$ 1,192,151	\$ 844,554	\$ -	\$ -	\$ 11,081,103
Carrying amount at December 31, 2019	\$ 14,667,416	\$ 4,333,447	\$ 686,282	\$ 91,581	\$ 1,172,568	\$ 75,293	\$ -	\$ 16,029	\$ 19,438,627

b. Assets leased under operating leases

	Buildings
<u>Cost</u>	
Balance at January 1, 2020	\$ 351,452
Transfers from assets used by the Bank	<u>33,758</u>
Balance at December 31, 2020	<u>\$ 385,210</u>
<u>Accumulated depreciation and impairment</u>	
Balance at January 1, 2020	\$ 174,839
Depreciation expense	7,059
Transfers from assets used by the Bank	<u>10,660</u>
Balance at December 31, 2020	<u>\$ 192,558</u>
<u>Carrying amount at December 31, 2020</u>	<u>\$ 192,652</u>

Balance at January 1, 2019	\$ 341,422
Adjustments on initial application of IFRS 16	-
Balance at January 1, 2019 (restated)	<u>341,422</u>
Transfers from assets used by the Bank	<u>10,030</u>
Balance at December 31, 2019	<u>\$ 351,452</u>
<u>Accumulated depreciation and impairment</u>	
Balance at January 1, 2019	\$ 150,467
Adjustments on initial application of IFRS 16	-
Balance at January 1, 2019 (restated)	<u>150,467</u>
Depreciation expense	6,439
Transfers from assets used by the Bank	<u>17,933</u>
Balance at December 31, 2019	<u>\$ 174,839</u>
<u>Carrying amount at December 31, 2019</u>	<u>\$ 176,613</u>

	2020	2019
For the Year Ended December 31		
Additions to right-of-use assets	<u>\$ 546,877</u>	<u>\$ 424,879</u>
Depreciation charge for right-of-use assets		
Land	\$ 1,023	\$ 1,332
Buildings	611,752	624,304
Machinery equipment	115	464
Transportation equipment	36,932	37,139
Miscellaneous equipment	<u>9,525</u>	<u>9,845</u>
	<u>\$ 659,347</u>	<u>\$ 673,084</u>

b. Lease liabilities

	December 31, 2020	December 31, 2019
Carrying amount	<u>\$ 1,325,275</u>	<u>\$ 1,401,162</u>

Range of discount rate for lease liabilities was as follows:

	December 31, 2020	December 31, 2019
Land	0.91%	0.91%
Buildings	0.20%-3.53%	0.20%-2.99%
Machinery equipment	0.20%-2.89%	0.20%-2.89%
Transportation equipment	0.53%-3.53%	2.12%-3.00%
Miscellaneous equipment	0.67%-3.40%	0.86%-2.89%

c. Material lease-in activities and terms

The Bank leases certain buildings for operations of branches with lease terms from 3 to 15 years. The lease contract for offices located in New York specifies that lease payments are subject to 4 modifications during the lease terms and the Bank can sublease the underlying assets. The lease contracts for offices located in Hong Kong and Taiwan specify that the premium for lease is \$2,152 thousand and lease payments will be adjusted each year. In addition, the Bank was prohibited from subleasing all or any portion of the underlying assets.

The Bank did not have significant acquisition of lease contracts as of December 31, 2020 and 2019.

d. Other lease information

Lease arrangements under operating leases for the leasing out of investment properties and freehold property, plant and equipment are set out in Notes 16 and 18.

	December 31, 2020	December 31, 2019
Expenses relating to short-term leases	<u>\$ 34,625</u>	<u>\$ 29,070</u>
Expenses relating to low-value asset leases	<u>\$ 21,977</u>	<u>\$ 32,041</u>
Expenses relating to variable lease payments not included in the measurement of lease liabilities	<u>\$ 154,392</u>	<u>\$ 141,495</u>
Total cash outflow for leases	<u>\$ (210,994)</u>	<u>\$ (202,606)</u>

The Bank's leases of certain land, buildings, transportation equipment and miscellaneous equipment qualify as short-term leases and leases of certain land, machinery equipment and miscellaneous equipment qualify as low-value asset leases. The Bank has elected to apply the recognition exemption and, thus, did not recognize right-of-use assets and lease liabilities for these leases.

For the year ended December 31, 2019, expenses relating to short-term leases also include expenses relating to leases for which the lease terms end on or before December 31, 2019 and for which the recognition exemption is applied. Just before the balance sheet date, the Bank also entered into several lease arrangements for additional office equipment that qualified as short-term leases. The amounts of lease commitments for short-term leases for which the recognition exemption is applied were \$6,844 thousand and \$19,693 thousand as of December 31, 2020 and 2019, respectively.

18. INVESTMENT PROPERTY

	Cost	Completed Investment Property
Balance at January 1, 2020	\$ 14,247,470	
Additions	580	
Disposals	<u>(14,537)</u>	
Balance at December 31, 2020	<u>\$ 14,233,513</u>	
Accumulated depreciation and impairment		
Balance at January 1, 2020	\$ 374,680	
Depreciation expense	6,920	
Disposals	<u>(6,997)</u>	
Balance at December 31, 2020	<u>\$ 374,603</u>	
Carrying amount at December 31, 2020	<u>\$ 13,858,910</u>	
Cost		
Balance at January 1, 2019	\$ 14,097,759	
Additions	1,203	
Reclassification	<u>148,508</u>	
Balance at December 31, 2019	<u>\$ 14,247,470</u>	
Accumulated depreciation and impairment		
Balance at January 1, 2019	\$ 355,383	
Depreciation expense	6,867	
Reclassification	<u>12,430</u>	
Balance at December 31, 2019	<u>\$ 374,680</u>	
Carrying amount at December 31, 2019	<u>\$ 13,872,790</u>	



Operating leases relate to the investment property owned by the Bank with lease terms between 1 and 20 years, with no option to extend. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have a bargain purchase option to acquire the property at the expiry of the lease period.

The maturity analysis of lease payments receivable under operating leases of investment properties as of December 31, 2020 and 2019 was as follows:

	December 31	
	2020	2019
Year 1	\$ 178,492	\$ 193,607
Year 2	166,276	165,533
Year 3	132,429	120,884
Year 4	106,753	102,984
Year 5	97,436	98,343
Year 6 onwards	<u>212,725</u>	<u>427,070</u>
	<u>\$ 894,111</u>	<u>\$ 1,108,421</u>

The investment properties are depreciated using the straight-line method over their estimated useful lives as follows:

Main buildings	20-60 years
Air-conditioning	5-10 years

The investment properties are measured and stated at cost in the balance sheets. For management's purpose, the Bank periodically measures the fair value of investment properties in accordance with the Bank's internal rules and procedures. The Bank conducts valuation process regularly, which is measured by level 3 inputs. The fair values were \$27,303,772 thousand and \$26,959,699 thousand as of December 31, 2020 and 2019, respectively.

All investment properties are own right and interest.

Rental income and direct operating expenses generated by the investment property for the years ended December 31, 2020 and 2019 were as follows:

	For the Year Ended December 31	
	2020	2019
Rental incomes	\$ 178,838	\$ 181,431
Direct operating expenses	<u>\$ 97,966</u>	<u>\$ 103,821</u>

19. INTANGIBLE ASSETS

	Computer Software
Balance at January 1, 2020	\$ 645,360
Additions	175,494
Amortization expense	(221,846)
Reclassification	9,540
Effect of foreign currency exchange differences and others	(31)
	<u>\$ 608,517</u>
Balance at December 31, 2020	<u>\$ 608,517</u>
Balance at January 1, 2019	\$ 714,842
Additions	137,032
Amortization expense	(208,538)
Reclassification	2,001
Effect of foreign currency exchange differences and others	23
	<u>\$ 645,360</u>

The intangible asset mentioned above is amortized on a straight-line basis over the estimated useful life of 3 to 5 years.

20. OTHER ASSETS

	December 31	2019
Refundable deposits	\$ 2,597,942	\$ 954,967
Assumed collateral and residuals	23,418	23,462
Less: Accumulated impairment	(23,418)	(23,462)
Prepayments	128,079	95,024
Others	1,110	1,484
	<u>\$ 2,727,131</u>	<u>\$ 1,051,475</u>

21. DEPOSITS FROM THE CENTRAL BANK AND BANKS

	December 31	
	2020	2019
Deposits from the Central Bank	\$ 24,625	\$ 26,128
Deposits from banks	342,811	225,998
Overdrafts on banks	3,069,54	322,914
Call loans from banks	101,192,760	101,169,640
Deposits transferred from Chungghwa Post Co., Ltd.	<u>325,875</u>	<u>442,907</u>
	<u>\$ 102,193,025</u>	<u>\$ 102,187,587</u>

22. PAYABLES

	December 31	
	2020	2019
Checks issued to payees for clearing	\$ 7,626,187	\$ 6,706,074
Accounts payable	1,655,366	1,592,510
Accrued expenses	1,949,862	2,314,473
Accrued interests	1,648,736	2,538,712
Acceptances	4,712,598	4,820,263
Others	<u>4,373,760</u>	<u>3,704,169</u>
	<u>\$ 21,966,509</u>	<u>\$ 21,676,201</u>

23. DEPOSITS AND REMITTANCES

	December 31	
	2020	2019
Checking account deposits	\$ 41,220,029	\$ 40,797,582
Demand deposits	525,489,360	424,236,193
Time deposits	394,727,506	394,426,165
Negotiable certificates of deposit	2,853,940	6,186,997
Savings account deposits	944,530,955	890,034,856
Remittances	<u>1,212,570</u>	<u>1,455,057</u>
	<u>\$ 1,910,034,360</u>	<u>\$ 1,757,136,850</u>

24. BANK NOTES PAYABLE

The Bank has issued bank notes to enhance its capital adequacy ratio and raised medium to long-term operating funds. The information of the bank notes is as follows:

The Bank issued \$5,000 million perpetual subordinated bank notes 99-1 on June 29, 2010, which is callable after 10 years of issue date. The Bank notes had been redeemed on June 29, 2020.

The Bank issued \$3,300 million subordinated bank notes 100-1 on March 11, 2011, divided into Financial Debenture A \$2,200 million with 7-year term and Financial Debenture B of \$1,100 million with 10-year term.

The Bank issued \$6,700 million subordinated bank notes 100-2 with 10-year term on April 18, 2011.

The Bank issued \$2,200 million subordinated bank notes A 103-1 with 7-year term on April 16, 2014.

The Bank issued \$5,300 million subordinated bank notes B 103-1 with 10-year term on April 16, 2014.

The Bank issued \$2,500 million subordinated bank notes C 103-1 with 10-year term on April 16, 2014.

The Bank issued \$3,000 million subordinated bank notes A 105-1 with 7-year term on September 27, 2016.

The Bank issued \$3,300 million subordinated bank notes B 105-1 with 10-year term on September 27, 2016.

The Bank issued \$1,530 million subordinated bank notes A 106-1 with 7-year term on March 29, 2017.

The Bank issued \$8,670 million subordinated bank notes B 106-1 with 10-year term on March 29, 2017.

The Bank issued \$7,000 million perpetual subordinated bank notes 107-1 on April 26, 2018. Callable 5 years and 3 months after issue date.

The Bank issued \$3,000 million perpetual subordinated bank notes 107-2 on November 8, 2018. Callable 5 years and 1 month after issue date.

The Bank issued \$5,960 million perpetual subordinated bank notes 108-1 on June 27, 2019. Callable 5 years and 1 month after issue date.

The Bank issued \$4,040 million perpetual subordinated bank notes 109-1 on May 27, 2020. Callable 5 years and 1 month after issue date.

The Bank issued \$6,800 million perpetual subordinated bank notes 109-2 on December 25, 2020. Callable 5 years and 1 month after issue date.

The outstanding balance and details of subordinated bank notes are as follows:

Bank Note, Interest Rate and Maturity Date	December 31	
	2020	2019
Hedged financial liabilities at fair value		
103-1 Note A, 7-year term, interest payable annually, interest rate 1.70%, maturity date: April 16, 2021	\$ 2,200,000	\$ 2,200,000
103-1 Note B, 10-year term, interest payable annually, interest rate 1.85%, maturity date: April 16, 2024	3,000,000	3,000,000
105-1 Note A, 7-year term, interest payable annually, interest rate 1.09%, maturity date: September 27, 2023	1,000,000	1,000,000
105-1 Note B, 10-year term, interest payable annually, interest rate 1.20%, maturity date: September 27, 2026	2,000,000	2,000,000
Valuation adjustment	<u>251,032</u>	<u>261,014</u>
	<u>8,451,032</u>	<u>8,461,014</u>
Non-hedged bank notes payable		
99-1, No maturity date, interest payable annually, interest rate from first to tenth year is 3.15%, after tenth year is 4.15%	-	5,000,000
100-1 Note B, 10-year term, interest payable annually, interest rate 1.72%, maturity date: March 11, 2021	1,100,000	1,100,000
100-2, 10-year term, interest payable annually, floating rate, maturity date: April 18, 2021	6,700,000	6,700,000
103-1 Note B, 10-year term, interest payable annually, interest rate 1.85%, maturity date: April 16, 2024	2,300,000	2,300,000
103-1 Note C, 10-year term, interest payable annually, floating rate, maturity date: April 16, 2024	2,500,000	2,500,000
105-1 Note A, 7-year term, interest payable annually, interest rate 1.09%, maturity date: September 27, 2023	2,000,000	2,000,000
105-1 Note B, 10-year term, interest payable annually, interest rate 1.20%, maturity date: September 27, 2026	1,300,000	1,300,000

(Continued)

Bank Note, Interest Rate and Maturity Date	December 31	
	2020	2019
106-1 Note A, 7-year term, interest payable annually, interest rate 1.50%, maturity date: March 29, 2024	\$ 1,530,000	\$ 1,530,000
106-1 Note B, 10-year term, interest payable annually, interest rate 1.85%, maturity date: March 29, 2027	8,670,000	8,670,000
107-1, no maturity date, interest payable annually, interest rate 2.66%	7,000,000	7,000,000
107-2, no maturity date, interest payable annually, interest rate 2.30%	3,000,000	3,000,000
108-1, no maturity date, interest payable annually, interest rate 1.90%	5,960,000	5,960,000
109-1, no maturity date, interest payable annually, interest rate 1.40%	4,040,000	-
109-2, no maturity date, interest payable annually, interest rate 1.25%	6,800,000	-
	<u>52,900,000</u>	<u>47,060,000</u>
	\$ 61,351,032	\$ 55,521,014
		(One included)

The Bank engaged in derivative transactions as hedging instruments for the 103-1 Note A, 103-1 Note B, 105-1 Note A and 105-1 Note B fixed interest rate bank notes to avoid fair value risks due to changes in interest rates. The nominal principal of interest rate swaps was accounted for as hedging derivative financial assets (refer to Note 13).

25. OTHER FINANCIAL LIABILITIES

	December 31	
	2020	2019
Principal received on structured notes	\$ 1,325,070	\$ 3,495,607
Appropriations for loans	624,079	779,293
	<u>1,949,149</u>	<u>4,274,900</u>

The principals received on structured notes were the hybrid instruments issued at fixed income. The related income of structured notes was credit determined by the interest rates linked to targets.

26. OTHER LIABILITIES

	December 31	
	2020	2019
Advance receipts	\$ 596,754	\$ 650,131
Guarantee deposits	1,863,163	1,855,967
Deferred revenue	9,774	12,835
	<u>2,469,691</u>	<u>2,518,933</u>

27. RESERVE FOR LIABILITIES

	December 31	
	2020	2019
Reserve for employee benefits (Note 28)	\$ 4,208,987	\$ 4,248,254
Reserve for guarantee liabilities	671,506	612,486
Reserve for loan commitments	312,144	353,357
Reserve for decommissioning restoration and rehabilitation costs	57,009	55,603
Others	<u>57,085</u>	<u>53,033</u>
	\$ 5,306,731	\$ 5,322,733

Movements in reserve for guarantee liabilities, reserve for loans commitments and reserve for others were as follows:

	For the Year Ended December 31, 2020					
	12-Month Expected Credit Losses	Lifetime Expected Credit Losses	Realized Credit Impairment	Loss Recognized Based on IFRS 9	Recognized Impairment Difference Based on Regulations	Total
Beginning balance	\$ 454,267	\$ 52,208	\$ 28,131	\$ 534,606	\$ 484,270	\$ 1,018,876
Changes from financial instruments recognized at the beginning of the period:						
Transfers to lifetime expected credit losses	(4,211)	4,990	-	779	-	779
Transfers to credit-impaired financial assets	(4)	(179)	195	12	-	12
Transfers to 12-months expected credit losses	22,354	(21,455)	-	899	-	899
Financial instruments derecognized for the period	(338,508)	(11,592)	(6,321)	(356,421)	-	(356,421)
Purchased or originated financial instruments	281,171	58,997	11,463	351,631	-	351,631
Recognized impairment difference based on regulations	-	-	-	-	26,649	26,649
Changes in exchange rates and others	(899)	(779)	(12)	(1,690)	-	(1,690)
Ending balance	\$ 414,170	\$ 82,190	\$ 33,456	\$ 529,816	\$ 510,919	\$ 1,040,735

	For the Year Ended December 31, 2019					
	12-Month Expected Credit Losses	Lifetime Expected Credit Losses	Realized Credit Impairment	Loss Recognized Based on IFRS 9	Recognized Impairment Difference Based on Regulations	Total
Beginning balance	\$ 454,525	\$ 26,188	\$ 41,182	\$ 521,895	\$ 413,245	\$ 935,140
Changes from financial instruments recognized at the beginning of the period:						
Transfers to lifetime expected credit losses	(5,502)	5,711	-	209	-	209
Transfers to credit-impaired financial assets	(19)	(9)	29	1	-	1
Transfers to 12-months expected credit losses	1,511	(930)	-	581	-	581
Financial instruments derecognized for the period	(345,752)	(6,707)	(18,005)	(370,464)	-	(370,464)
Purchased or originated financial instruments	350,051	28,205	4,925	383,181	-	383,181
Recognized impairment difference based on regulations	-	-	-	-	71,025	71,025
Changes in exchange rates and others	(547)	(280)	-	(797)	-	(797)
Ending balance	\$ 454,267	\$ 52,208	\$ 28,131	\$ 534,606	\$ 484,270	\$ 1,018,876

28. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Bank adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, the Bank makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plans

The defined benefit plan adopted by the Bank in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Bank contributes amounts equal to 10% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Bank assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Bank is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Bank has no right to influence the investment policy and strategy.

The amounts included in the balance sheets in respect of the Bank's defined benefit plans were as follows:

	December 31	December 31	December 31
	2020	2019	2019
Present value of defined benefit obligation	\$ 9,980,084	\$ 9,979,092	
Fair value of plan assets	<u>(7,231,186)</u>	<u>(7,152,662)</u>	
Deficit	2,748,898	2,826,430	
Others	<u>14,644</u>	<u>13,351</u>	
Net defined benefit liability	<u>\$ 2,763,542</u>	<u>\$ 2,839,781</u>	

Movements in net defined benefit liability (asset) were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
Balance at January 1, 2020	\$ 9,979,092	\$ 7,152,662	\$ 2,826,430
Service cost			
Current service cost	239,179	-	239,179
Net interest cost	<u>69,159</u>	<u>50,430</u>	<u>18,729</u>
Recognized in profit or loss	<u>308,338</u>	<u>50,430</u>	<u>257,908</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	239,332	(239,332)
Actuarial loss - changes in financial assumptions	385,440	-	385,440
Actuarial loss - experience adjustments	<u>113,545</u>	<u>-</u>	<u>113,545</u>
Recognized in other comprehensive income	<u>498,985</u>	<u>239,332</u>	<u>259,653</u>

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
Contributions from the employer	\$ -	\$ 595,093	\$ (595,093)
Benefits paid	<u>(806,331)</u>	<u>(806,331)</u>	<u>-</u>
Balance at December 31, 2020	<u>\$ 9,980,084</u>	<u>\$ 7,231,186</u>	<u>\$ 2,748,898</u>
Balance at January 1, 2019	\$ 9,864,472	\$ 6,915,260	\$ 2,949,212
Service cost			
Current service cost	246,671	-	246,671
Net interest cost	<u>97,919</u>	<u>69,968</u>	<u>27,951</u>
Recognized in profit or loss	<u>344,590</u>	<u>69,968</u>	<u>274,622</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	245,537	(245,537)
Actuarial loss - changes in financial assumptions	301,482	-	301,482
Actuarial loss - experience adjustments	<u>101,043</u>	<u>-</u>	<u>101,043</u>
Recognized in other comprehensive income	<u>402,522</u>	<u>245,537</u>	<u>156,988</u>
Contributions from the employer	<u>554,392</u>	<u>554,392</u>	<u>(554,392)</u>
Benefits paid	<u>(632,495)</u>	<u>(632,495)</u>	<u>-</u>
Balance at December 31, 2019	<u>\$ 9,979,092</u>	<u>\$ 7,152,662</u>	<u>\$ 2,826,430</u>

(Concluded)

Through the defined benefit plans under the Labor Standards Law, the Bank is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government and corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	December 31
	2020	2019
Discount rate(s)	0.30%	0.70%
Expected rate(s) of salary increase	2.05%	2.05%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	December 31	
	2020	2019
Discount rate(s)		
0.25% increase	\$ (243,495)	\$ (244,279)
0.25% decrease	\$ 252,484	\$ 253,503
Expected rate(s) of salary increase		
0.25% increase	\$ 247,459	\$ 249,465
0.25% decrease	\$ (239,970)	\$ (241,687)

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2020	2019
The expected contributions to the plan for the next year	\$ 302,772	\$ 301,644
The average duration of the defined benefit obligation	10 years	10 years

c. Plan of high-yield savings account for employee

The Bank has the obligation to pay premium interest on the high-yield savings account of its present employees and retired employees. Such obligation is recognized based on its internal guidelines in the Rules of Employee Preferential Deposit for Retired Employees. Refer to Note 30 for information on related expenses.

1) Reconciliation of assets and liabilities at the end of the reporting period with the present value of defined benefit obligation and the fair value of plan assets was as follows:

	December 31	
	2020	2019
Present value of defined benefit obligation	\$ 1,445,445	\$ 1,408,473
Less: Fair value of defined benefit plan assets	-	-
Assets and liabilities at the end of the reporting period	\$ 1,445,445	\$ 1,408,473
2) Analysis of defined benefit obligation		
All or part of defined benefit obligation contributed	\$ -	\$ -
Defined benefit obligation not contributed	\$ 1,445,445	\$ 1,408,473
	\$ 1,445,445	\$ 1,408,473

3) Movements of the present value of defined benefit obligation

	For the Year Ended December 31	
	2020	2019
Balance at January 1	\$ 1,408,473	\$ 1,375,993
Interest cost	53,377	52,169
Actuarial gains and losses	276,830	264,525
Benefits paid	(293,235)	(284,214)
Balance at December 31	\$ 1,445,445	\$ 1,408,473

4) Movements of the fair value of plan assets

	For the Year Ended December 31	
	2020	2019
Balance at January 1	\$ -	\$ -
Contribution by employers	293,235	284,214
Benefits paid	(293,235)	(284,214)
Balance at December 31	\$ -	\$ -

5) Details of gains and losses recognized in expenses

	For the Year Ended December 31	
	2020	2019
Interest cost	\$ 53,377	\$ 52,169
Actuarial gains and losses	276,830	264,525
	\$ 330,207	\$ 316,694

6) Main actuarial assumptions

	For the Year Ended December 31	
	2020	2019
Discount rate of high-yield savings account for employee	4.00%	4.00%
Return rate of funds deposited	2.00%	2.00%
Account balance decrease rate per year	1.00%	1.00%
Probability of future high-yield savings account system change	50.00%	50.00%
Mortality rate		
	Based on Taiwan Life Insurance Industry Mortality Tables	Based on Taiwan Life Insurance Industry Mortality Tables
Rate provided to ordinary clients for similar deposit	1.09%-1.14%	1.09%-1.14%

29. EQUITY

a. Capital

Common stock

	December 31	
	2020	2019
Share granted (in thousands)	<u>\$ 11,000,000</u>	<u>\$ 11,000,000</u>
Capital stock granted	<u>\$ 110,000,000</u>	<u>\$ 110,000,000</u>
Share issued and fully paid (in thousands)	<u>10,384,724</u>	<u>9,985,311</u>
Capital stock issued	<u>\$ 103,847,236</u>	<u>\$ 99,853,111</u>

Fully paid common stock, with a par value at \$10, carry one vote per stock and carry a right to dividends.

As of January 1, 2019, the Bank's authorized and registered capital was \$110,000,000 thousand divided into 11,000,000 thousand shares at \$10 par value; the total paid-in capital was \$97,895,207 thousand. In August 2020 and August 2019, the Bank resolved its capitalization of earnings and increased its paid-in capital by \$3,994,125 thousand and \$1,957,904 thousand, respectively. The amount of the Bank's authorized and registered capital as at December 31, 2020 and 2019 was \$110,000,000 thousand divided into 11,000,000 thousand shares and, also at those dates, the total amounts of paid-in capital were \$103,847,236 thousand and \$99,853,111 thousand divided into 10,384,724 thousand and 9,985,311 thousand outstanding shares at \$10 par value, respectively.

b. Distribution of earnings and dividend policy

Under the dividend policy as set forth in the Bank's amended Articles of Incorporation, where the Bank generates profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 30% of the remaining profit, setting aside or reversing special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Bank's board of directors as the basis for proposing distribution plan, and 30% to 100% of the basis for proposing distribution plan should be resolved in the stockholders' meeting for distribution of dividends and bonus to stockholders. For the policies on distribution of employees' compensation and remuneration of directors after amendment, refer to Note 30 (g) "employees' compensation and remuneration of directors".

To ensure the Bank has sufficient cash for present and future expansion plans and to enhance the profitability, the Bank prefers to distribute more stock dividends, but cash dividends shall not be less than 10% of total dividends distributed. If the cash dividends are less than \$0.1 per share, the Bank will not distribute any cash dividends, unless otherwise resolved in the stockholders' meeting.

Appropriation of earnings to legal reserve shall be made until the balance of legal reserve reaches the Bank's paid-in capital. Legal reserve may be used to offset deficit. If the Bank has no deficit and the legal reserve has exceeded 25% of the Bank's paid-in capital, the excess may be transferred to capital or distributed in cash.

Items referred to under Rule No. 1010012865, Rule No. 1010047490 and Rule No. 1030006415 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Bank.

Under Rule No. 10510001510 issued by the FSC on May 25, 2016, the Bank should appropriate 0.5%-1.0% of net income as a special reserve when distributing surplus earnings for 2016, 2017 and 2018. Since 2017, the Bank should reverse an amount which is the same as the distributed surplus earnings mentioned above for the expenses of employees' bridging-over arrangements and settlements caused by the development of financial technology.

The Bank cannot distribute cash dividends or purchase treasury stock if the Bank has experienced any of the situations as cited in Item 1, Section 1, Article 44 of the Banking Law.

The maximum amount of cash dividends cannot exceed 15% of the Bank's total capital if the Bank's capital surplus is less than the capital as cited in Section 1.

The restriction of the cash dividends stated above does not apply if the Bank's capital surplus exceeds the capital or the Bank's financial position satisfied the criteria from the authority and also the Bank appropriates the legal reserve based on the Banking Law.

The appropriations of earnings for 2019 and 2018 were approved in the stockholders' meetings on June 19, 2020 and June 14, 2019, respectively. The appropriations of earnings and dividends per stock were as follows:

	2019	2018
	Appropriation of Earnings	
	For the Year Ended December 31	
Legal reserve	<u>\$ 3,434,160</u>	<u>\$ 3,793,961</u>
Special reserve	<u>\$ -</u>	<u>\$ 63,232</u>
Cash dividends	<u>\$ 3,994,124</u>	<u>\$ 6,265,293</u>
Share dividends	<u>\$ 3,994,124</u>	<u>\$ 1,957,904</u>
Cash dividends per share (NT\$)	<u>\$0.40</u>	<u>\$0.64</u>
Share dividends per share (NT\$)	<u>\$0.40</u>	<u>\$0.20</u>

The appropriation of earnings for 2020 is subject to the resolution of shareholders in the shareholders' meeting to be held in June 2021.

c. Special reserve

	2020	2019
Balance at January 1 Initial application of IFRSs	\$ 11,778,829	\$ 11,778,829
Reversals:		
Disposal of investment property	(3,058)	-
Others	<u>425,819</u>	<u>425,819</u>
	<u>\$ 12,201,590</u>	<u>\$ 12,204,648</u>

If the special reserve relating to land may be reversed on the disposal or reclassification of the related assets, Additional special reserve should be appropriated for the amount equal to the difference between net debit balance reserves and the special reserve appropriated on the first-time adoption of IFRSs. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses and is thereafter distributed.

30. NET INCOME

a. Net interest income

	For the Year Ended December 31	2019
	2020	
Interest income		
Loans	\$ 23,704,120	\$ 28,420,133
Due from and call loans to banks	1,852,343	5,246,239
Investments in marketable securities	3,240,822	4,256,993
Others	<u>139,473</u>	<u>265,665</u>
	28,936,758	38,189,030
Interest expense		
Deposits	(8,598,882)	(12,503,436)
Due to central bank and call loans from banks	(844,254)	(2,468,999)
Others	<u>(1,051,920)</u>	<u>(1,145,589)</u>
	(10,495,056)	(16,118,024)
Net interest income	<u>\$ 18,441,702</u>	<u>\$ 22,071,006</u>

b. Net service fee income

	For the Year Ended December 31	2019
	2020	
Service fee income		
Fees from import and export	\$ 239,994	\$ 297,641
Remittance fees	375,118	449,042
Loan fees	621,233	457,516
Fees from trust	1,057,414	774,748
Fees from trust business	394,890	330,872
Fees from insurance agency	1,633,445	2,239,128
Others (1)(2)	<u>1,281,092</u>	<u>1,266,326</u>
	5,603,186	5,815,273
Service charge		
Interbank charges	(158,421)	(159,582)
Charges from trust	(18,673)	(17,884)
Custodian charges	(113,728)	(115,441)
Charges from insurance agency	(184,233)	(262,997)
Others	<u>(614,258)</u>	<u>(644,320)</u>
	(1,089,313)	(1,200,224)
Net service fee income	<u>\$ 4,513,873</u>	<u>\$ 4,615,049</u>

1) The service fee income from electronic payment business was \$1,071 thousand and \$4,257 thousand for the years ended December 31, 2020 and 2019, respectively.

2) In accordance with "Regulation Governing the Organization and Administration of Sinking Fund Established by Electronic Payment Institutions", the yield income from electronic payment business was \$0.3 thousand and \$1 thousand for the years ended December 31, 2020 and 2019, respectively.

c. Gain (loss) on financial assets or liabilities measured at FVTPL

	For the Year Ended December 31	2019
	2020	
Realized gain (loss) on financial assets or liabilities measured at FVTPL		
Stock and mutual funds	\$ (32,903)	\$ 30,748
Bonds	14,782	20,351
Bills	653	(32)
Derivative financial instruments	1,924,002	2,301,772
Net interest (loss) gain	87,036	(304,628)
Stock dividends and bonus	<u>2,469</u>	<u>2,469</u>
	1,993,570	2,050,680
Valuation gain (loss) on financial assets or liabilities measured at FVTPL		
Stock	455	(455)
Bonds	(73,579)	(317,847)
Bills	(2,604)	215
Derivative financial instruments	(278,996)	104,180
	<u>(354,724)</u>	<u>(213,907)</u>
	\$ 1,638,846	\$ 1,836,773

d. Realized gain (loss) on financial assets at FVTOCI

	For the Year Ended December 31	2019
	2020	
Stock dividends and bonus	\$ 631,958	\$ 521,158
Disposal gains		
Beneficiary securities	52,266	58,990
Bonds	534,252	786,568
Disposal losses		
Beneficiary securities	(7,178)	(671)
Bonds	<u>(55,325)</u>	<u>(13,378)</u>
	\$ 1,155,973	\$ 1,352,667

e. Depreciation and amortization expense

	For the Year Ended December 31	2019
	2020	
Property and equipment	\$ 460,401	\$ 505,513
Investment property	6,920	6,867
Right-of-use assets	659,347	673,084
Intangible assets and other deferred assets	<u>222,221</u>	<u>208,904</u>
	\$ 1,348,889	\$ 1,394,368

f. Employee benefits expenses

	For the Year Ended December 31 2020	2019
Short-term employee benefits	\$ 9,359,894	\$ 9,570,076
Post-employment benefits		
Defined contribution plans	215,672	195,093
Defined benefit plans	257,908	274,622
High-yield savings account for employees	330,207	316,694
Other post-employment benefits	374,926	275,359
Termination benefits	11,716	9,640
	<u>\$ 10,550,323</u>	<u>\$ 10,641,484</u>

Salary adjustments for 2020:

- 1) As recognition of the employees' dedication and hard work and to boost employee morale, the Bank made an adjustment to annual salary in 2020 and implemented overall evaluation on April 1, 2020.
- 2) The salary adjustment is based on the results of the performance appraisal and the demonstrated motivation and dedication of outstanding rank-and-file employees; the salary adjustment plan of the Bank in 2020 consisted of performance grades: Employees who earned 6 points performance appraisal received a 3.3% raise in monthly salary; employees who earned 5 points (including 5A and 5B) received a 2.4% raise in monthly salary; employees who earned 4 points (including 4A, 4B and 4C) received a 1.6% raise in monthly salary; employees who earned 3 points received a 1% raise in monthly salary.
- 3) To take care of the grassroots employees, the Bank also provided qualified fixed salary adjustments for employees at job levels 5 to 7.
- 4) The annual salary adjustment in 2020 was implemented on April 1, 2020. The average salary increase of all employees was 1.6%. The average salary increase and the highest salary increase of employees at job levels 5 to 7 were both 5.78%. In spite of the environment affected by COVID-19 and the low profit, the salary adjustments show the determination of the Bank to fulfill the duty of care towards its employees and implement corporate social responsibility.

Appraisal	Year	
	Job Levels 5 to 7 and Less than 5 Years Seniority	Other Job Levels
6 points (Premium)	1,000+3.3%	3.3%
5 points (Including 5A and 5B)	1,000+2.4%	2.4%
4 points (Including 4A, 4B and 4C)	1,000+1.6%	1.6%
3 points (Qualified)	800+1%	1%
2 points (Unqualified)	-	-
1 points (Unqualified)	-	-
Average salary increase of the Bank	-	1.60%

g. Employees' compensation and remuneration of directors

The Bank accrued employees' compensation and remuneration of directors at the rates of 1%-6% and no higher than 0.8%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. The employees' compensation and the remuneration of directors for the years ended December 31, 2020 and 2019, which were approved by the Bank's board of directors on March 2021 and March 20, 2020, respectively, are as follows:

Accrual rate	For the Year Ended December 31	
	2020 (Expected)	2019
Employees' compensation	5.0%	5.0%
Remuneration of directors	0.4%	0.4%
Amount		
	<u>For the Year Ended December 31 2020 (Expected)</u>	<u>2019</u>
Employees' compensation	\$ 447,199	\$ 714,178
Remuneration of directors	\$ 35,200	\$ 57,134

If there is a change in the amounts after the annual financial statements are authorized for issue, the differences will be recorded as a change in the accounting estimate.

There was no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the year ended December 31, 2019.

Due to changes in accounting estimates, the actual amount of employees' compensation and remuneration of directors, which was resolved in the meeting of the board of directors on March 15, 2019 differs from what was accrued in the financial statements for 2018. The difference was then adjusted to profit and loss for 2019.

	For the Year Ended December 31, 2018	
	Employees' Compensation	Remuneration of Directors
Amounts approved in the board of directors' meeting	\$ 777,327	\$ 62,186
Amounts recognized in the annual financial statements	<u>\$ 777,500</u>	<u>\$ 62,500</u>
Differences	<u>(173)</u>	<u>(314)</u>

Information on the employees' compensation and remuneration of directors resolved by the Bank's board of directors in 2020 and 2019 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

31. INCOME TAX

a. Major components of tax expense recognized in profit or loss

	For the Year Ended December 31	2019
	2020	
Current income tax	\$ 996,515	\$ 1,425,691
In respect of the current period	1,186	15,617
Income tax on unappropriated earnings	272,871	499,386
Deferred income tax	1,270,572	1,940,694
In respect of the current period		
Income tax expense recognized in profit or loss	<u>\$ 1,270,572</u>	<u>\$ 1,940,694</u>

A reconciliation of accounting profit and income tax expenses is as follows:

	For the Year Ended December 31	2019
	2020	
Profit before tax	\$ 8,311,499	\$ 13,512,476
Income tax expense calculated at the statutory rate	1,662,299	2,702,495
Non-deductible expenses in determining taxable income	3,320	479
Income tax on unappropriated earnings	1,186	15,617
Land value increment tax	(2,476)	-
Overseas' branch's additional income of deferred tax effect	(13,221)	203,757
Tax-exempt income	(680,953)	(1,077,899)
Non-deductible tax of overseas branches	285,437	112,096
Adjustments for prior years' tax	11,864	4,748
Others	3,116	(20,592)
Income tax expense recognized in profit or loss	<u>\$ 1,270,572</u>	<u>\$ 1,940,694</u>

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	2019
	2020	
Deferred tax		
In respect of the current year:		
Exchange differences on translation	\$ 109,766	\$ (157,891)
Unrealized gains (losses) on financial assets at FVTOCI	7,275	36,318
Actuarial losses on defined benefit plan	(51,935)	(31,412)
Total income tax benefit recognized in other comprehensive income	<u>\$ 65,106</u>	<u>\$ (152,985)</u>

c. Current tax assets and liabilities

	2020	2019
Current tax assets		
Tax refund receivable	\$ 164,394	\$ 164,394
Others	231,864	43,004
	<u>\$ 396,258</u>	<u>\$ 207,398</u>
Current tax liabilities		
Income tax payable	\$ 829,711	\$ 465,752

d. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

	Beginning Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Others	Ending Balance
For the year ended December 31, 2020					
Deferred tax assets					
Temporary differences	\$ 1,521,899	\$ (279,014)	-	-	\$ 1,242,885
Doubtful debts	1,675,449	401,225	(57,830)	(16,276)	2,002,568
Others	3,197,348	122,211	(67,830)	(16,276)	3,245,453
Deferred tax liabilities					
Land value increment tax	\$ 6,156,692	\$ (2,476)	-	-	\$ 6,154,216
Temporary differences	1,735,697	397,558	7,276	-	2,140,531
	<u>\$ 7,892,389</u>	<u>\$ 395,082</u>	<u>\$ 7,276</u>	<u>\$ -</u>	<u>\$ 8,294,747</u>
For the year ended December 31, 2019					
Deferred tax assets					
Temporary differences	\$ 1,510,676	\$ 11,223	-	-	\$ 1,521,899
Doubtful debts	1,490,729	189,626	(4,906)	-	1,675,449
Others	3,001,405	200,849	(4,906)	-	3,197,348
Deferred tax liabilities					
Land value increment tax	\$ 6,156,692	-	-	-	\$ 6,156,692
Temporary differences	1,193,353	700,235	(157,891)	-	1,735,697
	<u>\$ 7,350,045</u>	<u>\$ 700,235</u>	<u>\$ (157,891)</u>	<u>\$ -</u>	<u>\$ 7,892,389</u>

e. Income tax assessments

The Bank's income tax returns through 2017 had been examined and cleared by the tax authority.

32. EARNINGS PER SHARE

The computation of earnings per share was retrospectively adjusted for the effects of adjustments resulting from bonus stock issued on August 17, 2020. The basic and diluted after-tax earnings per stock for 2019 were adjusted retrospectively as follows:

	Unit: NT\$ Per Stock	
	Before Adjusted Retrospectively	After Adjusted Retrospectively
Basic earnings per stock	\$ 1.16	\$ 1.11
Diluted earnings per stock	\$ 1.15	\$ 1.11

The earnings and weighted average number of common stock outstanding in the computation of earnings per stock were as follows:

	For the Year Ended December 31	2019
	2020	2019
Net profit for the year	\$ 7,040,927	\$ 11,571,782

The weighted average number of common stock outstanding (in thousands of stock) is as follows:

	For the Year Ended December 31	2019
	2020	2019
Weighted average number of common stock in computation of basic earnings per stock	10,384,724	10,384,724
Effect of potentially dilutive common stock: Employees' compensation issued	<u>31,277</u>	<u>38,631</u>
Weighted average number of common stock used in the computation of diluted earnings per stock	<u>10,416,001</u>	<u>10,423,355</u>

If the Bank offered to settle compensation or bonuses paid to employees in cash or stock, the Bank assumed the entire amount of the compensation or bonus would be settled in stock and the resulting potential stock were included in the weighted average number of stock outstanding used in the computation of diluted earnings per stock, as the effect is dilutive. Such dilutive effect of the potential stock is included in the computation of diluted earnings per stock until the number of stock to be distributed to employees is resolved in the following year.

33. CAPITAL RISK MANAGEMENT

a. Summary

The Bank's goals in capital management are as follows:

- 1) The Bank's qualified regulatory capital should meet the requirement of capital adequacy regulations, and reached the minimum capital adequacy ratio.
- 2) To ensure the Bank is able to meet the capital needs, it should be evaluated periodically and observed the variation between regulatory capital and risk assets to keep common equity ratio in the interval approved by the board of directors.
- 3) Related to the calculation of qualified regulatory capital and legal capital were according to the regulation of administration.

b. Capital management procedures

The Bank kept capital adequacy ratio completely to meet the requirement of the administration, and declared to the administration quarterly.

In addition, the capital management procedures for the overseas subsidiaries of the Bank were carried out according to the regulation of local administrations.

The Bank's capital adequacy performance, which was calculated based on Regulations Governing the Capital Adequacy and Capital Category of Banks, was reported to the Asset and Liability Management Committee of the Bank periodically. The regulatory capital was classified into Tier 1 Capital, other Tier 1 Capital and Tier 2 Capital.

- 1) Tier 1 Capital: Include Common Equity and other Tier 1 Capital
Common Equity: Include common stock (include capital collected in advance), Capital reserves (exclude additional paid-in capital in excess of par - preferred stock), accumulated profit, reserve and adjusted equity. Deduct: Legal adjustments.
- 2) Other Tier 1 Capital: Include noncumulative perpetual preferred stock, noncumulative perpetual subordinated debts. Deduct: Legal adjustments.
- 3) Tier 2 Capital: Include cumulative perpetual preferred stock, cumulative perpetual subordinated debts, revaluation reserve, long-term subordinated debt, non-perpetual preferred stock include stock issue price 45% of financial assets at fair value through other comprehensive income convertible bonds, operating reserves and allowance for doubtful accounts. Deduct: Legal adjustments.

c. Capital adequacy

Item	Period	
	December 31, 2020	December 31, 2019
Self-owned capital		
Common equity Tier I	\$ 142,528,000	\$ 137,632,587
Other Tier I capital	23,190,418	13,602,903
Tier II capital	41,899,481	47,495,511
Self-owned capital	207,617,899	198,731,001
Credit risk		
Standardized approach	1,377,562,106	1,346,134,887
IRB	-	-
Securitization	533,801	-
Basic indicator approach	-	-
Risk-weighted assets		
Standardized approach/optional standard	54,834,257	57,479,000
Advanced internal rating based approach	-	-
Market price risk	10,967,292	19,495,451
Standardized approach	-	-
Internal model approach	1,443,897,456	1,423,109,338
Total	14,38%	13,96%
Capital adequacy ratio	9,87%	9,67%
Common equity Tier I to risk-weighted assets ratio	11,48%	10,63%
Tier I capital to risk-weighted assets ratio	6,73%	6,67%
Leverage ratio		

Note 1: The ratios are calculated in accordance with the Regulations Governing the Capital Adequacy and Capital category of Banks.

Note 2: Annual financial report should include the capital adequacy ratio in current and previous period. Besides semiannual report should disclose the ratio the end of last year.

Note 3: Formula:

- Self-owned capital = Common equity Tier I + Other Tier I capital + Tier II capital
- Risk-weighted assets = Credit risk-weighted assets + (Operation risk capital + Market price risk capital) x 12.5
- Capital adequacy = Self-owned capital ÷ Risk-weighted assets
- Common equity Tier I capital to risk-weighted assets ratio = Common equity Tier I capital ÷ Risk-weighted assets
- Tier I capital to risk-weighted assets ratio = (Common equity Tier I + Other Tier I capital) ÷ Risk-weighted assets
- Leverage ratio = Tier I capital ÷ Adjusted average assets

34. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments that are not measured at fair value

Fair value of financial instruments not measured at fair value

December 31, 2020

	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets					
Financial assets at amortized cost	\$ 345,283,447	\$ 3,610,277	\$ 341,736,917	\$ -	\$ 345,347,194
Financial liabilities					
Bank notes payable	61,351,032	-	8,451,032	54,695,616	63,146,648
December 31, 2019					
Financial assets					
Financial assets at amortized cost	\$ 276,058,976	\$ 5,708,893	\$ 270,388,077	\$ -	\$ 276,096,970
Financial liabilities					
Bank notes payable	55,521,014	-	8,461,014	48,299,657	56,760,671

b. Fair values of financial instruments that are measured at fair value on a recurring basis

1) Fair value hierarchy

December 31, 2020

Fair Value Measurement of Financial Instruments	Level 1	Level 2	Level 3	Total
Non-derivative financial products				
Assets				
Financial assets at FVTPL	\$ -	\$ 8,804,020	\$ -	\$ 8,804,020
Financial assets mandatorily measured at FVTPL				
Bond investments	-	1,761,188	-	1,761,188
Others	-	7,042,832	-	7,042,832
Financial assets at FVTOCI	64,379,624	43,287,597	8,811,998	116,479,219
Stock investments	7,362,952	-	8,811,998	16,174,950
Bond investments	53,439,978	43,287,597	-	96,727,575
Others	3,576,694	-	-	3,576,694
Derivative financial products				
Assets				
Financial assets at FVTPL	120,403	5,539,435	-	5,659,838
Other financial assets	-	231,693	-	231,693
Financial assets for hedging liabilities	-	-	-	-
Financial liabilities at FVTPL	-	7,293,565	-	7,293,565

December 31, 2019

Fair Value Measurement of Financial Instruments	Level 1	Level 2	Level 3	Total
Non-derivative financial products				
Assets				
Financial assets at FVTPL	\$ 75,046	\$ 8,468,118	\$ -	\$ 8,543,164
Financial assets mandatorily measured at FVTPL				
Stock investments	75,046	-	-	75,046
Bond investments	-	907,705	-	907,705
Others	-	7,560,413	-	7,560,413
Financial assets at FVTOCI	71,874,616	31,734,549	8,000,918	111,610,083
Stock investments	6,400,568	-	8,000,918	14,401,486
Bond investments	64,384,720	31,734,549	-	96,119,269
Others	1,089,328	-	-	1,089,328
Derivative financial products				
Assets				
Financial assets at FVTPL	114,919	2,825,306	-	2,940,225
Other financial assets				
Financial assets for hedging	-	247,375	-	247,375
Liabilities				
Financial liabilities at FVTPL	-	4,247,279	-	4,247,279

There were no transfers between Levels 1 and 2 in the current and prior periods.

2) Reconciliation of Level 3 fair value measurements of financial instruments

For the year ended December 31, 2020

	Financial Assets
Beginning balance	\$ 8,000,918
Realized in other comprehensive income (unrealized gain on financial assets at FVTOCI)	<u>811,080</u>
Ending balance	<u>\$ 8,811,998</u>

For the year ended December 31, 2019

	Financial Assets
Beginning balance	\$ 7,138,045
Realized in other comprehensive income (unrealized gain on financial assets at FVTOCI)	<u>862,873</u>
Ending balance	<u>\$ 8,000,918</u>

3) Definition for the hierarchy classifications of fair value measurements

a) Level 1

Level 1 inputs are quoted prices unadjusted in active markets for identical financial instruments. An active market indicates the market that is in conformity with all of the following conditions: The products in the market are identical; it is easy to find a knowledgeable and willing transaction counterparty; and price information is available to the public.

The fair values of the Bank and its subsidiaries' investments in listed stock, beneficiary certificates, on-the-run Taiwan central government bonds and derivative instruments with quoted market prices are included in Level 1.

b) Level 2

Level 2 inputs are inputs other than quoted prices with reference to an active market that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). The fair values of the Bank's investments in off-the-run government bonds, corporate bonds, bank debentures, convertible bonds and most derivative bank debentures issued by the Bank are included in Level 2.

c) Level 3

The input parameters used are not based on observable market data (unobservable input parameters are those such as option pricing models using historical volatility which cannot represent the expected value of all market participants). The fair values of the Bank's investments in derivatives and equity investments without an active market are included in Level 3.

4) Valuation techniques and assumptions applied for the purpose of measuring fair value

a) Determination of fair value

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

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

In addition to the above financial instruments with an active market, other financial instruments at fair value are assessed by valuation techniques or by referencing counterparties with other financial instruments at fair value with similar conditions and characteristics in actual practice, including market information obtained by exercising valuation models at the balance sheet date (such as yield curves used by TPEX and TAIBR (page 02) secondary market fixing rates used by the Taiwan Depository & Clearing Corporation).

When a financial instrument has no standardized valuation and has a greater level of complexity, such as interest rate swaps, currency swaps and options, the Bank and its subsidiaries usually adopt the valuation generally accepted by market users. The inputs used for these financial instruments' valuations are usually observable information in the market.

For financial instruments with greater 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 without quoted market price (including debt instruments 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 its subsidiaries need to make appropriate estimates based on assumptions.

- b) The types and nature of the valuation methods for financial instruments used by the Bank and its subsidiaries are as follows:
- i. NTD central government bonds: The bond market rate and theoretical interest rate are price-per-hundred conversions announced by TPEX.
 - ii. NTD corporate bonds and bank notes: The corporate bond reference rate is announced by TPEX, and the Bank uses the appropriate credit rate and the remaining period to calculate the yield rate and convert it to price-per-hundred.
 - iii. NTD convertible corporate bonds: The closing prices of outright purchase/sale trading are listed on TPEX on the valuation day. If the price is not available, the price is referenced from the outright purchase/sale trading information listed on TPEX.
 - iv. Securitization instruments: Prices are those quoted from Bloomberg.
 - v. NTD short-term bills: The TAIBIR (page 02) secondary market fixing rates used by the Taiwan Depository & Clearing Corporation are discounted from future cash flows.
 - vi. Foreign securities: The latest prices quoted from Bloomberg, Reuters or other systems on the valuation day are used, if there is no available price or valuation, then the price used is that which is quoted from counterparties.
 - vii. Listed stock, call/put warrants and depositary receipts: The closing price listed on TWSE or TPEX is adopted.
 - viii. Unlisted stock: The fair value is referenced from related financial information or estimated using the price or parameter of listed companies which have similar service attributes.
 - ix. Beneficiary certificates: Closed-end funds use the closing price in an active market as the fair value and open-end funds use the net asset value of the fund as the fair value.
 - x. Derivatives:
 - i) Call/put warrants and stock index futures: Prices quoted from an active market are deemed the fair values.
 - ii) Foreign currency forward contracts, currency swaps, interest rate swaps, cross currency swaps and operating deposits of transactions: Discounted future cash flows are adopted.
 - iii) Options: The Black-Scholes model, binomial tree model and Monte Carlo method are mainly adopted for valuation.
 - iv) Certain derivatives use the quoted price from counterparties.
 - xi. Mix tools: The price from the active market, deal brokers and evaluation models is used.

c) Adjustments for credit risks and the definitions are as follows:

Credit valuation adjustment (CVA) is a measurement for derivatives which are not transacted through the stock market, or for over-the-counter derivatives. CVA reflects the fair value should a counterparty default and the possibility of not collecting the derivative's full market value.

CVA is calculated by applying the loss given default (LGD) to the exposure at default (EAD), along with the consideration of the counterparty's probability of default (PD), assuming the condition that the Bank does not default.

c. Financial risk management objectives and policies

1) Market risk

a) The source and definition of market risk

Market risk is the uncertainty of changes in fair value of on- and off-balance sheet financial instruments due to changes in market risk factors. Market risk factors include interest rates, exchange rates, equity security prices and commodity prices.

The major market risks of the Bank are equity securities price risks, interest rate risks, and exchange rate risks. The majority of equity securities risk includes domestic public stock, over-the-counter stock, emerging market stock, domestic stock index options and stock index futures. The main position of interest rate risk includes bonds and interest derivative instruments, such as interest rate swap. The main position of exchange rate risk includes the Bank's investments denominated in foreign currencies, such as foreign currency spots, currency futures and foreign currency options.

b) Market risk management policy

The Bank classifies the financial instruments held by the Bank as trading book and banking book, and determines the market risk as interest rate risk, exchange rate risk, and equity security price risk. The Bank establishes "Market Risk Management Regulation", "Derivative Financial Trading Process", and various financial instruments related regulations to manage the market risk of overall foreign exchange position, normal position, interest rate position of trading book and equity security position. The overall interest rate risk management of banking book belongs to assets and liabilities management committee.

The market risk management regulations are as follows:

- i. Establish the market risk management process to ensure the risk would be identified, measured, monitored and reported.
- ii. Measure and monitor the market risk and keep it under the risk limit and minimize unexpected loss from market risk.
- iii. Follow the regulations of Basel Accord.
- iv. Establish the market risk management system and economic capital allocation process.
- v. Monitor the credit line management of financial instrument, sensitivity analysis, stress testing and the calculation of VaR, and report the result of market risk monitoring to risk management committee periodically and the board of directors quarterly.

c) Market risk management procedures

According to “Whole Risk Management Policy”, risk management department is the second line of defense against the market risk. Risk management department performs the market risk management, establishes related management process, and reports to the appropriate level of the management. Besides, risk management department establishes independent risk management process and ensures its effectiveness.

i. Identifying and measuring

The effective market risk management process begins with identifying the inherent risk of operating activities and financial instruments. The Bank reviews the risk identifying method timely when the market environment changes and makes necessary adjustment to ensure the effective operation of the market risk management process. The Bank’s risk management department identifies market risk factors and measures the market risk. The market risk factors refer to the factors which affect the interest rate, exchange rate or the fair value of equity instruments. The market risk factors include the position, profits and loss, loss from stress testing, PVO1, Delta, VaR, etc.

ii. Monitoring and reporting

The Bank controls market risk by managing risk limits. The risk management department sets various trading limits, such as position limits, stop-loss limits, and maximum potential loss. The trading limits are implemented only after they are reported to and approved by the board of directors.

The risk management department calculates exposures and estimated gains and losses on positions daily to make sure that the positions held and losses do not exceed the limits approved by the board of directors and prepares reports to the high-level management and the board of directors periodically for their sufficient understanding of the implementation of the market risk management and, if necessary, issuance of additional guidance.

The risk management department reports important market risk issues, such as discovery of possible loss on positions in each trading book or identification of weakness in the market risk management system, to the risk management committee in order to improve the effectiveness of the market risk management.

iii. Stress testing

The stress testing is one of the important tools for risk management. It is used for verifying effects on the investment portfolio due to some extremely disadvantageous but possible stressful events and for analyzing exposure level and risk tolerance in such situations and furthermore evaluating the portfolio loss or the impact on the capital. Chang Hwa Bank performs stress testing for forecasting risk and for assessment and reinforcement of statistical models or historical data limitations.

d) Trading book market risk management

The trading book refers to the position of financial instruments held for trading or hedging. The position of financial instruments held for trading refers to the position which earns profits from actual or expected short-term price fluctuations.

i. Strategy

The Bank determines the risk limitation of the investment portfolio of trading book by evaluating trading strategy, trading category, and annual performance.

ii. Management policy and procedures

The Bank follows “Market Risk Management Rules”, “Derivative Financial Trading Process” and various financial instruments related regulations as the important management rules of trading book.

iii. Valuation policy

The trading positions are valued on a real-time or daily basis. The hedging derivatives are valued at least twice a month. The resources of fair value of financial instruments are categorized as: (1) those derived from quoted prices in active markets; (2) the latest price without active market; (3) valuation without active market.

iv. Risk measuring methods

i) The sensitivity of the interest rate changes of investment portfolio is measured by DVO1. The sensitivity of the foreign exchange derivatives is measured by the sensitivity factors (Delta, Gamma, and Vega).

ii) With regard to the Bank’s Value at Risk assumptions and calculation methods, refer to item i.

iii) The Bank performs the stress test quarterly and report the result to risk management committee periodically.

e) Trading book interest rate risk management

i. Definition of interest rate risk

Interest rate risk is fair value changes in interest rate risk position held by the Bank due to interest rate changes. The risks are mainly in debt securities and interest rate derivatives.

ii. Management procedures on trading book interest rate risk

The Bank defines the trading limit of trading book and the stop-loss limit of different financial instruments by assessing the credit and the financial position of the issuers.

iii. Measuring methods

The interest rate factor sensitivity of debt securities and interest rate derivatives is measured by DVO1. With regard to the Bank’s Value at Risk assumptions and calculation methods, please refer to item i.

f) Banking book interest rate risk management

i. Definition of banking book interest rate risk

The Bank’s banking book interest rate risk means the unfavorable change of interest rate of non-trading-book interest rate position which changes the present value of revenue and costs or assets and liabilities and causes a decrease in earnings or impairment of economic value.

ii. Management strategy on banking book interest rate risk

According to the Bank's interest rate risk management policy, the Bank has set various measurement indicators and limits on banking book interest rate risk. To pursue profits and steady growth of stockholder value without exposure to extreme loss risks, the Bank applies appropriate management strategy including on- and off-balance sheet adjustments and maintains appropriate amounts of assets and liabilities.

iii. Banking book interest rate risk report/range of measuring system

The Bank mainly applies standard method for interest rate risk sensitivity gap analysis to measure banking book interest rate risks. The responsible department periodically measures banking book interest rate risks and reports to related departments and to the asset and liability management committee in order to adopt appropriate strategies for adjusting banking book interest rate risk combinations. Assessment information of banking book interest rate risk would be presented to the board of directors periodically to let the high-level management controls such risks.

g) Exchange rate risk management

i. Definition of exchange rate risk

Exchange rate risk is the gain or loss resulting from exchange or translation of two different foreign currencies at different times. The Bank's exchange rate risk mainly comes from spot and forward exchange positions.

ii. Exchange rate risk management policy, procedures and measuring methods

The risk management department sets the position limit and stop-loss limit of trading book investment combinations in order to control exchange rate risk. If the losses reach the stop-loss limit, the trading department should decrease risk exposure positions so as to control losses.

The risk management department applies sensitivity analysis or Value at Risk to measure exchange rate risk and calculates stress loss of risk position held. In sensitivity analysis, Delta is applied to measure the exchange rate risk of the first order change and Gamma is applied to measure the exchange rate risk of the second order change. In addition, Vega is used to measure the first order risk of implied volatility rate. With regard to the Bank's Value at Risk assumptions and calculation methods, refer to item i.

h) Equity security price risk management

i. Definition of equity security price risk

Equity security price risk is the valuation effect on the position held by the Bank when the equity security price changes. The Bank's equity security price risk mainly comes from public and over-the-counter stock, index futures and options.

ii. Equity security price risk management purpose

The risk management department applies sensitivity analysis or Value at Risk to measure equity security price risk and calculates stress loss of risk position held. In sensitivity analysis, Delta, Gamma and Vega are, applied to measure the independent equity security price risk of the first order change, or market value is applied to indicate the exposure risks on positions of stock. With regard to the Bank's Value at Risk assumptions and calculation methods, please refer to item i.

iii. Equity security price risk management procedures

The Bank sets restrictions on credit extensions with the same person, the same concerned party or the same affiliate to control the risk concentration. Risk management department monitors unrealized gain or loss of the holding position daily. If unrealized loss is over the stop-loss threshold, risk management department would notice the department which holds the position to subject to the related regulations. The department which holds the position should report to risk management committee if unrealized loss is over the stop-loss threshold but the department still holds the position.

iv. Measuring methods

The equity security price risk of trading book is monitored and controlled by VaR, please refer to item i.

The Bank would perform stress testing for the equity security price risk of non-trading position and report the result to risk management committee.

1) Market risk measuring method

i. Value at Risk, "VaR"

The Bank uses VaR model and stress testing to evaluate the risk of trading portfolio the market risk and the maximum expected loss of positions held through assumptions of changing market situation. VaR is the statistical estimation of potential losses of existing positions arising from unfavorable market changes. VaR refers to the maximum potential loss that Chang Hwa Bank might be exposed to within the confidence interval (99%), which means there is a certain probability (1%) that the actual loss would exceed VaR. Significant loss caused by excessive market volatility could not be avoided by using VaR.

The Bank has been using historical simulation method to calculate VaR since January 27, 2014. The historical simulation method is based on historical data to estimate the future cash flow and assess the market risk of financial instrument. There are more and more financial institutions using the historical simulation method. However, there are some limitations for using the method. One of the limitations is that the assumption used in the method may not reflect the real situation. Besides, the simulation result may not be representative if the historical data used are too small. The Bank would use proxy to respond to the limitations mentioned above.

According to the Bank's "Risk Management Committee Establishment Points", the risk appetite of trading book market risk, operating limits and VaR limits should be approved by the risk management committee. VaR is an important internal risk control in the Group. The VaR limits of investment portfolio are approved annually by the risk management committee and reported to the board of directors. In addition, the daily actual VaR is monitored by the Bank's risk management department.

ii. As of December 31, 2020 and 2019, the Bank's VaR factors based on historical simulation method were as follows:

	For the Year Ended December 31, 2020				For the Year Ended December 31, 2019			
	Average	Highest	Lowest	Ending Balance	Average	Highest	Lowest	Ending Balance
Exchange VaR	\$ 207,143	\$ 306,766	\$ 132,496	\$ 181,156	\$ 87,557	\$ 164,507	\$ 46,990	\$ 149,852
Interest rate VaR	12,499	18,690	5,214	7,296	4,292	6,997	2,070	5,039
Equity securities VaR	7,485	13,951	-	-	3,396	13,489	-	2,516
Value at risk	\$ 227,127	\$ 339,407	\$ 137,710	\$ 188,452	\$ 95,245	\$ 184,993	\$ 49,060	\$ 157,407

2) Primary foreign currencies

The significant foreign-currency financial assets and liabilities as of December 31, 2020 and 2019 were as follows:

Financial assets	December 31, 2020			New Taiwan Dollars
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	
Monetary items				
USD	\$ 7,272,280	28.1000	\$ 204,351,068	
GBP	79,348	38.3500	3,042,996	
AUD	1,456,483	21.6500	31,532,857	
HKD	1,310,580	3.62400	4,749,542	
CAD	133,356	22.0600	2,941,392	
ZAR	4,208,211	1.9210	8,083,973	
JPY	58,302,045	0.2725	15,887,307	
EUR	681,560	34.5900	23,575,160	
NZD	54,312	20.3200	1,103,620	
RMB	12,028,965	4.3250	52,025,274	
			(Continued)	

Foreign Currencies	December 31, 2020		New Taiwan Dollars
	Exchange Rate	New Taiwan Dollars	
Monetary items			
USD	\$ 11,818,417	28.1000	\$ 332,097,518
GBP	64,600	38.3500	2,477,410
AUD	1,081,026	21.6500	23,404,213
HKD	961,915	3.6240	3,485,980
CAD	109,021	22.0600	2,405,003
ZAR	3,929,528	1.9210	7,548,623
JPY	54,375,973	0.2725	14,817,453
EUR	614,271	34.5900	21,247,634
NZD	67,748	20.3200	1,376,639
RMB	12,569,025	4.3250	54,361,033
			(Concluded)

(In Thousands of Foreign Currencies/New Taiwan Dollars)

Financial liabilities	December 31, 2019		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Monetary items			
USD	\$ 7,526,387	29.9900	\$ 225,716,346
GBP	22,106	39.3800	870,534
AUD	1,271,932	21.0150	26,729,651
HKD	2,260,088	3.8510	8,703,599
CAD	65,033	22.9800	1,494,458
ZAR	4,284,442	2.1200	9,083,017
JPY	48,524,531	0.2761	13,397,623
EUR	605,343	33.6400	20,363,739
NZD	71,076	20.2000	1,435,735
RMB	11,512,518	4.2950	49,446,265
Financial assets			
Monetary items			
USD	\$ 10,546,920	29.9900	\$ 316,302,131
GBP	28,742	39.3800	1,131,860
AUD	1,088,236	21.0150	22,869,280
HKD	1,525,511	3.8510	5,874,743
CAD	69,717	22.9800	1,602,097
ZAR	4,014,991	2.1200	8,511,781
JPY	49,458,962	0.2761	13,655,619
EUR	598,409	33.6400	20,130,479
NZD	84,477	20.2000	1,706,435
RMB	12,053,236	4.2950	51,768,649
Non-monetary items			
USD	2,593	29.9900	77,764

For the years ended December 31, 2020 and 2019, net foreign exchange gains were \$350,682 thousand and \$968,007 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the Bank and entities under its control.

3) Credit risk

a) Credit risk source and definition

Credit risk means the possible loss due to failure of debtors or counterparties to fulfill their contractual obligations or their ability to fulfill contractual obligations is impaired. Credit risk arises from the operation, on- and off-balance sheet items, including credit loans, derivatives transactions and securities investment, etc. Because the business becomes more complex, the credit risk is often generated with other risks that affect one another. For example, exchange rate risk also exists in foreign currency debt investment. Secured loans will be affected by the price volatility of the collateral and market liquidity risk of the collateral.

b) Credit risk management policy

The related mechanism and procedures for monitoring credit risk includes:

- i. The Bank continuously improves its credit risk management technology and its efficiency to meet the requirements of internal operations, business scale and management objectives and build up the risk management system that fits the requirement of accuracy and completeness of the Bank's risk management technology.
 - ii. The Bank is building a complete monitoring mechanism, setting up a loan early warning system to track down bad indications and risk changes of high-risk credits, setting up "corporate clients' risk exposure and credit quick-search system" to understand the negative reporting and transactions with the Bank in order to enhance the credit risk's identification, measurement and monitoring and improve the quality of risk management.
 - iii. The Bank continues to develop methods of credit risk quantification models to elevate credit risk management techniques, which enable the Bank's capital requirement and expected loss to become more risk sensitive.
 - iv. The Bank implements strict and forward-looking credit risk stress testing to respond to the events or changes which may be unfavorable to the Bank and in compliance with the requirements of the competent authority supervising risk management and improves the effectiveness of the Bank's risk management.
 - v. The Bank is holding sessions and training in risk management to strengthen risk management intelligence and increase the Bank's financial institution of loan.
 - vi. Information on credit risk would be presented to the high-level management periodically.
- The Bank's credit risk management procedures and measuring methods for major business operations are described as follows:
- i. Credit business (including loan commitments and guarantees)
 - i) A determined signification increase in credit risk since initial recognition.
At the end of every reporting period, the Bank evaluates the risk of default on credit assets occurring over their expected lifetime to determine whether the credit risk has increased significantly since their initial recognition.

For this credit risk evaluation, the Bank considers corroborative information (including forward-looking information) which indicates a significant increase in credit risk since initial recognition of the credit assets. The key indicators include:

- Quantitative indicators

A change in internal credit rating

The Bank classifies each type of credit asset into three categories according to credit quality, internal credit rating and external credit rating (refer to the following table). A financial instrument is determined as having a significant increase in credit risk since initial recognition if its internal credit rating is at the level of 16-18 or if the score of a housing loan debtor is lower than 340.

- Qualitative indicators

A credit account is rated as ordinary overdue in accordance with the Bank's "Detailed Rules for the Processing of Ordinary-overdue Accounts".

The result of the credit review shows that the credit application and the loan application are inconsistent.

ii) Definition of the credit-impaired financial assets

A credit account that meets one of the following conditions is classified under Stage 3 (credit impaired):

- The debtor's payment of the principal or interest is past due for more than 3 months from the end of the credit term; or the Bank has already petitioned or withdrawn the debtor's collateral.
- The case has been agreed to be repaid in installments and is exempt from being listed as an overdue loan.
- The case was negotiated and adopted in accordance with the debt negotiation mechanism set by the Association of Banks in 2006.
- The case has been negotiated and agreed upon in accordance with "The Statute for Consumer Debt Clearance" (excluding secured debt fulfilled under the original contractual conditions).
- The case is ruled to undergo restructuring or liquidation by the court.
- The case is ruled to be restricted by the court.
- The case is declared bankrupt by the court.
- The case involves credit accounts of a debtor, excluding credit card accounts, which is partly transferred to class A and B non-performing loans (excluding the sixth item of class B: The credit account is totally guaranteed and the interest payment is not past due during the inheritance period after the death of the debtor and the collateral provider), as well as overdue loans or bad debt loans.
- The case is an enterprise account which has applied for relief from the Ministry of Economic Affairs.

The PD and EAD and LGD are used to measure the impairment loss for financial assets in the credit business:

- PD is determined using past credit-impaired situations to predict the probability of credit impairment in normal situation in a year. The PD for Stage 3 financial instruments is determined as 100%. The PD for Stages 1 and 2 are based on the categories and the remaining lifetime for each credit account. The credit accounts are divided into groups by remaining lifetimes. The PD of each group is determined as the PD of each credit quality stage. The Bank shall update the probability of default at least once a year.
- The EAD is the total expected exposure amount of default which includes the unsecured line of credit. The exposure amount of impairment-tested off-balance sheet assets (i.e. guarantees, letters of credit issued yet unused, irrevocable loan commitments issued, and revocable loan commitments issued) is converted into the equivalent exposure amount of on-balance sheet assets through a credit conversion factor (CCF). The CCF is determined according to the standardized approach of the Capital Adequacy Ratio as either 0%, 20%, 50% or 100% by referring to the respective off-balance sheet item's characteristics.
- The LGD is one minus the present value of the annual recovery rate. The annual recovery rate refers to the annual recovery amount of principal (including litigation expenses) and interest over non-performing loans plus accrued interest and litigation expenses

iv) Forward-looking information

The Bank classifies credit assets as either corporate banking - domestic, corporate banking - overseas, corporate banking - Singapore branch or individual banking business. Macroeconomic indicators for each of the above categories are estimated using the domestic economic growth rate, global economic growth rate, Southeast Asia economic growth rate and the domestic unemployment rate, respectively, and are updated at least once a year.

Macroeconomic indicators include the actual statistical value of the past five years and predicted value of the current year and the next five years at the time of calculation. The forward-looking adjusted PD is adjusted based on the reasonableness of each value's predicted trend.

The outbreak of the COVID-19 has resulted in obvious changes in various macroeconomic indicators since this year (2020). In response to the impact of the epidemic, the head office updated the macroeconomic indicators in May 2020 and adjusted the forward-looking macroeconomic indicators in order to reflect the impact of the future macroeconomic factors on PD.

The total amount of undiscounted ECL at the time of initial recognition of the credit-impaired financial assets - loans which were purchased or originated is as follows:

	December 31	2019
	2020	
Discounts and loans	\$ 7,446,309	\$ 6,252,756

- The case involves a credit account which has an internal credit rating at the level of 19-21.
- The case is a mortgage loan credit account of the Bank which has no rating score.
- The case is a credit account which is determined as Stage 3 by the internal or external auditors, or the risk management department of the Bank.

iii) Expected credit loss measurement

The Bank classifies credit assets into the following nine categories by the credit risk characteristics of the debtor's industry and organization size:

Business	Combination
Corporate banking loans	Government
	Large enterprise
	Small enterprise
	Legal person/group
	Overseas credit account
Individual banking loans	Other groups
	Individual-residential loan group
	Individual-other groups (unsecured)
	Individual-other groups (secured)

The Bank measures the expected credit loss as follows:

- Stage 1, no significant increase in credit risk
The Bank measures the loss allowance for Stage 1 financial instruments at an amount equal to the 12-month ECLs based on past loss experience. The ECLs is the difference between the respective asset's EAD carrying amount and the present value of its estimated future cash flows, estimated at the forward-looking adjusted PD and discounted at the effective interest rate.
- Stage 2, significant increase in credit risk
The Bank measures the loss allowance for Stage 2 financial instruments at an amount equal to the lifetime ECLs. The ECLs is the difference between the respective asset's EAD carrying amount and the present value of its computed outcome which is discounted at the effective interest rate. The computed outcome is the product of the unpaid principal for each year end over instruments expected lifetime, the forward-looking adjusted PD, and the LGD.
- Stage 3, credit impairment
The Bank measures the loss allowance for Stage 3 financial instruments at an amount equal to the lifetime ECLs. The ECLs is the difference between the asset's EAD carrying amount and the present value of its estimated future cash flows, estimated assuming the credit impairment situation is given and discounted at effective interest rate.

ii. Call loans to banks

The Bank evaluates the credit status of counterparties before deals are closed. The Bank grants different limits to counterparties based on their respective credit ratings as suggested by domestic and foreign credit rating agencies. The Bank assesses the credit limits of counterparties by level and financial status; the Bank efficiently manages counterparties' credit risks through regular and special reviews, monitoring and reporting. Additionally, in accordance with the application of IFRS 9, the Bank performs credit impairment assessments for call loans to banks, transfers the related credit losses to each of the three stages of credit impairment, and measures the related expected credit loss, so as to ensure adequate allowance for losses, in accordance with regulations.

iii. Debt instruments and derivative financial instruments

The Bank identifies and manages the credit risks from debt instruments through the use of external credit ratings of the debt instruments along with the evaluation of credit qualities of bonds, regional conditions and counterparty risks.

The other banks with which the Bank conducts derivative transactions are mostly considered investment grade. The Bank monitors the credit limits (including lending limits) by counterparties. The credits extended to counterparties who are general customers are monitored in accordance with the related contract terms and conditions and the credit limits for derivatives established in normal credit granting processes.

A change in an external credit rating announced by international credit rating institutions (e.g. S&P and Moody's) is one of the quantitative indicators for judging a significant increase in the credit risk of financial assets at amortized cost and investments in debt instruments at FVTOCI. The measurement of ECL is calculated using the PD and LGD announced periodically by international credit rating institutions. The international credit rating institutions consider forward-looking information when establishing credit ratings. Thus, when the Bank measures ECL using such credit ratings it holds that an adequate evaluation of the forward-looking information, which was used by the institutions for establishing such credit rating, is inherent therein.

c) Credit risk hedging or mitigation policies

i. Collateral

The Bank has a series of measures for credit granting to reduce credit risks. One of the procedures is asking for collateral from the borrowers. To secure the loans, the Bank manages and assesses the collateral following the procedures that suggest the scope of collateralization and valuation of collateral and the process of disposition. In credit contracts, the Bank stipulates the security mechanism for loans and the conditions and terms for collateral offsetting to state clearly that the Bank reserves the right to reduce granted limit, to reduce repayment period, to demand immediate settlement or to offset the debts of the borrowers with their deposits in the Bank in order to reduce the Bank's credit risks.

ii. Credit line credit risks and control over concentration of credit risks

To avoid the concentration of credit risks, the Group has included credit limits for a single counterparty and for a single group in its credit-related guidelines. The Group has also included credit limits for an individual (entity) and for related enterprises (group) in the guidelines for investment and regulations for risk control on equity investments. To manage the concentration risk on the assets, the Group has set credit limits by industry, conglomerate, transactions collateralized by stock, specific industry of China-United States trade way and other categories and integrated within one system to supervise concentration of credit risk in these categories. Various credit limits are regularly evaluated and revised in a timely manner based on the economic circumstances, financial environment and business development strategies, etc. In order to strengthen the credit risk control of overseas branches and take into account the severe impact of the COVID-19 in foreign regions, the head office will monitor the loan limit of every single credit account for industries severely and moderately affected by the epidemic, and even the loan limit of individual branch for real estate and aviation-related industries.

The table below analyzes the collateral held as security and other credit enhancements, and their financial effect in respect of the financial assets recognized in the Bank's balance sheets:

December 31, 2020

	Maximum Exposure to Credit Risk Mitigated by		
	Carrying Amount	Collateral	Master Netting Arrangement / Other Credit Enhancements
Discounts and loans	\$ 1,481,727,885	\$ 1,051,389,709	\$ 1,051,389,709
Financial assets at FVTPL	14,463,858	4,947,248	4,947,248
Investments in debt instruments at FVOCI	100,304,289	3,074,425	3,074,425
Investments in debt instruments at amortized cost	345,283,447	-	-

December 31, 2019

	Maximum Exposure to Credit Risk Mitigated by		
	Carrying Amount	Collateral	Master Netting Arrangement / Other Credit Enhancements
Discounts and loans	\$ 1,429,937,809	\$ 956,057,456	\$ 956,057,456
Financial assets at FVTPL	14,463,858	4,947,248	4,947,248
Investments in debt instruments at FVOCI	97,208,597	2,102,573	2,102,573
Investments in debt instruments at amortized cost	276,688,976	405,115	405,115

The carrying amount of financial assets with maximum exposure is as follows:

	Discounts and Loans		
	December 31, 2020		
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses
Credit rating			
Levels 1-5	\$ 785,293,071	\$ 1,000,131	\$ 66,640
Levels 6-18	-	66,282,227	1,860,040
Levels 19-21	-	-	11,196,309
No rating	612,823,835	1,734,511	1,471,121
	<u>\$ 1,398,116,906</u>	<u>\$ 69,016,869</u>	<u>\$ 14,594,110</u>
Total carrying amount	\$ 1,571,908	\$ 2,095,447	\$ 5,742,200
Expected credit losses			\$ 9,409,555
Recognized impairment based on the Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing Loans and Bad Debts			<u>\$ 9,293,737</u>
			<u>\$ 18,703,292</u>

	Loan Commitments			
	December 31, 2019			
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Total
Carry amount - non-cancellable	\$ 66,425,340	\$ 4,280,634	\$ 7	\$ 70,705,981
Expected credit losses - non-cancellable	\$ 578,284,847	\$ 9,581,251	\$ 591,910	\$ 588,458,008
	<u>\$ 644,710,187</u>	<u>\$ 13,861,885</u>	<u>\$ 591,917</u>	<u>\$ 659,163,989</u>
Expected credit losses - non-cancellable	\$ 77,253	\$ 39,077	\$ 1	\$ 116,331
Expected credit losses - cancellable	235,394	211	154	235,759
	<u>\$ 312,647</u>	<u>\$ 39,288</u>	<u>\$ 155</u>	<u>\$ 352,090</u>

d) Maximum exposure to credit risk

The maximum credit risk exposures of various financial instruments held by the Bank are the same as per book amounts. Refer to the notes to the financial statements.

As of December 31, 2020 and 2019, the maximum exposure to credit risk (before deducting the guarantees or other credit enhancement instruments and the irrepealably maximum amount of exposure) was as follows:

Financial Instrument Type	December 31	
	2020	2019
Unused loan commitments (excluding credit card)	\$ 68,977,412	\$ 70,705,981
Credit card commitments	348,160	322,128
Unused issued letters of credit	22,392,032	21,515,125
Guarantees issued in guarantee business	58,293,098	52,823,688

e) Situation of credit risk concentration

Prominent concentration of credit risks occurs when transaction parties for financial instruments prominently concentrate on one party, or on a few that are in similar business lines or exhibit similar economic characteristics. The characteristics of concentration of credit risks include the nature of business activities engaged by debtors. The Bank has not engaged in transactions that involved a prominent concentration to one client or one transaction party, but has engaged in transaction parties of similar industry type or from similar region.

The Bank's information on prominent concentration of credit risk was as follows:

Industry Type	December 31, 2020	
	Carrying Amount	Percentage of Item (%)
Financial and insurance	\$ 47,723,370	3
Manufacturing	360,866,616	24
Wholesale and retail	125,554,755	9
Real estate and leasing	105,834,395	7
Service	46,200,706	3
Individuals	551,058,152	37
Others	244,489,891	17
	<u>\$ 1,481,727,885</u>	

	Discounts and Loans			
	December 31, 2019			
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Total
Credit rating Levels 1-5	\$ 816,053,734	\$ 3,677,985	\$ 3,013,311	\$ 819,731,719
Credit rating Levels 6-18	-	57,681,385	60,604,896	60,604,896
Credit rating Levels 19-21	535,859,914	2,511,761	9,186,322	9,186,322
No rating	<u>\$ 1,351,913,648</u>	<u>\$ 63,871,331</u>	<u>\$ 14,152,930</u>	<u>\$ 1,429,937,909</u>
Total carrying amount	\$ 1,742,669	\$ 1,916,091	\$ 5,033,684	\$ 8,692,444
Expected credit losses				
Recognized impairment based on the Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing Loans and Bad Debts				<u>\$ 8,603,605</u>
				<u>\$ 17,296,049</u>

	Guarantees Issued in Guarantee Business			
	December 31, 2020			
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Total
Carrying amount	\$ 57,333,070	\$ 859,186	\$ 100,842	\$ 58,293,098
Expected credit losses	160,570	17,485	22,605	200,660

	Guarantees Issued in Guarantee Business			
	December 31, 2019			
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Total
Carrying amount	\$ 52,192,952	\$ 519,415	\$ 111,321	\$ 52,823,688
Expected credit losses	131,839	10,306	23,813	165,958

	Loan Commitments			
	December 31, 2020			
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Total
Carrying amount - non-cancellable	\$ 63,752,567	\$ 5,216,346	\$ 8,499	\$ 68,977,412
Expected credit losses - non-cancellable	<u>\$ 688,187,477</u>	<u>\$ 9,516,529</u>	<u>\$ 229,714</u>	<u>\$ 697,933,720</u>
	<u>\$ 751,940,044</u>	<u>\$ 14,732,875</u>	<u>\$ 238,213</u>	<u>\$ 766,901,132</u>
Carrying amount - non-cancellable	\$ 55,321	\$ 62,696	\$ 2,739	\$ 120,756
Expected credit losses - non-cancellable	188,990	166	142	189,298
	<u>\$ 244,311</u>	<u>\$ 62,862</u>	<u>\$ 2,881</u>	<u>\$ 310,054</u>

	December 31, 2019	
	Carrying Amount	Percentage of Item (%)
	\$ 54,089,980	4
	360,444,149	25
	117,433,667	8
	113,170,181	8
	40,872,315	3
	480,099,759	34
	<u>263,827,858</u>	18
	<u>\$ 1,429,937,909</u>	

	December 31, 2019	
	Carrying Amount	Percentage of Item (%)
	\$ 473,880,453	33
	818,453,767	57
	<u>137,603,689</u>	10
	<u>\$ 1,429,937,909</u>	

Industry Type

Financial and insurance	
Manufacturing	
Wholesale and retail	
Real estate and leasing	
Service	
Individuals	
Others	

	December 31, 2020	
	Carrying Amount	Percentage of Item (%)
	\$ 1,389,905,199	94
	63,855,369	4
	18,232,567	1
	9,734,750	1
	<u>\$ 1,481,727,885</u>	

Geographic Location

Asia	
America	
Europe	
Others	

	December 31, 2019	
	Carrying Amount	Percentage of Item (%)
	\$ 1,325,030,449	93
	75,096,223	5
	16,976,716	1
	<u>12,834,521</u>	1
	<u>\$ 1,429,937,909</u>	

Geographic Location

Asia	
America	
Europe	
Others	

	December 31, 2020	
	Carrying Amount	Percentage of Item (%)
	\$ 430,338,176	29
	893,377,491	60
	<u>158,012,218</u>	11
	<u>\$ 1,481,727,885</u>	

Securities Type

Unsecured	
Secured	
Properties	
Others	

f) Financial assets credit quality and non-performing impairment analysis

A portion of financial assets held by the Bank, such as cash and cash equivalents, due from the Central Bank and call loans to banks, financial assets at FVTPL, securities investments purchased under resale agreements, refundable deposits, operating deposits, and settlement deposits are exposed to low credit risks because the counterparties have rather high credit ratings.

4) Liquidity risk management

a) The definition of liquidity risk

Liquidity risk is the potential loss that the Bank may suffer due to inability to liquidate assets or raise enough funds in reasonable time to perform obligations when due and to meet the demands of assets growth.

b) Liquidity risk management procedures

According to the Bank's liquidity risk management policy, the Bank clearly sets various indicators and limits for liquidity risk. The responsible department should implement operation procedures for funding liquidity, monitor and prepare maturity analysis periodically to assess liquidity risk. In addition, the responsible department should also report to related departments and asset and liability committee to enable them to make appropriate adjustments to meet the needs of liquidity. Related information about the liquidity risk assessment should be reported to the board of directors to let the high-level management understand the Bank's funding liquidity.

As of December 31, 2020 and 2019, the ratio of the liquidity reserve was 23.56% and 19.03%, respectively. Since the capital and working funds are deemed sufficient to meet the cash flow needs for performance of all contracted obligations, liquidity risk is not considered to be significant.

c) Maturity analysis of non-derivative financial assets and liabilities

The Bank adopted appropriate grouping methods, which are based on the nature of non-derivative financial assets and liabilities, to perform maturity analysis in order to assess liquidity. The maturity analysis is presented as follows:

Item	(In Thousands of New Taiwan Dollars)					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Major maturity fund inflows						
Cash and cash equivalents	\$ 16,537,339	\$ -	\$ -	\$ -	\$ -	\$ 16,537,339
Due from the Central Bank and call loans to banks	65,908,909	4,357,103	4,412,952	6,465,311	30,209,215	111,353,490
Financial assets at FVTPL	33,700,386	625,025	553,622	1,210,888	284,990	7,447,549
Receivables	81,368,301	112,538,451	152,004,186	215,731,235	725,097,878	36,974,861
Discounts and loans receivables	-	-	-	-	-	1,286,630,051
Instruments designated at FVOCI	-	-	-	-	-	-
Investments in debt instruments at FVOCI	-	200,491	200,318	25,074	16,174,950	16,174,950
Investments in debt instruments at amortized cost	-	-	-	-	42,333,523	42,759,606
Other maturity fund inflows	222,800,000	25,240,000	8,000,000	29,535,000	13,386,380	298,981,380
Gap	\$ 477,982,481	\$ 142,201,020	\$ 165,171,228	\$ 252,957,458	\$ 27,615,675	\$ 1,844,114,901
Major maturity fund outflows						
Deposits from the Central Bank	210,043	106,691	14,294	215,605	-	546,633
Due to the Central Bank and banks	5,510,000	9,477,050	-	5,367,000	-	20,354,050
Securities sold under repurchase agreements	557,094	669,539	-	-	-	1,226,633
Payables	30,810,608	450,237	1,428,580	1,116,991	1,298,534	35,104,550
Deposits and remittances	126,410,953	123,510,953	131,000,000	192,930,253	601,000,000	1,481,666,159
Bank notes payable	-	1,100,000	8,900,000	-	51,100,000	61,100,000
Other maturity fund outflow items	37,265	80,398	75,086	324,150	5,756,227	6,272,826
Gap	\$ 266,445,824	\$ 1,445,178	\$ 23,067,151	\$ 53,013,859	\$ 1,016,106,341	\$ 232,865,705

Note: The amounts listed above were the position in N.T. dollars of the Bank.

Item	(In Thousands of New Taiwan Dollars)					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Major maturity fund inflows						
Cash and cash equivalents	\$ 21,988,924	\$ -	\$ -	\$ -	\$ -	\$ 21,988,924
Due from the Central Bank and call loans to banks	21,174,806	4,128,212	4,296,455	6,421,140	25,971,795	61,992,408
Financial assets at FVTPL	24,121,788	813,294	763,137	299,610	639,465	26,637,274
Receivables	103,829,848	133,212,554	131,849,292	205,462,566	657,484,986	1,231,839,046
Discounts and loans receivables	-	-	-	-	-	-
Instruments designated at FVOCI	-	-	-	-	-	-
Investments in debt instruments at FVOCI	-	100,162	401,335	620,821	37,913,399	39,035,717
Investments in debt instruments at amortized cost	141,850,000	8,099,449	9,455,000	51,499,929	13,672,568	224,576,946
Other maturity fund inflows	320,305,202	146,353,471	146,365,219	264,304,066	22,209,411	27,209,411
Gap	\$ 180,015,470	\$ 19,745,570	\$ 15,101,094	\$ 62,859,752	\$ 65,439,160	\$ 212,262,526
Major maturity fund outflows						
Deposits from the Central Bank and banks	141,895	146,204	16,352	263,105	-	567,556
Due to the Central Bank and banks	9,610,000	10,000	-	-	-	9,620,000
Securities sold under repurchase agreements	510,035	1,036,556	-	-	-	1,546,591
Payables	22,430,558	645,811	1,459,579	1,493,074	962,276	26,996,598
Deposits and remittances	107,916,729	124,678,010	130,074,293	194,398,694	785,593,696	1,342,661,422
Bank notes payable	-	-	-	5,000,000	50,260,000	55,260,000
Other maturity fund outflow items	80,115	91,220	113,601	289,441	5,911,298	6,486,175
Gap	\$ 190,609,232	\$ 136,608,101	\$ 31,666,125	\$ 201,484,314	\$ 842,732,270	\$ 1,443,129,662

Note: The amounts listed above were the position in N.T. dollars of the Bank.

Note: The amounts listed above were the position in N.T. dollars of the Bank.

Item	(In Thousands of United States Dollars)					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Major maturity fund inflows						
Cash and cash equivalents	\$ 249,106	\$ 50,000	\$ -	\$ -	\$ -	\$ 299,106
Due from the Central Bank and call loans to banks	2,000,916	1,191,793	307,263	107,589	5,132	3,603,693
Financial assets at FVTPL	406,273	406,273	-	-	-	812,546
Receivables	820,386	101,882	200,958	19,889	2,740	1,145,855
Discounts and loans receivables	1,020,013	726,347	526,009	406,829	2,988,987	5,668,185
Instruments designated at FVOCI	-	23,030	28,625	38,584	944,365	1,034,604
Investments in debt instruments at FVOCI	-	-	-	-	-	-
Investments in debt instruments at amortized cost	5,000	2,103,530	1,062,855	1,175,892	79,346	684,346
Other maturity fund inflows	4,143,624	611	917	1,834	784	18,114
Major maturity fund outflows						
Deposits from the Central Bank and banks	13,968	611	917	1,834	784	18,114
Due to the Central Bank and banks	2,624,237	355,000	8,633	5,624	-	2,979,237
Payables	1,168,846	47,157	1,812,823	2,109,479	1,254	1,228,514
Deposits and remittances	2,168,859	2,233,712	1,812,823	2,109,479	4,148,672	12,473,545
Other maturity fund outflow items	61,822	15,276	617	38	10,120	78,453
Gap	\$ 1,881,088.1	\$ 1,548,706.1	\$ 1,760,135.1	\$ 941,083.1	\$ 531,318.1	\$ 4,184,330.1

Note: The amounts listed above were the position in U.S. dollars of the Bank.

Item	(In Thousands of United States Dollars)					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Major maturity fund inflows						
Cash and cash equivalents	\$ 543,061	\$ 100,000	\$ -	\$ -	\$ -	\$ 643,061
Due from the Central Bank and call loans to banks	1,990,096	1,106,566	31,809	1,884	3,516	3,133,871
Financial assets at FVTPL	26,769	105,663	217,117	22,894	3,934	26,769
Receivables	583,902	382,883	498,466	351,400	3,149,774	933,510
Discounts and loans receivables	567,315	-	-	-	-	5,149,838
Instruments designated at FVOCI	-	12,983	22,531	48,113	745,592	829,219
Investments in debt instruments at FVOCI	-	-	-	-	-	-
Investments in debt instruments at amortized cost	-	7,997	9,493	27,974	218,425	263,889
Other maturity fund inflows	3,711,143	1,916,092	100,000	550,000	23,056	6,730,596
Major maturity fund outflows						
Deposits from the Central Bank and banks	17,189	523	784	1,568	85	20,149
Due to the Central Bank and banks	1,817,252	729,000	-	-	-	2,546,252
Payables	811,728	48,486	10,050	6,716	1	876,981
Deposits and remittances	2,348,999	2,222,599	1,545,719	1,691,625	3,188,672	10,991,614
Other maturity fund outflow items	49,673	1,179	1,571	6,627	63,244	121,834
Gap	\$ 1,333,608.1	\$ 1,085,695.1	\$ 678,708.1	\$ 720,811.1	\$ 829,295	\$ 4,209,617.1

Note: The amounts listed above were the position in U.S. dollars of the Bank.

35. OTHER DISCLOSURES OF FINANCIAL INSTITUTION

a. Asset quality

Item	December 31, 2020				December 31, 2019			
	Non-performing Loans (Note a)	Loans	Non-performing Loans Ratio (Note b)	Allowance for Loan Losses	Non-performing Loans (Note a)	Loans	Non-performing Loans Ratio (Note b)	Allowance for Loan Losses
Corporate	\$ 3,335,867	\$ 206,454,587	0.79%	\$ 6,718,674	\$ 3,121,877	\$ 482,011,086	0.73%	\$ 8,669,291
Finance	40,317	3,354,411,097	0.12%	5,060,884	767,455	235,491,250	0.27%	4,311,663
Mortgage loans (Note d)	40,317	3,354,411,097	0.12%	5,060,884	767,455	235,491,250	0.27%	4,311,663
Cash credit (Note e)	5,085	2,570,117	0.20%	76,065	1,635	17,565,335	0.01%	10,975
Consumer	92,701	212,226,866	0.28%	2,178,685	76,907	191,611,766	0.40%	1,962,755
Other (Note f) - Secured	51,764	1,201,172	3.92%	17,771	34,376	1,260,129	2.44%	13,919
Other (Note f) - Unsecured	3,387,773	1,281,727,985	0.39%	18,032,297	3,917,002	1,279,937,999	0.43%	17,260,689
Total	\$ 3,838,052	\$ 6,971,226,344	0.55%	\$ 124,857,485	\$ 4,248,477	\$ 7,098,408,425	0.60%	\$ 134,336,392

Item	December 31, 2020				December 31, 2019			
	Non-performing Loans (Note a)	Loans	Non-performing Loans Ratio (Note b)	Allowance for Loan Losses	Non-performing Loans (Note a)	Loans	Non-performing Loans Ratio (Note b)	Allowance for Loan Losses
Corporate	\$ 3,335,867	\$ 206,454,587	0.79%	\$ 6,718,674	\$ 3,121,877	\$ 482,011,086	0.73%	\$ 8,669,291
Finance	40,317	3,354,411,097	0.12%	5,060,884	767,455	235,491,250	0.27%	4,311,663
Mortgage loans (Note d)	40,317	3,354,411,097	0.12%	5,060,884	767,455	235,491,250	0.27%	4,311,663
Cash credit (Note e)	5,085	2,570,117	0.20%	76,065	1,635	17,565,335	0.01%	10,975
Consumer	92,701	212,226,866	0.28%	2,178,685	76,907	191,611,766	0.40%	1,962,755
Other (Note f) - Secured	51,764	1,201,172	3.92%	17,771	34,376	1,260,129	2.44%	13,919
Other (Note f) - Unsecured	3,387,773	1,281,727,985	0.39%	18,032,297	3,917,002	1,279,937,999	0.43%	17,260,689
Total	\$ 3,838,052	\$ 6,971,226,344	0.55%	\$ 124,857,485	\$ 4,248,477	\$ 7,098,408,425	0.60%	\$ 134,336,392

Note a: Non-performing loans are classified in accordance with the Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Past Due Non-performing Loans and Bad Debts issued by the MOF. Non-performing loans of credit cards are defined in the Letter issued by the Banking Bureau on July 6, 2005 (Ref. No. Jin-Guan-Yin (4) 094406078).

Note b: Non-performing loans ratio = Non-performing loan ÷ Loans

Note c: Coverage ratio of allowance for loan losses = Allowance for loan losses ÷ Non-performing loans

Note d: Mortgage loans are for borrowers to build or repair buildings, allowing the borrowers, their spouses or their minor children to fully use their buildings as collateral and to investigate their rights to financial institutions.

Note e: Credit loans are defined in the Letter issued by the Banking Bureau on December 19, 2005 (Ref. No. Jin-Guan-Yin (4) 094400959), excluding credit loans of credit cards and credit cards.

Note f: The other consumer financial businesses are defined as secured or unsecured consumer financial businesses, including mortgage loans, cash cards, credit loans and credit cards from factors or insurance companies are ascertained to be non-recoverable.

Note g: The Bank does not engage in cash cards business.

d) Maturity analysis of derivative financial assets and liabilities

The derivative instruments held by the Bank, except for interest rate swaps with leveraging effects, have very little probabilities of failing to be sold with reasonable prices in the market, and thus have very low liquidity risks.

(New Taiwan Dollars and Foreign Currencies Combined in Thousands of New Taiwan Dollars)

Item	December 31, 2020				Total
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	
Foreign currency derivative instruments	\$ 133,921,622	\$ 202,288,357	\$ 71,032,627	\$ 78,311,985	\$ 1,315,123
Outflows	132,032,625	199,384,526	70,332,453	79,134,719	\$ 483,567,234
Inflows	-	-	-	-	\$ 482,212,474
Interest rate derivative instruments	78,674	3,303,160	4,089	-	22,746
Outflows	-	3,091,600	-	-	3,125,926
Inflows	-	-	-	-	3,175,763
Others	-	-	-	-	-
Outflows	22,057	-	-	-	22,057
Inflows	\$ 133,921,622	\$ 202,475,526	\$ 71,032,627	\$ 78,311,985	\$ 486,893,160
Total outflows	\$ 132,133,356	\$ 202,475,526	\$ 70,336,542	\$ 79,134,719	\$ 485,408,204
Total inflows	-	-	-	-	\$ 485,408,204

(New Taiwan Dollars and Foreign Currencies Combined in Thousands of New Taiwan Dollars)

Item	December 31, 2019				Total
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	
Foreign currency derivative instruments	\$ 154,875,016	\$ 324,648,718	\$ 65,469,620	\$ 49,988,208	\$ 594,981,562
Outflows	154,178,175	324,467,148	65,300,756	50,001,141	\$ 593,947,220
Inflows	-	-	-	-	\$ -
Interest rate derivative instruments	610,800	-	-	7,044,840	12,824
Outflows	676,016	-	-	6,916,860	7,667,964
Others	-	-	-	-	7,594,876
Outflows	28,749	-	-	-	28,749
Inflows	\$ 155,485,816	\$ 324,648,718	\$ 65,469,620	\$ 57,033,048	\$ 602,649,206
Total outflows	\$ 154,882,840	\$ 324,467,148	\$ 65,300,756	\$ 56,920,001	\$ 601,570,845
Total inflows	-	-	-	-	\$ -

e) Maturity analysis of off-balance sheet items

Bank's off-balance sheet items - irrevocable loans, guarantees, and letters of credit - presented based on the residual time from the balance sheet date to the maturity date were as follows:

(In Thousands of New Taiwan Dollars)

Item	December 31, 2020				Total
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	
Unused loan commitments (excluding credit card)	\$ 58,422,231	\$ -	\$ 920,585	\$ 1,998,983	\$ 68,977,412
Credit card commitments	17	281	609	18,210	348,160
Unused issued letters of credit	22,332,416	59,616	-	-	22,392,032
Guarantees issued in guarantee business	58,134,800	7,075	26,340	57,171	68,012
Total	\$ 138,889,164	\$ 66,572	\$ 947,534	\$ 2,069,364	\$ 150,010,792

(In Thousands of New Taiwan Dollars)

Item	December 31, 2019				Total
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	
Unused loan commitments (excluding credit card)	\$ 56,262,776	\$ 149,954	\$ 1,063,310	\$ 857,016	\$ 70,705,981
Credit card commitments	-	7	11,045	21,966	332,128
Unused issued letters of credit	21,430,912	84,213	-	-	21,515,125
Guarantees issued in guarantee business	53,614,032	2,609	46,002	66,001	64,663
Total	\$ 130,307,711	\$ 237,173	\$ 1,160,357	\$ 974,223	\$ 145,506,922

Item	December 31, 2020		December 31, 2019	
	Non-performing Loans Exempted from Reporting	Non-performing Receivables Exempted from Reporting	Non-performing Loans Exempted from Reporting	Non-performing Receivables Exempted from Reporting
Business Type				
Negotiated loans transacted in accordance with the agreement and exempted from reporting as non-performing loans (Note a)	\$ -	\$ 650	\$ -	\$ 943
Negotiated accounts receivable transacted in accordance with the agreement and exempted from reporting as non-performing receivables (Note b)	419	20,531	486	19,520
Total	419	21,181	486	20,463

Note a: Negotiated loans and accounts receivable transacted in accordance with the agreement and exempted from reporting as non-performing loans are disclosed in accordance with the Letter issued by Banking Bureau on April 25, 2006 (Ref. No. Jin-Guan-Yin (1)09510001270).

Note b: Loans and receivables transacted in accordance with debt clearance and renewal regulation and exempted from reporting as non-performing loans or receivables are disclosed in accordance with the Letter issued by Banking Bureau on September 15, 2008 (Ref. No. Jin-Guan-Yin (1)09700318940).

b. Concentration of credit risk

Rank (Note a)	December 31, 2020		As Proportion of Net Equity (%) (Note d)
	Transaction Party (Note b)	Loans (Note c)	
1	A Group (airline industry)	\$ 28,268,528	17.13
2	B Corporation (railway transportation industry)	24,048,482	14.57
3	C Group (construction industry)	13,787,561	8.35
4	D Group (enterprise general management agency)	10,835,606	6.56
5	E Group (concrete manufacturing industry)	9,331,292	5.65
6	F Group (steel smelting industry)	8,945,697	5.42
7	G Group (steel manufacturing industry)	7,091,890	4.30
8	H Group (liquid crystal panel and components manufacturing industry)	6,409,996	3.88
9	I Group (computer manufacturing industry)	6,331,866	3.84
10	J Group (vessel carriers industry)	5,788,390	3.51

Rank (Note a)	December 31, 2019		As Proportion of Net Equity (%) (Note d)
	Transaction Party (Note b)	Loans (Note c)	
1	B Corporation (railway transportation industry)	\$ 25,827,350	15.92
2	A Group (airline industry)	24,490,414	15.10
3	C Group (construction industry)	18,791,012	11.58
4	F Group (steel smelting industry)	16,970,744	10.46
5	E Group (concrete manufacturing industry)	16,318,376	10.06
6	G Group (steel manufacturing industry)	7,248,601	4.47
7	D Group (enterprise general management agency)	6,547,128	4.04
8	K Group (real estate development industry)	6,145,549	3.79
9	L Group (electric wire and cable manufacturing industry)	5,989,758	3.69
10	M Group (real estate leasing industry)	5,811,259	3.58

Note a: Sorted by the balance of loans on December 31, 2020 and 2019, excluding government or state-run business. The number of transaction party which belongs to a group business was included in the balance of group business.

Note b: Transaction party is in accordance with article 6 of the Supplementary Provisions to the Taiwan Stock Exchange Corporation Criteria for Review of Securities Listings.

Note c: Loans include import and export bill negotiations, bills discounted, overdraft, short-term loan, short-term secured loan, accounts receivable financing, medium-term loan, medium-term secured loan, long-term loan, long-term secured loan, delinquent loans, inward remittances, factoring without recourse, acceptance, and guarantee.

Note d: The percentage of loans to equity for the period: Domestic banks should use bank equity to calculate; the Taiwan branch of foreign banks should use branch's equity to calculate.

c. Interest rate sensitivity

Item	(In Thousands of New Taiwan Dollars; %)			
	December 31, 2020	December 31, 2019	181 Days-1 Year	More Than 1 Year
Interest-sensitive assets	\$ 1,533,388,887	\$ 38,679,450	\$ 53,467,034	\$ 12,311,305
Interest-sensitive liabilities	334,937,053	1,030,158,641	102,284,723	57,144,447
Interest sensitivity gap	1,198,451,834	(991,479,191)	(48,817,694)	70,166,758
Net equity				143,844,100
Ratio of interest-sensitive assets to liabilities				14.98%
Ratio of interest sensitivity gap to net equity				158.73%

Item	(In Thousands of New Taiwan Dollars; %)			
	December 31, 2019	December 31, 2018	181 Days-1 Year	More Than 1 Year
Interest-sensitive assets	\$ 1,351,733,509	\$ 59,055,353	\$ 65,091,720	\$ 12,365,049
Interest-sensitive liabilities	320,397,347	894,994,787	98,106,938	1,367,452,550
Interest sensitivity gap	1,031,336,162	(835,939,434)	(33,015,218)	38,411,571
Net equity				220,793,081
Ratio of interest-sensitive assets to liabilities				14.078%
Ratio of interest sensitivity gap to net equity				116.15%
				156.50%

Note a: The amounts listed above include accounts in N.T. dollars only (i.e. excluding foreign currency) for both head office and domestic branches.

Note b: Interest-sensitive assets and liabilities are interest-earning assets and interest-bearing liabilities with income or cost affected by interest rate fluctuations.

Note c: Interest sensitivity gap = Interest-sensitive assets - Interest-sensitive liabilities

Note d: Ratio of interest-sensitive assets to interest-sensitive liabilities = $\frac{\text{Interest-sensitive assets}}{\text{Interest-sensitive liabilities}}$ (N.T. dollars only)

Item	December 31, 2020			
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year
Interest-sensitive assets	\$ 12,129,741	\$ 926,807	\$ 785,097	\$ 361,925
Interest-sensitive liabilities	15,038,000	1,581,428	1,704,086	29
Interest sensitivity gap	(2,908,259)	(654,621)	(918,989)	361,896
Net equity				565,221
Ratio of interest-sensitive assets to liabilities				77.52%
Ratio of interest sensitivity gap to net equity				(728.91)%

Item	December 31, 2019			
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year
Interest-sensitive assets	\$ 12,529,869	\$ 830,942	\$ 480,275	\$ 74,057
Interest-sensitive liabilities	13,920,748	1,413,764	1,405,394	109
Interest sensitivity gap	(1,390,879)	(582,822)	(925,119)	73,948
Net equity				508,858
Ratio of interest-sensitive assets to liabilities				83.16%
Ratio of interest sensitivity gap to net equity				(555.14)%

Note a: The amounts listed above include accounts in U.S. dollars only for domestic branches, offshore banking unit (OBU), and overseas branches, excluding contingent assets and contingent liabilities.

Note b: Interest-sensitive assets and liabilities are interest-earning assets and interest-bearing liabilities with income or cost affected by interest rate fluctuations.

Note c: Interest sensitivity gap = Interest-sensitive assets - Interest-sensitive liabilities

Note d: Ratio of interest-sensitive assets to interest-sensitive liabilities = $\frac{\text{Interest-sensitive assets}}{\text{Interest-sensitive liabilities}}$ (U.S. dollars only)

Item	December 31, 2020		December 31, 2019	
	Pretax	After tax	Pretax	After tax
Return on total assets	0.38%	0.32%	0.64%	0.55%
Return on net equity	5.08%	4.30%	8.48%	7.26%
Profit margin	26.16%		36.49%	

d. Profitability

Note a: Return on total assets = $\frac{\text{Income before (after) tax}}{\text{Average assets}}$

Note b: Return on net equity = $\frac{\text{Income before (after) tax}}{\text{Average net equity}}$

Note c: Profit margin = $\frac{\text{Income after tax}}{\text{Net revenue and gains}}$

Note d: Profitability presented above is cumulative from January 1 to December 31 of 2020 and 2019, respectively.

e. Maturity analysis of assets and liabilities

	Total	December 31, 2020					December 31, 2019				
		Period Remaining until Due Date and Amount Due					Period Remaining until Due Date and Amount Due				
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days-1 Year
Major maturity cash inflows	\$ 2,043,718,393	\$ 206,410,869	\$ 238,252,522	\$ 204,296,220	\$ 186,734,547	\$ 291,756,596	\$ 876,267,439				
Major maturity cash outflows	2,698,346,676	123,695,015	188,831,338	390,474,668	332,690,341	529,248,705	1,133,686,609				
Gap	(654,628,283)	82,715,854	49,421,184	(186,178,448)	(145,955,794)	(237,492,109)	(257,339,170)				

	Total	December 31, 2020					December 31, 2019				
		Period Remaining until Due Date and Amount Due					Period Remaining until Due Date and Amount Due				
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days-1 Year
Major maturity cash inflows	\$ 1,940,929,644	\$ 109,115,385	\$ 187,074,922	\$ 383,348,938	\$ 158,894,940	\$ 273,473,729	\$ 798,945,630				
Major maturity cash outflows	2,474,979,448	134,112,738	139,853,921	454,558,706	279,925,485	456,973,212	1,009,055,386				
Gap	(533,049,804)	35,062,647	47,221,001	(101,210,668)	(121,030,545)	(183,499,483)	(210,109,756)				

Note: The amounts listed above include accounts in N.T. dollars only (i.e. excluding foreign currency) for both head office and domestic branches.

(In Thousands of U.S. Dollars)

	Total	December 31, 2020			
		Period Remaining until Due Date and Amount Due			
		1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year
Major maturity cash inflows	\$ 25,351,004	\$ 10,393,875	\$ 5,501,311	\$ 2,645,232	\$ 2,223,036
Major maturity cash outflows	29,733,667	9,480,010	4,917,244	3,518,461	5,344,146
Gap	(4,382,663)	913,865	584,067	(873,229)	(3,021,110)

(In Thousands of U.S. Dollars)

	Total	December 31, 2019			
		Period Remaining until Due Date and Amount Due			
		1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year
Major maturity cash inflows	\$ 23,894,487	\$ 9,998,071	\$ 5,145,260	\$ 2,581,022	\$ 1,997,240
Major maturity cash outflows	28,555,457	9,783,120	5,570,195	3,660,626	4,260,119
Gap	(4,660,970)	214,951	(424,935)	(1,079,604)	(2,262,879)

Note: The amounts listed above include accounts in U.S. dollars for head office, domestic branches, and OBU.

f. Trust accounts

Under Article 3 of the Trust Law, the Bank can offer trust services. The items and amounts of trust accounts as of December 31, 2020 and 2019 were as follows:

	December 31	
	2020	2019
Special purpose trust accounts - domestic	\$ 30,786,243	\$ 32,055,153
Special purpose trust accounts - foreign	71,425,270	74,642,122
Insurance trust	10,805	10,760
Retirement and breeds trust	950,331	643,512
Umbilical cord blood trust	12,574,377	12,199,191
Money claim and guarantee trust	54,800	58,800
Marketable securities trust	956,540	866,543
Real estate trust	19,219,168	25,092,597
Securities under custody	237,662,053	215,616,230
Other money trust	3,950,133	2,248,066
	<u>\$ 377,589,720</u>	<u>\$ 363,432,974</u>

g. Disclosures on trust assets and liabilities and assets register as required by Enforcement Rules of ROC Trust Law Article 17 were as follows:

Trust Assets	December 31		Trust Liabilities	December 31	
	2020	2019		2020	2019
Bank deposits	\$ 6,122,855	\$ 5,350,631	Trust capital		
Insurance claims	54,800	58,800	Money trust	\$ 119,348,535	\$ 126,248,077
Financial assets			Insurance claims	54,800	58,800
Common stock	3,076,953	2,244,637	Marketable securities trust	954,239	749,182
Mutual funds	109,891,141	120,082,141	Real estate trust	19,220,047	20,273,438
Bonds	2,665,273	3,560,451	Securities under custody	237,662,053	215,616,230
Interest receivable	298	921	Payable		
Land	13,139,955	4,384,643	Withholdings		
Buildings	562,688	580,681	Profit and loss	81,628	218,211
Construction in progress	4,413,704	11,553,839	Unappropriated retained earnings - realized capital		
Securities under custody	237,662,053	215,616,230	Unappropriated retained earnings/expense investment	57,791	52,859
			Unappropriated retained earnings - gain on revenue/expense investment	1,094,422	1,030,796
			Unappropriated retained earnings	(883,795)	(814,676)
Total trust assets	<u>\$ 377,589,720</u>	<u>\$ 363,432,974</u>	Total trust liabilities	<u>\$ 377,589,720</u>	<u>\$ 363,432,974</u>

Trust Assets Register

	December 31	
	2020	2019
Investments		
Bank deposits	\$ 6,122,855	\$ 5,350,631
Insurance claims	54,800	58,800
Financial assets		
Common stock	3,076,953	2,244,637
Mutual funds	109,891,141	120,082,141
Bonds	2,665,273	3,560,451
Land	13,139,955	4,384,643
Buildings	562,688	580,681
Construction in progress	4,413,704	11,553,839
Others	298	921
Securities under custody	237,662,053	215,616,230
Total trust assets	<u>\$ 377,589,720</u>	<u>\$ 363,432,974</u>

Income Statement of Trust

	For the Year Ended December 31	
	2020	2019
Investments		
Revenue		
Interest income	\$ 77,687	\$ 91,926
Dividends	73,987	92,496
Gain on mutual funds	17,954	9,133
Foreign exchange gains	914,811	806,432
Realized capital gain - mutual funds	4,048	5,659
Realized capital gain - bonds	22,971	4,519
Realized capital gain - quoted stock	188,025	11,114
	<u>1,299,483</u>	<u>1,021,279</u>
Expense		
Maintenance	(4,714)	(1,948)
Tax expense	(4,190)	(3,508)
Others	(706)	(320)
Foreign exchange losses	(938,240)	(758,539)
Realized capital loss - bonds	(13,620)	(1,785)
Realized capital loss - mutual funds	(2,313)	(23,966)
Realized capital loss - quoted stock	(2,540,722)	(13,002)
	<u>(1,217,855)</u>	<u>(803,068)</u>
	<u>\$ 81,628</u>	<u>\$ 218,211</u>

36. RELATED-PARTY TRANSACTIONS

a. Related parties and their relationships with the Bank

Name	Relationship
Director and managers Taishin Financial Holding	The Bank's director and managers The Bank's related party in substance (as the Bank's corporate director before June 19, 2020)
Chang Hua Commercial Bank, Ltd. Chang Hwa Bank Venture Capital Co., Ltd. Taishin International Bank	The Bank's subsidiary The Bank's subsidiary The subsidiary of Bank's related party in substance (owned by the same parent company before June 19, 2020)
Chungghwa Post Co., Ltd.	The Bank's corporate director (as the Bank's related party since June 19, 2020)
The Export-Import Bank Land Bank	Its director is the Bank's corporate director
Taiwan Business Bank	Its director is the Bank's corporate director
Taichung Commercial Bank Co., Ltd.	Its director is the spouse of the Bank's manager
Taiwan High Speed Rail Corporation	Its director is the Bank's corporate director
Yang Ming Marine Transport Corporation	Its director is the Bank's corporate director
Unity OPTO Technology Co., Ltd.	Its director is the Bank's corporate director
Powertec Electrometal Corporation	Its director is the Bank's corporate director
CSBC Corporation	Its director is the Bank's corporate director
United Renewable Energy Co., Ltd. EirGenix, Inc.	Its director is the Bank's corporate director
Kaohsiung Rapid Transit Corporation	Its director is the Bank's corporate director
Adimmune Corporation	Its director is the Bank's corporate director
China Airlines, Ltd.	Its director is the Bank's corporate director
Lungteh Shipbuilding Co., Ltd. Others	Its director is the Bank's corporate director FSC-approved IAS 24, "Related Party Disclosures" other related parties

b. Significant transactions with related parties

	Balance	Percentage of Loans (%)
1) Loans		
Balance as of December 31, 2020	\$ 32,639,410	2.23
Balance as of December 31, 2019	31,430,068	2.22
For the years ended December 31, 2020 and 2019, interest rates ranged from 0.00% to 3.57% and from 0.63% to 4.20%, respectively, and interest income amounted to \$517,613 thousand and \$610,837 thousand, respectively.		

December 31, 2020

	Ending Balance	Highest Amount	Normal Loans	Non-performing Loans	Collateral	Difference in Terms Between Related Parties and Non-related Parties
<u>Consumer loans</u>						
45 accounts	\$ 27,331	\$ 28,682	\$ 27,331	\$ -	Credit	None
Self-use residential mortgage loans						
243 accounts	1,543,692	1,596,195	1,543,692	-	Real estate	None
<u>Others</u>						
Taiwan High Speed Rail Corporation	23,961,579	23,982,424	23,961,579	-	Credit and station equipment	None
Yang Ming Marine Transport Corporation	2,974,000	2,974,000	2,974,000	-	Credit and ship	None
China Airlines, Ltd.	1,000,000	1,000,000	1,000,000	-	Credit and fund guarantee	None
CSBC Corporation	1,000,000	1,168,892	1,000,000	-	Credit	None
Unity OPTO Technology Co., Ltd.	630,162	631,719	630,162	-	Credit, land and plant	None
Powertec Electrometal Corporation	466,027	668,002	-	466,027	Plant	None
United Renewable Energy Co., Ltd.	320,405	466,932	320,405	-	Credit	None
Kaohsiung Rapid Transit Ltd.	200,000	530,000	200,000	-	Credit	None
Lungteh Shipbuilding Co., Ltd.	120,224	136,804	120,224	-	Credit, land and plant	None
EirGenix, Inc.	103,365	103,365	103,365	-	Plant	None
Other - corporation 9 accounts (Note 1)	290,324	459,012	290,324	-	Credit and fund guarantee and real estate	None
Other - individual 7 accounts (Note 2)	2,301	2,335	2,301	-	Deposit	None

December 31, 2019

	Ending Balance	Highest Amount	Normal Loans	Non-performing Loans	Collateral	Difference in Terms Between Related Parties and Non-related Parties
<u>Consumer loans</u>						
34 accounts	\$ 16,846	\$ 18,061	\$ 16,846	\$ -	Credit	None
Self-use residential mortgage loans						
214 accounts	1,396,446	1,439,153	1,396,446	-	Real estate	None
<u>Others</u>						
Taiwan High Speed Rail Corporation	25,674,629	25,683,510	25,674,629	-	Credit and station equipment	None
Yang Ming Marine Transport Corporation	1,878,000	2,378,000	1,878,000	-	Credit and ship	None
Unity OPTO Technology Co., Ltd.	744,849	1,142,872	744,849	-	Credit, land and plant	None
Powertec Electrometal Corporation	666,383	666,383	666,383	-	Credit and plant	None
CSBC Corporation	500,000	672,483	500,000	-	Credit	None
United Renewable Energy Co., Ltd.	100,000	490,000	100,000	-	Credit	None
Other - corporation 10 accounts (Note 1)	452,092	929,683	452,092	-	Credit and fund guarantee and real estate	None
Other - individual 6 accounts (Note 2)	823	1,633	823	-	Deposit	None

Note 1: The balance of each corporate entity does not exceed \$1 billion.

Note 2: The balance of each single entity does not exceed 1% of the total ending balance.

Mortgage loans to managers within \$8,000 thousand and credit loans within \$800 thousand per person all bore interests at 1.01% and 1.26% in December 31, 2020 and 2019, respectively. The interest rates and other terms provided to the other related parties are the same as those offered to the public.

2) Guaranteed loans

	December 31, 2020				Collateral
	Ending Balance	Highest Amount	Reserve for Guarantee Liabilities	Interest Rate (Per Annum %)	
Yang Ming Marine Transport Corporation	\$ 1,370,685	\$ 1,511,100	\$ 13,707	0.80-1.00	None
Kaohsiung Rapid Transit Corporation	6,000	6,000	60	0.50	None
CSBC Corporation	2,010,650	2,010,650	20,107	0.65	None

	December 31, 2019				Collateral
	Ending Balance	Highest Amount	Reserve for Guarantee Liabilities	Interest Rate (Per Annum %)	
Yang Ming Marine Transport Corporation	\$ 1,511,100	\$ 1,511,100	\$ 15,111	0.80-1.00	None
Kaohsiung Rapid Transit Corporation	21,327	21,327	213	0.50	None
Adimnate Corporation	18,457	18,771	185	1.80	Pledged demand deposit

3) Deposits

	Balance	Percentage of Loans (%)
Balance as of December 31, 2020	\$ 7,629,540	0.40
Balance as of December 31, 2019	9,496,232	0.54

For the years ended December 31, 2020 and 2019, the interest rates intervals were both between 0.00% and 13.00%, the interest expense amounted to \$95,443 thousand and \$71,267 thousand, respectively.

The interest rate for managers' deposits amounting to \$480 thousand per person was 13% per annum. The part of deposit exceeding \$480 thousand will earn interest calculated at the demand savings rate. The interest rates and other terms provided to the other related parties are the same as those offered to general public.

4) Transactions of derivative financial products

Name	Contract	Duration	December 31, 2020		Balance Sheet Subject Amount
			Nominal Principle Amount	Current Valuation Gain (Loss)	
Chunghua Post Co., Ltd	Currency swaps	2020.8.10-2021.6.15	\$ 11,942,500	\$ (371,770)	Financial liabilities at fair value through profit or loss \$ 371,770

(In Thousands of New Taiwan Dollars)

5) Call loans to banks and call loans from banks

Call loans to banks

Name	December 31, 2020			Interest Rate (Per Annum %)	Interest Income
	Ending Balance	Currency	Department		
Chunghua Post Co., Ltd	\$ 15,000	NTD	DBU	0.08-0.77	\$ 445
Land Bank	2,005,000	NTD	DBU	0.07-0.67	3,201
	115,000	USD	OBU	0.08-2.35	1,423
	80,000	AUD	OBU	0.06-0.38	53
Taiwan Business Bank	40,000	USD	Hong Kong Branch	0.10-2.38	768
	30,000	USD	OBU	0.09-2.30	143
	15,000	USD	Tokyo Branch	0.16-0.53	13
	30,000	USD	Hong Kong	0.14-2.37	197
Taichung Commercial Bank	500,000	NTD	DBU	0.20-0.43	1,030
	1,500,000	JPY	OBU	0.02	3

December 31, 2019

Name	December 31, 2019			Interest Rate (Per Annum %)	Interest Income
	Ending Balance	Currency	Department		
Land Bank	\$ 260,000	USD	OBU	1.55-3.28	\$ 5,418
	10,000	USD	London Branch	2.38-2.94	258
	70,000	USD	Hong Kong Branch	2.34-3.32	2,570
Taiwan Business Bank	41,000	USD	OBU	1.52-3.25	1,327
	10,000	USD	Hong Kong Branch	1.60-3.25	542
	10,000	USD	Singapore Branch	2.25-2.79	81

Call loans from banks

Name	December 31, 2020			Interest Rate (Per Annum %)	Interest Expense
	Ending Balance	Currency	Department		
Land Bank	\$ 5,000	NTD	DBU	0.18-0.66	\$ 180
Taiwan Business Bank	6,000	SGD	Singapore Branch	0.10-2.20	41

6) Due from banks and deposits from banks

Name	December 31, 2019			Interest Rate (Per Annum %)	Interest Expense
	Ending Balance	Currency	Department		
Land Bank	\$ 2,005,000	NTD	DBU	0.18-0.67	\$ 378
Taiwan Business Bank	5,500	SGD	Singapore Branch	1.20-2.55	65
	5,000	GBP	London Branch	1.05	12

Due from banks

(In Thousands of Original Currencies)

Name	Department	Currency	December 31	
			2020 Ending Balance	2019 Ending Balance
Land Bank	DBU	NTD	\$ 4	\$ 2
Taiwan Business Bank	DBU	NTD	4	819
Chunghua Post Co., Ltd	DBU	NTD	121	-
Chang Hua Commercial Bank, Ltd.	DBU	USD	6,837	8,528
	DBU	RMB	5,745	2,961

Deposits from banks

Name	Department	Currency	December 31	
			2020 Ending Balance	2019 Ending Balance
Land Bank	DBU	NTD	\$ 277	\$ 277
The Export-Import Bank	DBU	NTD	2,205	3,536
Chungwa Post Co., Ltd	DBU	NTD	355,766	-
Taishin International Bank	New York Branch	USD	68	67
Chang Hua Commercial Bank, Ltd.	Tokyo Branch	JPY	76,268	69,195
	Hong Kong Branch	USD	444	369
	Hong Kong Branch	HKD	220	175

7) Other financial assets

Name	Department	Currency	(In Thousands of Original Currencies)	
			2020 Ending Balance	2019 Ending Balance
Chang Hua Commercial Bank, Ltd.	DBU	RMB	\$ 1,000,000	\$ 1,000,000

8) Deposits and remittances

Name	Department	Currency	(In Thousands of New Taiwan Dollars)	
			2020 Ending Balance	2019 Ending Balance
Chang Hua Bank Venture Capital Co., Ltd.	DBU	NTD	\$ 416,881	\$ 554,172

c. Compensation of directors and management personnel

	For the Year Ended December 31	
	2020	2019
Short-term employee benefits	\$ 76,104	\$ 106,856
Post-employment benefits	21,291	10,755
	<u>\$ 97,395</u>	<u>\$ 117,611</u>

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

d. Others

The Bank signed two-year information system service contracts in the amounts of \$2,000 thousand and \$46 thousand each on April 8, 2020 and April 30, 2020, with its subsidiaries Chang Hua Commercial Bank, Ltd. and Chang Hua Bank Venture Capital Co., Ltd., respectively and recognized other income in the amounts of \$1,191 thousand and \$22 thousand.

The Bank signed three-year legal advice service contract with its subsidiary, Chang Hua Bank Venture Capital Co., Ltd., on November 26, 2020. Under the contract, the annual service fee is \$68 thousand. In 2020, the Bank recognized other income in the amount of \$65 thousand.

37. PLEDGED ASSETS

The summary of the Bank's pledged assets as of December 31, 2020 and 2019 is as follows:

Pledged Assets	Description	December 31	
		2020	2019
Investments in debt instruments at FVTOCI	Bonds	\$ 1,126,969	\$ 988,004
Investments in debt instruments at amortized cost	Bonds and certificates of deposit	41,440,500	41,389,970
Time deposits with original maturities of more than 3 months	Time deposits	2,811,250	2,577,000
Refundable deposits	Cash	2,597,942	954,967
Reserves for demand Account	Cash	30,000,000	-

38. CONTINGENT LIABILITIES AND COMMITMENTS

a. In addition to those mentioned in Note 7, the Bank had the following contingent liabilities and commitments as of December 31, 2020 and 2019:

	December 31	
	2020	2019
Trust liabilities	\$ 377,589,720	\$ 363,432,974
Unused loan commitments (excluding credit cards)	68,977,412	70,705,981
Credit card commitments	348,160	322,128
Unused issued letters of credit	22,392,032	21,515,125
Guarantees issued in guarantee business	58,293,098	52,823,688
Repayment notes and times deposit held for custody	14,530,602	13,910,771
Liabilities on joint loans	629,849	836,947

The unrecognized commitments for the acquisition of equipment and intangible assets, as well as the commitments for construction, appointment and security as of December 31, 2020 were \$524,113 thousand, \$25,650 thousand, \$521,789 thousand and \$132,683 thousand, respectively.

b. TDK Corporation filed a legal proceeding against the Bank for damages in the amount of \$45,794 thousand. On April 19, 2017, the Taiwan Superior Court passed a verdict partially in favor of and partially against the Bank, and the Bank shall compensate the damages in the amount of \$11,448 thousand. The Bank had appealed to the Supreme Court. The Supreme Court remanded the case and held a hearing on September 3, 2019. Then, the Supreme Court held another hearing on November 4, 2019. The oral argument session had concluded on January 14, 2020, and the judgment procedure was held on May 11, 2020. The Court held a hearing for oral argument on July 16, 2020, and ruled that both parties should submit an appeal. The Supreme Court held another hearing on September 30, 2020 and held judgment procedure on November 25, 2020 and January 25, 2021. Then, another judgment procedure would be held on April 12, 2021.

c. The Bank's North Taichung branch was fined due to the misappropriation of customers' deposits. The Bank has negotiated with its customers and confirmed the amount of misappropriated deposits.

39. OTHER ITEMS

The outbreak of the COVID-19 has had a significant global impact since the beginning of this year, and the operations of the Bank have also been affected considerably. The decrease in the Bank's earnings was in accordance with the government's policies for the relief package and reduction of interest rate. In addition, due to an increase in non-performing loans, it is necessary to increase the amount of bad debts, which led to an increase in the non-performing loans ratio. The income from credit card and insurance fees also decreased relatively because of the epidemic. However, the above effects are still within the acceptable range and they have no impact on the Bank's ability to continue as a going concern.

40. DISCLOSURES UNDER STATUTORY REQUIREMENTS

a. Material transactions

No.	Item	Explanation
1	Accumulated purchases and sales balance of specific investees' marketable security over NT\$300 million or 10% of outstanding capital for the year ended December 31, 2020	None
2	Acquisition of fixed assets over NT\$300 million or 10% of outstanding capital for the year ended December 31, 2020	None
3	Disposal of fixed assets over NT\$300 million or 10% of outstanding capital for the year ended December 31, 2020	None
4	Discount on fees income from related parties over NT\$5 million	None
5	Receivables from related parties over NT\$300 million or 10% of outstanding capital as of December 31, 2020	None
6	Sale of NPL	None
7	Securitized instruments and related assets which are in accordance with the Statute for Financial Assets Securitization and the Statute for Real Estate Securitization	None
8	Other significant transactions which may affect decisions of the users of the financial statements	None

b. Information on the Bank's Investees

No.	Item	Explanation
1	Investees' names, locations, etc.	Table 1
2	Capital lending to another party	None
3	Endorsement for another party	None
4	Marketable securities held as of December 31, 2020	None
5	Accumulated purchases and sales balance of specific marketable security over NT\$300 million or 10% of outstanding capital for the year ended December 31, 2020	None
6	Acquisition of property, plant and equipment over NT\$300 million or 10% of outstanding capital for the year ended December 31, 2020	None
7	Disposal of property, plant and equipment over NT\$300 million or 10% of outstanding capital for the year ended December 31, 2020	None
8	Receivables from related parties over NT\$300 million or 10% of outstanding capital as of December 31, 2020	None
9	Derivative instrument	None
10	Discount on fees income from related parties over NT\$5 million	None
11	Sale of NPL by subsidiary	None
12	Other significant transactions which may affect decisions of the users of the financial statements	None

c. Investment in mainland China: Table 2

d. Information of major shareholders: The name of the shareholder, shareholding amount and ratio of shareholders with a shareholding ratio more than 5% (Table 3)

41. INFORMATION ON INVESTEEES

Investee's Names (Not a)	Investee's Location	Principal Business Activities	Ownership Interest % (including indirect)	Investment Value (including balance)	Recognized Investment Income (Net of Tax)	Sum of Ownership (Not a)		Ownership Interest (Not a)
						Current Stock	Impaired Stock	
Ching Hsin Commercial	China	Banking	100.00	\$ 12,928,728	\$ 41,356	-(Not a)	-(Not a)	100.00
Ching Hsin Bank, Venture	Taipei City	Venture capital business	100.00	583,000	(1,129)	60,000,000	60,000,000	100.00
Shin Kong Financial Holding Co., Ltd.	Taipei City	Financial holding company	0.39	447,073	-	50,766,125	50,766,125	0.39
Aviation Investment & Finance Co., Ltd.	Taipei City	Types of fixed IT (telecommunications) business	0.36	99,298	-	93,013,711	93,013,711	0.36
Taiwan High Speed Rail Corporation	Taipei City	High speed rail road	0.39	1,406,650	-	44,500,000	44,500,000	0.39
Taiwan Stock Exchange Co.	Taipei City	Securities exchange margin	3.00	2,570,333	-	22,215,177	22,215,177	3.00
Taiwan Sugar Co.	Tainan City	ALM purchase, retail, and	0.41	1,803,537	-	23,366,159	23,366,159	0.41
Taiwan Power Co.	Taipei City	Generation electric power, electric transmission, electric distribution, electric assembly	0.71	2,182,049	-	235,296,232	235,296,232	0.71
Taipei Foreign Exchange Inc.	Taipei City	Exchange trading, TDFPFR	3.53	32,641	-	900,000	900,000	3.53
Linn-Asia Service Co., Ltd.	Taipei City	ALM purchase, retail, and	5.00	1,653	-	425,000	425,000	5.00
CHIB & Finance Investment Holding Co.	Taipei City	Investment	4.58	527,760	-	54,000,000	54,000,000	4.58
Financial Information & Investment Ltd.	Taipei City	Securities investment trust	4.00	52,759	-	1,415,325	1,415,325	4.00
Taiwan Finance Exchange	Taipei City	Types of telecommunications	1.19	142,899	-	6,229,800	6,229,800	1.19
Taiwan Finance Management Ltd.	Taipei City	Finance exchange	1.00	366,971	-	3,683,018	3,683,018	1.00
Taiwan Financial Asset Services Co.	Taipei City	Acquisition of debt securities, and management, recognition of an impairment	11.35	1,509,600	-	120,000,000	120,000,000	11.35
Financial Information & Investment Ltd.	Taipei City	Finance exchange	2.94	48,550	-	5,000,000	5,000,000	2.94
Financial Information & Investment Ltd.	Taipei City	Finance exchange	4.12	66,647	-	905,475	905,475	4.12
Taiwan Depository & Clearing Co., Ltd.	Taipei City	Provide book-entry of securities, securities development	0.08	192,650	-	322,862	322,862	0.08
Swingline Assets Management Co., Ltd.	Taipei City	Acquisition of debt securities, and management, recognition of an impairment	0.30	500	-	41,768	41,768	0.30
Taiwan Mobile Payment & Financial Service	Taipei City	Electronic information	3.00	97,384	-	1,800,000	1,800,000	3.00
U-Turn Products Corporation	Tainan City	Urban regeneration	5.00	174,753	-	2,300,000	2,300,000	5.00
U-Turn Products Corporation	Tainan City	Urban regeneration products	4.77	(Not a)	-	5,748,382	5,748,382	4.77

Note a: The investors' voting shares, and imputed stock were owned by the Bank and related parties.

Note b: 1) Imputed stock refers to the purchase of securities with equity or derivative commodity contracts (not yet converted into equity holding), which is linked to the equity of the bank's reinvestment business according to the agreed transaction conditions and the bank's commitment to be used as Article 74 of The Banking Act of The Republic of China stipulates that for the purpose of reinvestment, under the assumption of conversion, the shares acquired as a result of the conversion.

2) The above-mentioned "securities with equity" refers to the securities stipulated in the first paragraph of Article 11 of the Securities and Exchange Act Enforcement Rules, such as convertible corporate bonds and call warrants.

3) The above-mentioned "derivative commodity contract" refers to those who meet the definition of derivative instruments in IFRS 9, such as stock options.

Note c: The Bank had recognized the loss on investment in Tai Yu Products Corporation.

Note d: Limited company organization.

42. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the divisions which are identified by the type of services provided. The accounting policies adopted in the operating segments are the same as those described in Note 4. The operating results and identified assets of the operating segments are disclosed in the consolidated financial statements.

TABLE L

CHANG HWA COMMERCIAL BANK, LTD.

INFORMATION ON INVESTMENT IN MAINLAND CHINA
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Main Business and Products	Public Capital	Method of Investment	Accumulated Outflow of Investment Taiwan as of January 1, 2020	Investment Flows		Accumulated Investment from Taiwan as of December 31, 2020	Net Income (Loss) of the Investee (Note 3)	% of Direct or Indirect Investment	Investment Gains (Loss)	Cumulative Amount as of December 31, 2020	Accumulated Income as of December 31, 2020	Note
					Inflow	Outflow							
Chang Hwa Commercial Bank, Ltd.	Banking	\$ 12,117,288 (US\$ 399,558)	Note 1.c.	\$ 12,117,288 (US\$ 399,558)	\$ -	\$ -	\$ 12,117,288 (US\$ 399,558)	\$ 413,565	100	\$ 413,565	\$ 12,925,728	\$ -	-

Investment Amounts Authorized by Investment Commission, MOFA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOFA (Note 3)
\$ 12,117,288 (US\$ 399,558)	\$ 24,275,608

Note 1: The three methods of investment are as follows:

- Direct investment in mainland China.
- Investment in mainland China through reinvestment in existing enterprise in a different area.
- Others.

Note 2: Equity in the profit (loss).

- If the entity is still in the preparation stage and there is no equity in profit (loss), the condition should be noted.
- The basis of recognizing equity in profit (loss) is categorized in the following three types and each entity should be noted according to its condition:
 - Financial statements audited (reviewed) by international accounting firms that cooperate with the accounting firm in the ROC.
 - Audited.
 - Others.

Note 3: Information with the "Bank, Financial Holding Corporation and Related Party Invest China Business Rules" announced by the PRC, the accumulated outflow of operating funds and investment from the following parties may not exceed 1% of net assets.

- Bank(s) in Taiwan for subsidiaries in the listed entity which establish branches, subsidiaries or acquire stock or equity contributions from local stockholders in mainland China.
- The subsidiaries whose issued stock with voting rights or more than 50% of capital held by banks in Taiwan that have investments in mainland China.

TABLE M

CHANG HWA COMMERCIAL BANK, LTD.

INFORMATION OF MAJOR SHAREHOLDERS
(In Thousands of New Taiwan Dollars)

Name of Major Shareholders	Number of Shares	Percentage of Ownership (%)
Fubai Financial Holding Co., Ltd.	2,341,392,234	22.54
Ministry of Finance	1,265,079,860	12.19
Chang Hwa Bank Venture Capital Co., Ltd.	423,147,260	4.04

Note: The main shareholder information in this table is calculated by the insurance company on the last business day at the end of the quarter, and the total number of ordinary shares and special shares held by the insurance company is 10,429,972,260 shares. The share capital recorded in the Bank's consolidated financial statement and the actual number of shares delivered without physical registration may be different due to the basis of preparation and calculation.

TABLE I

CHANG HWA COMMERCIAL BANK, LTD.

INFORMATION ON INVESTORS' NAMES, LOCATIONS
FOR THE YEAR ENDED DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars, Except for Percentage and Shares)

Investor	Investees' Names	Investees' Location	Line of Business	Original Investment Amount		Ending Balance		Recognized Income (Loss) of Current Period	Note
				End of Year 2020	End of Year 2019	Stock	Ownership Interest (%)		
Chang Hwa Bank	Chang Hwa Commercial Bank, Ltd.	China	Banking	\$ 12,117,288	\$ 12,117,288	60,000,000	100	\$ 12,028,275	\$ 413,565
	Chang Hwa Bank Venture Capital Co., Ltd.	Taiwan	Venture capital	\$ 600,000	\$ 600,000	60,000,000	100	\$ 483,040	\$ (1,129)

Note: Limited company organization.

CHANG HWA COMMERCIAL BANK, LTD.

THE CONTENTS OF STATEMENTS OF MAJOR ACCOUNTING ITEMS

Item	Statement Index
Major Accounting Items in Assets, Liabilities and Equity	1
Statement of financial assets at fair value through profit or loss	2
Statement of financial assets at fair value through other comprehensive income	3
Statement of investments in debt instruments at amortized cost	4
Statement of changes in investments measured by equity method	4
Statement of other financial assets	Note 14
Statement of changes in property and equipment	Note 16
Statement of changes in accumulated depreciation of property and equipment	5
Statement of changes in right-of-use assets	6
Statement of securities sold under repurchase agreements	7
Statement of lease liabilities	Note 17
Major Accounting Items in Profit or Loss	Note 30
Statement of interest income	Note 30
Statement of interest expense	Note 30
Statement of net service fee income	Note 30
Statement of gain (loss) on financial assets or liabilities at fair value through profit or loss	8
Statement of foreign exchange gain (loss)	9
Statement of net other non-interest income (loss)	10
Statement of employee benefit expenses	11
Statement of depreciation and amortization expenses	11
Statement of other general and administrative expenses	12

STATEMENT 1

CHANG HWA COMMERCIAL BANK, LTD.
STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Item	Shares (Thousand)	Amounts	Rate (%)	Cost	Fair Value	Amounts
Investment in bills	-	\$ 7,045,000	0.20-0.47	\$ 7,045,472	\$ 7,045,832	\$ 7,045,832
Commercial papers	-	-	-	-	-	-
Corporate bonds	-	1,861,200	-	1,861,200	1,861,200	1,861,200
Derivative financial instruments	-	-	-	-	-	-
Shares	-	-	-	-	-	376,409
Equity securities	-	-	-	-	-	124,445
Interest rate swaps	-	-	-	-	-	394,122
Currency swaps	-	-	-	-	-	4,915,742
Currency call option premiums	-	-	-	-	-	5,653,832
		<u>\$ 8,906,200</u>		<u>\$ 8,906,672</u>		<u>\$ 8,906,672</u>

Note: The part of financial assets at FVTH were provided for transaction with repurchase agreements.

STATEMENT 2

CHANG HWA COMMERCIAL BANK, LTD.
STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Item	Shares (Thousand)	Par Value	Rate (%)	Cost	Fair Value	Amount	Guarantee or Pledge
Domestic listed stock	21,754	\$ 2,175,040	-	\$ 6,555,045	\$ 11,073,547	\$ 7,525,352	
Domestic unlisted stock	453,978	4,539,500	-	5,286,634	4,915,764	8,311,990	
Government bonds	-	2,009,630	-	10,152,219	6,022,731	16,174,950	
		<u>2,591,042</u>		<u>26,353,028</u>	<u>315,721</u>	<u>26,568,737</u>	
Corporate bonds	-	31,544,346	-	31,644,704	342,210	31,986,914	
Bank notes	-	33,849,062	-	35,953,620	64,038	36,017,652	
Share loan notes	-	987,090	-	987,049	(131)	987,688	
Bond issued by international organizations	-	2,107,500	-	2,113,125	41,099	2,154,268	
Beneficiary and asset - based securities	-	2,610,764	-	2,609,082	59,224	2,668,206	
		<u>\$ 108,939,201</u>		<u>\$ 109,733,655</u>	<u>\$ 6,245,564</u>	<u>\$ 116,479,219</u>	

Note: The part of financial assets at FVOCI were provided for transaction with repurchase agreements.

STATEMENT 3

CHANG HWA COMMERCIAL BANK, LTD.
STATEMENT OF INVESTMENT IN DEBT INSTRUMENTS AT AMORTIZED COST
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Item	Amount	Rate (%)	Unamortized Premium (Thousand)	Cost	Accumulated Impairment	Book Value	Guarantee or Pledge
Investments in bills	\$ 335,865,000	0.08-0.67	-	\$ 335,865,000	\$ -	\$ 335,865,000	Placed at the Central Bank amounted to \$5,000,000 and with loans from banks amounted to \$5,300,000 thousand.
Central bank certificates of deposit	-	-	763	2,179,687	-	2,179,687	
Others	3,180,450	-	116,380	4,416,380	-	4,416,380	
Government bonds	4,300,000	-	117	2,824,167	-	2,824,167	
Bank notes	3,824,020	-	-	-	-	-	The overseas branches provided as collateral for operations were \$381,069 thousand.
	<u>\$ 344,169,470</u>		<u>\$ 117,324</u>	<u>\$ 345,285,234</u>	<u>\$ -</u>	<u>\$ 345,285,234</u>	

STATEMENT 4

CHANG HWA COMMERCIAL BANK, LTD.
STATEMENT OF CHANGES IN INVESTMENTS MEASURED BY EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, unless stated otherwise)

Investor	Balance at January 1, 2020		Addition	Shares	Amount	Decrease	Shares	Amount	Balance at December 31, 2020	Market Value at Net Equity Price	Valuation Basis	Currency or Price
	Share	Amount										
Equity method												
Chang Hwa Commercial Bank, Ltd.	Note	\$ 1,184,226	-	\$ 444,592	-	\$ -	Note	\$ 12,928,728	\$ 12,928,728	Equity method	N	
Chang Hwa Bank Venture Capital Co., Ltd.		60,000	-	(3,200)	-	60,000	9.72	(53,000)	6,000	Equity method	N	
		\$ 1,087,625	\$ 444,592	\$ (3,200)	\$ -	\$ 1,488,993		\$ 13,511,206	\$ 13,511,206			

Note: Limited company organization.

STATEMENT 7

CHANG HWA COMMERCIAL BANK, LTD.

STATEMENT OF SECURITIES SOLD UNDER REPURCHASE AGREEMENTS
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Item	Par Value	Amount
Notes with repurchase agreements		
Issuer - Taiwan Power Company	\$ 387,600	\$ 386,763
Bonds with repurchase agreements		
Government bonds	762,200	839,870
108-7 Note A	\$ 1,149,800	\$ 1,226,633

STATEMENT 8

CHANG HWA COMMERCIAL BANK, LTD.

STATEMENT OF FOREIGN EXCHANGE GAIN (LOSS)
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Item	Amount
Spot transaction	\$ 350,682

STATEMENT 9

CHANG HWA COMMERCIAL BANK, LTD.

STATEMENT OF NET OTHER NON-INTEREST INCOME (LOSS)
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Item	Amount
Lease income	\$ 178,838
Net profit for hedging and fair-value hedging products	71,250
Securities brokerage income	100,379
Other miscellaneous net income	49,622
	\$ 400,089

STATEMENT 5

CHANG HWA COMMERCIAL BANK, LTD.

STATEMENT OF CHANGES IN RIGHT-OF-USE ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Item	Balance at January 1, 2020	Addition	Reduction	Balance at December 31, 2020
Land	\$ 2,968	\$ 237	\$ (179)	\$ 3,026
Buildings	2,095,601	511,772	(82,968)	2,524,405
Machinery equipment	753	-	(628)	125
Transportation equipment	98,619	24,813	(1,552)	121,880
Miscellaneous equipment	22,655	10,055	(5,336)	27,374
	\$ 2,220,596	\$ 546,877	\$ (90,663)	\$ 2,676,810

STATEMENT 6

CHANG HWA COMMERCIAL BANK, LTD.

STATEMENT OF CHANGES IN ACCUMULATED DEPRECIATION OF RIGHT-OF-USE ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Item	Balance at January 1, 2020	Addition	Reduction	Balance at December 31, 2020
Land	\$ 1,332	\$ 1,023	\$ (175)	\$ 2,180
Buildings	572,400	611,752	(88,987)	1,095,165
Machinery equipment	464	115	(488)	91
Transportation equipment	35,942	36,932	(8,139)	64,735
Miscellaneous equipment	9,284	9,525	(5,144)	13,665
	\$ 619,422	\$ 659,347	\$ (102,933)	\$ 1,175,836

STATEMENT 10

CHANG HWA COMMERCIAL BANK, LTD.

**STATEMENT OF EMPLOYEE BENEFIT EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

	Employee Benefit Expenses	Net Non-interest Income	Total
Payroll expenses	\$ 8,266,652	\$ 230,879	\$ 8,497,531
Labor and health insurance expenses	607,342	-	607,342
Pension expenses	1,178,713	-	1,178,713
Director compensation	48,907	-	48,907
Other employee benefit expenses	448,709	-	448,709
	<u>\$ 10,550,323</u>	<u>\$ 230,879</u>	<u>\$ 10,781,202</u>

- The Bank had 6,685 and 6,654 employees in 2020 and 2019, respectively, including 9 non-employee directors in both years.
- The average employee benefits expense was NT\$ 1,607,594 and NT\$ 1,641,876 in 2020 and 2019, respectively.
- The average employee payroll expense was NT\$ 1,272,848 and NT\$ 1,325,852 in 2020 and 2019, respectively.
- Adjustment of average employee payroll expenses was (4%).

e. The Bank's remuneration policy:

- The remuneration of directors (including the chairman of the board and independent directors) is based on the provisions of Article 20, Clause 13 of the Bank's Articles of Incorporation. The amount of remuneration is determined by the board of directors in accordance with the level of remuneration of directors of financial institutions equivalent to the size of the Bank. The Board of Directors' Performance Evaluation Measures, Article 7, Paragraph 1, Paragraph 2, stipulates that, in conjunction with the results of the Board's performance evaluation, the remuneration of directors (including the chairman of the board and independent directors) shall be regularly evaluated annually.
- The remuneration of the general manager is determined by the board of directors in accordance with Article 20, Clause 14 of the Bank's Articles of Incorporation.
- The remuneration of the deputy general manager shall be determined by the board of directors in accordance with Article 20, Clause 14 of the Bank's Articles of Incorporation, and shall be paid within the scope of the "Salary of Current Employees of Chang Hwa Bank".
- For employees of the Bank except for those mentioned, their salaries are based on the "Salary of Current Employees of Chang Hwa Bank".

STATEMENT 11

CHANG HWA COMMERCIAL BANK, LTD.

**STATEMENT OF DEPRECIATION AND AMORTIZATION EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)**

Item	Amount
Depreciation and amortization expenses	\$ 1,126,668
Depreciation expense	222,221
Amortization expense	<u>\$ 1,348,889</u>

STATEMENT 12

CHANG HWA COMMERCIAL BANK, LTD.

**STATEMENT OF OTHER GENERAL AND ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)**

Item	Amount
Other general and administrative expenses	\$ 210,994
Rental expense	216,254
Repair and warranty expenses	470,570
Insurance expense	274,811
Professional service fees	1,557,745
Tax	1,131,135
Others	<u>\$ 3,861,509</u>

VII | Review and Analysis of Financial Status, Financial Performance, and Evaluation of the Risk Management

A. Financial Status of the Past Two Years (Consolidated)

Unit: NT\$ thousand

Items	FY	2020.12.31	2019.12.31	Fluctuation	
				Amount	Rate of Change (%)
Total Assets		2,313,440,219	2,135,643,203	177,797,016	8.33
Total Liabilities		2,148,386,429	1,973,406,008	174,980,421	8.87
Total Equity		165,053,790	162,237,195	2,816,595	1.74

Note: There is no major change in the total amounts of assets and liabilities.

B. Financial Performance of the Past Two Years (Consolidated)

Unit: NT\$ thousand

Items	FY	2020	2019	Increase (Decrease)	
				Amount	Rate of Change (%)
Net interest income		19,140,252	22,849,707	(3,709,455)	-16.23
Net non-interest income		8,176,840	9,228,646	(1,051,806)	-11.40
Net income		27,317,092	32,078,353	(4,761,261)	-14.84
Provisions for bad debts expenses, commitment and guarantee liability		2,836,199	2,136,395	699,804	32.76
Operating expense		16,170,327	16,421,666	(251,339)	-1.53
Earning before tax from continued operations		8,310,566	13,520,292	(5,209,726)	-38.53
Gain (loss) from continued operations		7,040,927	11,571,782	(4,530,855)	-39.15
Current profit (loss)		7,040,927	11,571,782	(4,530,855)	-39.15

a. Change Analysis

In 2020, NT\$ 4.022 billion provisions for bad debts expenses was recognized while NT\$ 1.186 billion was recovered, resulting in a net provisions for bad debts expenses of NT\$ 2.836 billion; In 2019, provisions for bad debts expenses and bad debts recoveries were NT\$ 3.269 billion and NT\$ 1.133 billion, respectively. Therefore, the amount of net provisions for bad debts expenses of 2020 was NT\$ 2.136 billion which increased NT\$ 0.7 billion compared with that of 2019 this year.

b. Business Operation Targets and Its Accordance

The Bank's 2021 business objectives are established based on the growth of each of the Bank's business lines in the preceding year, forecasts of economic growth provided by various institutions and the Bank's business expansion policy. Please refer to "I. Letter to Shareholders B. 2021 Highlights of Business Plans b. Business Operational Targets."

c. The Impact on the Bank's Financial Structure and Responding Plans

No effect.

C. Cash Flow

a. Liquidity Analysis for the Past Two Years

FY Items	2020	2019	Rate of Change (%)
Cash Flow Ratio	16.80%	-36.42%	53.22%
Cash Flows to Dividends and Expenditures (%)	194.33%	371.01%	-176.68%
Ratio of Cash Flow for Operating to Cash Flow from Investing	-2.922%	4,566%	-7,488%

Change Analysis:

Related rates change over 20% mainly due to the increase of net cash outflow from operating and financial activities in 2020.

b. Improvement Plan for Insufficient Liquidity

None.

c. Next Year Cash Flow Analysis

Unit: NT\$ thousand

Cash Balance at the Start of the Period (1)	Expected Net Operating Cash Flow for the Whole Year (2)	Expected Cash Outflow for the Whole Year (3)	Expected Cash Surplus (Deficit) (1) + (2) + (3)	Remediation Measures against Expected Cash Flow Deficit	
				Investment	Wealth Management
175,454,685	(13,322,469)	13,390,273	175,522,489	-	-

D. Influences on the Company's Financial Status caused by Significant Capital Expenditure in the latest Year

a. Implementation Status and Funding Source of Substantial Capital Expenditure

Unit: NT\$ thousand

Project	Actual or expected funding source	Actual or expected completion date	Total funding requirement	Actual or expected implementation status of funds	
				2019	2020
Purchase of neighboring buildings and lands of Chiencheng building	Funds of the Bank	2020.12.31	325,339	125,339	167,427
Urban renewal work of Peimen Branch	Funds of the Bank	2023.5.31	393,398	0	51,142
Urban renewal work of Chengtung Branch	Funds of the Bank	2025.12.31	578,700	0	0
Construction work of Chiencheng building	Funds of the Bank	2025.12.31	2,200,000	0	15,507

b. Potential Benefits

Enhance the Bank's corporate image, increase the Bank's business assets, save rental expenditure, and lease redundant offices for increasing the rental revenues.

E. The Reinvestment Policy for Last Fiscal Year, the Major Reasons for Its Profits or Losses, Improvements and Investment Plan for Next Year

a. The Reinvestment Policy for Last Fiscal Year and the Major Reasons for Its Profits or Losses

The main profit from reinvestment is dividend income.

b. Improvement Plan

Regularly review and evaluate the earnings and operating conditions of each reinvestment company.

c. The Investment Plan for Next Year

Searching new investment targets under the consideration of profitability, security, growth, liquidity, and diversification.

F. Analysis & Evaluation of Risk Management during the Latest Year as of the Date of Annual Report Publication

a. A Series of Qualitative and Quantitative Requirements for Risk Management

1. Credit Risk Management System and Capital Requirement:

Credit Risk System

2020

Items	Contents
1. Strategies, Goals, Policies, and Procedures for Credit Risk	<p>(1) Credit Risk:</p> <p>Through establishing risk management mechanisms and analyzing risk information, the Bank hopes to gain thorough understanding of the new trends in risk management and implement such best practices in related business and reach the following goals:</p> <ol style="list-style-type: none"> ① Build bank-wide consensus on risk management. ② Provide effective risk management mechanisms to facilitate the development of new loan products to ensure the sound development of the Bank. ③ Provide appropriate risk management information to the management level to balance risk and return in the decision-making process, which would increase shareholders' value. ④ Provide expected loss information according to experiences in credit risk losses. ⑤ Convene seminars and education training on risk management for enhancing awareness of risk management as well as increasing credit assets quality of the Bank. ⑥ Convene seminars and education training on risk management for enhancing awareness of risk management as well as increasing credit assets quality of the Bank.

Credit Risk System

2020

Items	Contents
1. Strategies, Goals, Policies, and Procedures for Credit Risk	<p>Institute system, regulations, rules of practice and standardized operation procedures. Upgrade quality of risk management by utilizing information of risks to strengthen identification, evaluation and monitoring on credit risks.</p> <p>(2) Country Risk:</p> <p>The Bank has the "Country Risk Management Guidelines" to use information pertaining to the external credit ratings of each region or country as the basis for the identification of country risks. A structure has been set up for measuring country risks and determining country limits against the Bank's risk appetite in order to effectively control the exposure to country risks. In order to response the external regulations, AI822, and effectively control the risk exposure to Mainland China, the Bank has made the integration of AI822 into the risk management mode for simultaneous control since Sep. 19, 2014. The country risk exposure management is divided into two parts, the country risk exposure (excluding China) and the risk in China.</p> <p>Procedures:</p> <ol style="list-style-type: none"> ① On the basis of the rating selection principle and country rating information from Moody's, S&P, and Fitch, develop the Bank's country risk rating standards. ② Calculate the total country risk limit based on the Bank's net worth multiple disclosed in the latest annual financial statement, which serves as the ceiling of the Bank's exposure to country risk. ③ Within the total country risk limit and in accordance with various allocation ratio of each country's risk rating, the individual limits for various countries for the next year are determined by the political and economic situations of each country, as well as the actual business demands from the Bank's units. The country risk limit in China is restricted by 65% of the net worth of the Bank in accordance with the external regulation (AI822) calculation, and approved by the Board of Executive Directors. ④ Risk exposure is constantly measured and monitored. For countries that are experiencing political and economic instability, or whose ratings have been downgraded due to defaults, their country risk limits usage will be frozen, eliminated or cancelled. ⑤ Each country exposure data is gathered monthly to be analyzed and compiled into a "Country Risk Management Monthly Report." <p>(3) Financial Counterparty Risk:</p> <p>The Bank has adopted the concepts advocated by the Basel Accord as well as concepts of managing total limit/exposure by groups and has set up a Top-Down structure for managing limits and risk exposure. The Bank has established the "Counterparty Risk Management Guidelines." The Guidelines will help identify, assess and monitor the counterparty risk portfolio of the entire bank and report to the management levels to meet the requirements of local and overseas regulators and to facilitate effective utilization of capital and maximization of profits.</p> <p>The Bank has introduced the concept of Basel Accord, limiting the total amount in credit rendering and total value of risks that the group exposes to. Build up a framework of limitation in total amount from top to bottom of the corporate structure and set forth regulations on risk management to identify, to evaluate and to monitor the portfolios of credit risks incurred by counterparties in financial transactions of the bank. The management is continuously updated on such information so as to be aligned with the requirements of regulatory authorities in domestic or overseas. The Bank anticipates to utilize capital in a most effective way in that maximize the profitability of the Bank.</p> <p>Procedures:</p> <ol style="list-style-type: none"> ① Use the credit ratings of counterparties provided by external ratings agencies as the basis for internal classification and rating of credit risk. ② Counterparty limits are determined by counterparty types and risk grades. Counterparty limits are calculated based on counterparties' standalone or consolidated net worth to serve as the maximum exposure that the Bank may tolerate while engaging in financial transactions; and those are further allocated among various products or business. ③ The maximum limit of each counterparty is further distinguished between an utilization limit and a reserve limit based on the business requirements of various departments. ④ Effectively manage the Bank's exposure to counterparty risk by monitoring and reporting each counterparty risk.
2. Organization and Structure of Credit Risk Management	<ol style="list-style-type: none"> 1. To establish professional and comprehensive risk management capabilities, the Bank has established the following three risk management units: Credit Management Division, Risk Management Division and Loan Asset Management Division. Credit Management Division is responsible for case review of credit approvals, reviewing of credit approvals handled by branches, and management and maintenance of the loan application automatic management system to ensure rigorous and careful credit investigation and approval procedures. Risk Management Division oversees formulation of management policies, strategies, rules, procedures and guidelines with respect to integrated risks, credit risks, market risks and operational risks, in addition to controlling risks. Loan Asset Management Division is responsible for effective management and control of overdue loans, collections and bad debts as well as that of non-performing loans, including the loan asset management system. All departments can implement effectively according to regulations. 2. The Bank has also set up Risk Management Committee and Asset & Liability Management Committee, chaired by the Bank's President who convenes the monthly meetings. The committee is responsible for evaluating and monitoring the Bank's risk-taking capacity and the actual risk exposure, determining risk response strategies and compliance with risk management procedures, and submitting risk management reports to the Board of Directors on a quarterly basis to enhance risk management quality by consolidating relevant review, monitoring and coordination actions.

**Credit Risk System
2020**

Items	Contents
3. Scope and Features of the Credit Risk Report and Evaluation System	<p>1. Credit Risk:</p> <p>(1) Periodically inspect and monitor the concentration of exposure at default (EAD) for the Bank's borrowers via the various exposure information provided by the Bank's system to deliver accurate and timely information that enables management levels and relevant business units to have a clear understanding of the credit risk and to adjust policies or business strategies accordingly.</p> <p>(2) To effectively evaluate the Bank's capital adequacy ratio, executing stringent stress tests in which possible future scenarios are seriously considered in order to deal with any event or change that may adversely affect the Bank. By doing so, the Bank strengthens the capability of risk management as well as aligning with the supervisory requirements of regulatory authorities.</p> <p>(3) We have established a corporate credit rating system and a personal credit scorecard to provide quantitative credit risk measurement indicators for corporate and personal creditors during the credit application process, which are used as credit approval, pricing reference and post-loan management tools to clearly differentiate the credit risk level of creditors.</p> <p>(4) Based on the principle of prudent management, the Bank establishes the details of credit asset evaluation, uses quantitative and qualitative indicators to identify the credit quality of credit assets, and measures the expected credit loss of credit assets after adjusting the aggregate indicators with forward-looking information.</p> <p>2. Country Risk and Financial Counterparty Risk: The Bank regularly reviews the exposure of country risk and financial counterparty risk. The Bank also discloses the category of asset quality, concentration, exposure of portfolio management, and the exposure distribution of the top twenty financial counterparties to provide risk managerial personnel with accurate information to adjust risk distribution accordingly. The Bank uses risk management systems and risk weight of derivatives to calculate the exposure of pre-settlement risk of derivatives to evaluate and control risk.</p>
4. Hedging or Mitigation Policies for Credit Risk; Strategies and Procedures for Assessing the Effectiveness of Hedging or Mitigation	<p>1. Through the establishment of collateral policies, the Bank regulates acceptable collateral and valuation methods to ensure that collateral can be promptly disposed of and effectively reimbursed in the event of a default by the borrower; or the Bank adopts underwriting by credit guarantee fund and deposit offsetting agreements as a means of transferring all or part of the risk.</p> <p>2. Actively use qualified and effective risk mitigation tools to reduce or transfer the loan credit risk of the Bank to strengthen protection of the Bank's creditor's right and reduce amount of regulatory reserve.</p> <p>3. Establish relevant operating rules, procedures, or systems for the usage of risk mitigation tools. Through appropriate evaluation mechanisms and reviewing systems, the Bank constantly monitors the value change of such tools and the validity of their relevant legal documents. This prevents the negative impact of risk concentration and the mutual influence of the credit risks.</p> <p>4. Application is rejected if the incidence of loss is too high in certain underwriting cases. In addition, if certain loan products incur severe loss, or if underwriting to risky sectors or customers with bad credit records, cases are also rejected. An alternative is to set higher prices.</p>
5. Approach for Legal Capital Requirement	The Standardized Approach.

Risk Exposure after Mitigating Risks from the Standardized Approach of the Credit Risk and Capital Requirement

December 31, 2020 Unit: NT\$ thousand

Exposure Type	Risk Exposure after Mitigation	Capital Requirement
Sovereigns	469,730,856	152,682
Non-central Government Public Sector Entities	65,115,803	1,373,159
Banks (Included Multilateral Development Banks, MDBs & Central Counterparty, CCP)	208,624,074	5,744,802
Corporate (Included Securities and Insurance Firms)	858,283,948	64,949,334
Claims on Retail	352,354,374	21,573,860
Property Exposure	305,528,695	12,452,049
Equity Security Investments	14,665,350	1,173,228
Other Assets	64,224,057	3,765,753
Total	2,338,527,157	111,184,867

2. Securitization Risk Management System, Risk Exposure and Capital Requirement:

**Securitization Risk Management System
2020**

Items	Contents
1. Strategies and Procedures for Securitization Management	Business operations regarding the investment of asset securitized products shall comply with the Bank's "Operating Guidelines for Investing in Asset Securitized Products." This guideline includes management strategies and procedures. The framework includes its purpose, basis, business strategies, principles and guideline, processes, internal control system, periodic evaluation, accounting measures, internal audit system, authorization, credit limit management, and risk management measures.
2. Organization and Structure of Securitization Management	<ol style="list-style-type: none"> 1. Treasury Division, Overseas branches, and Offshore Banking Branch are trading units for asset securitized products. 2. Credit Management Division is responsible for the reviews of these applications. 3. Risk Management Division monitors the credit risk, market risk, and operational risks, including authorized limit, rating, duration, and stop loss limit rules. 4. Treasury Division is responsible for the backend operations with Offshore Banking Branch, including confirmation of transaction, settlement, and booking. 5. IT Division installs and maintains the IT system for this business. 6. Financial Management Division is responsible for regular evaluation, accounting processes, announcement and reporting, and information disclosure. 7. Internal Auditing Division oversees the internal control of this business.
3. Scope and Features of the Securitization Risk Report and Evaluation System	<ol style="list-style-type: none"> 1. Credit Risk: <ol style="list-style-type: none"> (1) The front-end trader should always scrutinize the credit situation of the asset securitized products purchased and also the underlying tools within the asset pool. Annual reviews should be periodically conducted, with the results written into reports and saved as hard copies for review. (2) When credit abnormalities occur and risk of loss increases, Risk Management Division should immediately notify the front-end trader and take any necessary actions. (3) If default events such as inability to collect interests regularly or collect principle and interest upon maturity occur, the front-end trader should immediately notify Risk Management Division, Financial Management Division and Loan Asset Management Division (Overseas branches should also notify International Banking Division) and send the duplicate copy to Credit Management Division and Internal Auditing Division should be informed. 2. Market Risk: Risk Management Division shall design an appropriate appraisal method to assess the market risk factors of asset securitized products. The method of pricing and evaluation should be reviewed. The positions held should be reported to the Board of Executive Directors every six months to assess whether the risk levels are within an acceptable range. 3. Operational Risk: S.O.P should be designed to serve as rules for employees to follow. Operational Risk and Control Self Assessment (RCSA) should also be conducted.
4. Hedging or Mitigation Policies for Securitization; Strategies and Procedures for Assessing the Effectiveness of Hedging or Mitigation	N/A
5. Approach for Legal Capital Requirement	The Standardized Approach.
6. General periodic disclosures including: (1) The purpose of securitization and the types of risks borne and retained by the Bank for re-securitization (2) Other risks associated with securitized assets (e.g. liquidity risk) (3) The different roles played by the Bank during asset securitization and the level of participation in every stage (4) Describe the monitoring procedures adopted for credit risk and market risk exposures associated with asset securitization (5) Risk management policies adopted by the Bank to mitigate credit risks associated with securitization and re-securitization	None.

**Securitization Risk Management System
2020**

Items	Contents
7. Provide an overall description of the Bank's accounting policies on securitization	None.
8. The name of the External Credit Assessment Institution (ECAI) engaged for asset securitization within the Banking Book and the ECAI's involvement in every type of securitized asset	None.
9. Describe any material changes of quantitative information since the last reporting period (e.g. shift of asset balances between the Banking Book and the Trading Book)	None.

(1) Engagement of Asset Securitization (As of December 31, 2020): None.

(2) Securitization Exposures and Capital Requirement - By Type of Transaction:

December 31, 2020. Unit: NTD in thousand

Role of Bank	Type of Exposure	Asset classes	Traditional				Combined		In total			
			Amount of Exposure				Capital Requirement (2)	Amount of Exposure (3)	Capital Requirement (4)	Amount of Exposure (5) = (1)+(3)	Capital Requirement (6) = (2)+(4)	Capital requirement before securitization
			Hold or Buy in	Amount of liquidated finance	Provide credit guarantee	In sum (1)						
Non-founding bank	Bank Book	Commercial Mortgage Backed Securities	1,136,156			1,136,156	18,178			1,136,156	18,178	
		Collateralized Mortgage Obligations	1,532,850			1,532,850	24,526			1,532,850	24,526	
	Trading Book											
	In sum		2,669,006		2,669,006	42,704			2,669,006	42,704		
Founding bank	Bank Book											
	Trading Book											
	In sum											
In total		2,669,006		2,669,006	42,704			2,669,006	42,704			

(3) Securitization Products Information:

① Information on securitized investment products

December 31, 2020. Unit: NTD in thousand

Item	Asset Accounts	Original cost	Accumulated profit or loss	Accumulated impairment	Carrying amount
Commercial Mortgage Backed Securities (CMBS)	Fair value through other comprehensive income financial assets (FVOCI)	1,118,517	17,639		1,136,156
Collateralized Mortgage Obligations (CMO)	Fair value through other comprehensive income financial assets (FVOCI)	1,490,520	42,330		1,532,850

- ② I. Investment in securitized commodities with a single original cost of \$300 million or more (excluding those held by the Bank as the founding institution for credit enhancement purposes).

Name of Securities	Asset Accounts	Currency	Issuer and its location	Date of Purchase	Date of Maturity	Coupon Rate
GINNIE MAE REMIC TRUST 2020 172 AL	Fair value through other comprehensive income financial assets (FVOCI)	USD	GNMA U.S.A	25/11/2020	16/09/2062	1.15%
GINNIE MAE REMIC TRUST 2020-1	Fair value through other comprehensive income financial assets (FVOCI)	USD	GNMA U.S.A	06/02/2020	20/01/2050	2.5%
GINNIE MAE REMIC TRUST 2020-15	Fair value through other comprehensive income financial assets (FVOCI)	USD	GNMA U.S.A	26/02/2020	20/02/2050	2.75%
GINNIE MAE REMIC TRUST 2020-16	Fair value through other comprehensive income financial assets (FVOCI)	USD	GNMA U.S.A	24/02/2020	20/02/2050	2.75%
GINNIE MAE REMIC TRUST 2020-182 A	Fair value through other comprehensive income financial assets (FVOCI)	USD	GNMA U.S.A	22/12/2020	16/06/2062	1.25%

II. Banks acting as the originator of securitization and holding parts for credit enhancement purposes: None.

III. Banks acting as credit-impaired asset purchase institutions or settlement purchase institutions for securitized instruments: None.

③ Banks acting as guarantee institutions for securitized products or providing liquidity financing: None

3. Operational Risk Management System and Capital Requirement:

Operational Risk Management System

2020

Items	Contents
1. Strategies and Procedures for Operational Risk Management	The Bank establishes "Guidelines for Operational Risk Management" to create a sound framework for managing operational risks and develop appropriate process and strategies for managing operational risks. In daily operations, all units should comply with the relevant regulation, leverage risk management tools to identify, assess, monitor, and control the operational risks of the Bank's major products, operational activities, operational processes, and IT system. Reports regarding abovementioned operational risk procedure should also be produced.
2. Organization and Structure of Operational Risk Management	<ol style="list-style-type: none"> The Bank's supervision units of operational risk management are the Board of Directors and Risk Management Committee. The Board of Directors is responsible for approving the Bank's operational risk management structure, implementation policies and operational risk appetites; the Risk Management Committee is responsible for reviewing risk management issues and monitoring the implementation. All units of the Bank follow three lines of defense to implement a sound operational risk management mechanism. <ol style="list-style-type: none"> Each unit of the Bank manages daily operational risk management in accordance with its functions and business scope and in accordance with the operational regulations and procedures of the relevant business. The Risk Management Division is responsible for planning and establishing operational risk management policies and systems, designing operational risk management tools and procedures, and monitoring bank-wide risk exposure. The Audit Division is responsible for reviewing the actual implementation of operational risk management in each unit and assisting the Board of Directors and senior management in checking and evaluating the effectiveness of operational risk management.

Credit rating	Interest and Principal Payment Method	Original Cost	Accrued Profit or Loss	Accrued impairment	Carrying amount	Excess	formation of assets pool
Moody's Aaa	Monthly interest payment and monthly principal repayment according to the early repayment rate	555,463	9,648	0	565,111	None	Loan on Primary Subordinated Real Estate Mortgage
Moody's Aaa	Monthly interest payment and monthly principal repayment according to the early repayment rate	319,032	9,318	0	328,350	None	Loan on Primary Subordinated Real Estate Mortgage
Moody's Aaa	Monthly interest payment and monthly principal repayment according to the early repayment rate	326,007	9,361	0	335,368	None	Loan on Primary Subordinated Real Estate Mortgage
Moody's Aaa	Monthly interest payment and monthly principal repayment according to the early repayment rate	330,077	9,620	0	339,697	None	Loan on Primary Subordinated Real Estate Mortgage
Moody's Aaa	Monthly interest payment and monthly principal repayment according to the early repayment rate	563,054	7,991	0	571,045	None	Loan on Primary Subordinated Real Estate Mortgage

Operational Risk Management System 2020

Items	Contents
3. Scope and Features of the Operational Risk Report and Evaluation System	<ol style="list-style-type: none"> To facilitate the evaluation and management of the assessment results of operational risks, the Bank has set up a loss data management system, a risk control and self-assessment system and a key risk indicators monitoring system. The Bank collects operational risk loss events through loss data management systems, and then categorizes the risks according to authorities' regulations and types of losses. This helps the Bank to understand the loss situation of internal operational risks. The Bank's Operational Risk and Control Self Assessment (RCSA) system begins with the head office's business management units and overseas business units, where examinations and self-assessments are conducted according to the risks and controls of their respective businesses, compile and edit their operational risk self-assessment tables, and review the rules and regulations of their respective businesses. Business execution and business management units then conduct operational risk self-assessments and assess adoptions of related controls, each risk item's occurrence frequency and influence level in the future, then input the results in the system to analyze potential operational risk exposures situation. The Bank establishes Key Risk Indicators (KRIs) and their respective limits and thresholds for the major risk exposures. Continuous monitoring and management is required as information for red flags. The Bank integrates operational risk related items and compiles periodic operational risk management reports for the Board of Directors, senior management, and business management units, so that they fully understand the situation and can make decisions accordingly.

**Operational Risk Management System
2020**

Items	Contents
4. Hedging or Mitigation Policies for Operational Risk; Strategies and Procedures for Assessing the Effectiveness of Hedging or Mitigation	<p>1. All business management units select appropriate risk countermeasures according to the monitoring results of operational risk assessment and KRIs and the risk exposures of the Bank. Operational risks shall be controlled within acceptable levels through risk mitigation measures such as outsourcing or insurance, or other appropriate measures such as enhancing employee education and training, improving internal operation processes, or enhancing systems. Before launching new products, activities, processes, and systems, the Bank also conducts operational risk identification and assessment to gauge possible risks and take precautionary measures.</p> <p>2. In case of catastrophes, endemics, strikes, information system breakdowns or any other events that would result in operational discontinuity, the Bank establishes the "Chang Hwa Bank Business Continuity Plan" for all units to serve as guidelines for prevention, preparation, reporting, responding, and post-event reporting to maintain the Bank's business operations in order to protect the rights of customers and mitigate financial and personnel losses to the minimum.</p> <p>3. Through Operational Risk and Control Self Assessment, the Bank regularly assesses the residual risks of the control plans of each risk item, which ensures the validity and effectiveness of the control plans.</p>
5. Approach for Legal Capital Requirement	The Standardized Approach.

Capital Requirement for Operational Risk

December 31, 2020 Unit: NT\$ thousand

FY	Gross Profit	Accrued Capital
2018	32,721,975	
2019	31,090,337	
2020	26,795,528	
Total	90,607,840	4,433,781

4. Market Risk Management System and Capital Requirement:

**Market Risk Management System
2020**

Items	Contents
1. Strategies and Procedures for Market Risk Management	<p>1. Strategies:</p> <p>(1) Plan market risk management in order to ensure effective identification, measurement, monitoring and reporting of relevant risks.</p> <p>(2) Through evaluating and monitoring market risk, the Bank ensures that risk control assumed fall within the risk appetite to lower the Bank's unexpected loss arising from market risks.</p> <p>(3) Draft and implement measures that conform to the relevant regulations of managing market risks announced by Taiwan's regulatory authority and the Basel Accord.</p> <p>(4) Establish and develop market risk management system and economic capital allocation procedures.</p> <p>2. Procedures:</p> <p>The market risk management process consists of five perspectives: identification, measuring, monitoring, reporting and management of executing procedures, and is carried out as per the Bank's "Market Risk Management Guideline."</p>
2. Organization and Structure of Market Risk Management	<p>According to the risk management framework and responsibilities stated in the Bank's "Integrated Risk Management Policies," the Market Risk Section under Risk Management Division acts as the second line of defense, and performs risk control and management mechanisms as outlined below:</p> <p>1. Manage market risks, develop relevant procedures or operating standards, and report to the appropriate supervisor level according to "The Rule of Authority and Duty."</p> <p>2. Set up an independent risk management mechanism, providing the basis for a market risk management process to avoid conflict of interest, while making good use of the management information system and providing training to employees in order to improve risk management performance and ensure effectiveness of the risk management mechanism.</p>
3. Scope and Features of the Market Risk Report and Evaluation System	<p>1. Internal reporting:</p> <p>(1) Periodically brief to the Risk Management Committee on the status of market risk monitoring to provide senior management with sufficient information.</p> <p>(2) In the event of exceeding limits or discovering irregularities, necessary information shall be provided pursuant to the established reporting framework and internal reporting procedures.</p> <p>(3) The Bank periodically brief to the Board of Directors and the Risk Management Committee on the status and concentration of the Bank's investment portfolio to help them determine whether the Bank's strategies should be adjusted.</p> <p>2. External disclosure:</p> <p>(1) The Bank should fully disclose the market risks it faces, and identify, measure and monitor the techniques used to manage these risks so that market participants can evaluate the Bank's market risk management.</p> <p>(2) The degree to which information is disclosed shall be commensurate with the scale of the Bank's business activity, risk exposure status, and level of complexity.</p>

**Market Risk Management System
2020**

Items	Contents
4. Hedging or Mitigation Policies for Market Risk; Strategies and Procedures for Assessing the Effectiveness of Hedging or Mitigation	1. Set up relevant market risk limits and management mechanism. 2. In the event of exceeding the approved limits, Risk Management Division should notify the head managers of trading units immediately. Trading units shall reduce and formulate measures to offset their risk position or apply to raise their limits. 3. Those written reports expressing the events of exceeding the limits should be filed to the Executive Vice President who oversees the Risk Management Division and should also be reported to the Risk Management Committee. 4. Risk Management Division should monitor the follow-up actions continuously. If the trading units do not take proper action, Risk Management Division should report to the Risk Management Committee and send a copy to the Internal Auditing Division.
5. Approach for Legal Capital Requirement	The Standardized Approach.

Capital Requirement for Market Risk

December 31, 2020 Unit: NT\$ thousand

Risk Category	Capital Requirement
Interest Rate Risk	782,394
Equity Security Risk	0
FX Risk	398,056
Commodity Risk	0
Options (simplified approach)	4,091
Total	1,184,541

5. Liquidity Risk Management:

2020

Items	Contents
1. Strategies and Procedures for Liquidity Risk Management	In accordance with the Bank's liquidity risk management policy, liquidity risk measurement indicators and the assessment of the ability to cope with liquidity risk shall be clearly established. At the same time, a monitoring mechanism that provides periodic assessments as well as real-time reports shall also be implemented. In addition, the Bank shall also formulate contingency plans, response strategies, and designate clear responsibilities to each relevant unit for handling liquidity crisis incidents to ensure that appropriate and adequate measures are taken when necessary.
2. Organization and Structure of Liquidity Risk Management	With respect to the Bank's organizational structure for handling liquidity risks, the relevant units shall be responsible for capital liquidity operations, monitoring and periodic assessment of liquidity risks, and provide reports and recommendations to the Asset and Liability Management Committee.
3. Scope and Features of the Liquidity Risk Report and Evaluation System	Assessment and analysis of the status of liquidity risk management shall be conducted and reported to the Asset and Liability Management Committee and the Board of Directors on a regular basis, which enable senior management to supervise the Bank's latest liquidity position.
4. The policies in liquidity risk hedging or risk reducing, and the policies and progresses in persistent effectiveness tool for risk monitoring, risk avoiding and risk mitigating	When a warning signal occurs with respect to a market crisis or emergency liquidity condition that affects the Bank, relevant emergency measures shall be adopted in accordance with the Bank's liquidity risk management policy. The Asset and Liability Management Committee shall then formulate measures to address the emergency situation and report to the Board of Managing Directors regarding the follow-up actions and results, which enables senior management to closely monitor the status of liquidity risk management.

(1) Term Structure Analysis of NTD-denominated Assets & Liabilities:

December 31, 2020 Unit: NT\$ thousand

	Total	Volumes during the Period Prior to the Due Date					
		0 ~ 10 days to due date	11 ~ 30 days to due date	31 ~ 90 days to due date	91 ~ 180 days to due date	181 days to 1 year to due date	More than 1 year to due date
Cash Inflow	2,043,718,393	206,410,869	238,252,522	244,296,420	186,734,547	291,756,596	876,267,439
Cash Outflow	2,698,346,676	123,495,015	188,831,338	390,474,668	332,690,341	529,248,705	1,133,606,609
Cash flow Gap	(654,628,283)	82,915,854	49,421,184	(146,178,248)	(145,955,794)	(237,492,109)	(257,339,170)

Note: The amounts listed above include accounts in N.T. dollars of the Bank.

(2) Term Structure Analysis of USD-denominated Assets & Liabilities:

December 31, 2020 Unit: US\$ thousand

	Total	Volumes during the Period Prior to the Due Date				
		0 ~ 30 days to due date	31 ~ 90 days to due date	91 ~ 180 days to due date	181 days to 1 year to due date	More than 1 year to due date
Cash Inflow	25,351,004	10,393,875	5,501,311	2,645,232	2,323,036	4,487,550
Cash Outflow	29,733,667	9,480,010	4,917,244	3,518,461	5,344,146	6,473,806
Cash flow Gap	(4,382,663)	913,865	584,067	(873,229)	(3,021,110)	(1,986,256)

Note: The amounts listed above include accounts in U.S. dollars of the Bank.

b. The Impact of Domestic and Foreign Major Policies and Law Amendment Exerting on the Bank's Financial Structure and Responding Measures

FSC approved "The Act Governing Electronic Payment Institutions" amendment, combing the legal system of electronic payment and electronic stored value cards and to facilitate the development of financial inclusion.

Effect:

Money can be transferred through different electronic payment platforms, electronic payment applicants are approved of engaging in domestic small-amount remittances business, buying and selling foreign currencies and funds, which may erode the Bank's fee income.

Countermeasures:

The Bank actively negotiates to work with electronic payment institution to broaden digital service field, plans to participate in "Electronic Payment Cross Institution Common Platforms" of Financial Information Service Co., Ltd., by combing with Taiwan Pay to collaborate with other electronic payment appointed stores in the demand, so as to strengthen the Bank's digital financial services and appeal to further businesses.

c. The Impact of Technological Advancement and Industrial Evolution on the Bank's Financial Businesses, and Countermeasures

1. Electronic documents and information transfer have replaced paper operations which is now a market trend. Setting up electronic signature and mobile insurance project platform is beneficial for the Bank to apply for new digital businesses and enhance the efficiency of insurance business operation.

In response to financial technology development trend, the Bank has established mobile insurance operation platform; on the other hand, insurance agent system has been expanded with relevant functions, all for the purpose to develop electronic signature and mobile insurance business and data interface. The Bank can not only improve energy saving, carbon deduction and environment protection, but also increase efficiency of promoting green financial products.

2. In response to new insurance products, such as autonomous cars, cyber insurance, intellectual property insurance, and spillover insurances. Those new insurance provides the financial market with new business opportunities and meet clients' diversified needs for buying insurance. The Bank continues to promote innovative products and follow the development direction of innovative technological insurance.

3. In response to technological security risks generated from financial technological advancement and industrial evolution, the Bank has introduced ISO 27001 information security management, ISO 22301 operational continuity management and BS 10012 personal information management system and established information security journal and incident management system, endpoint malware inspection system, database activity monitoring to conduct information security protection and monitoring, ensuring the Bank provides clients with excellent service quality of information security and avoid risk of clients' data theft through the Bank's business operation.

d. The Impact of the Bank's Changing Corporate Image and Countermeasures

None.

e. Expected Benefits, Potential Risks, and Countermeasures from Mergers & Acquisitions

None.

f. Expected Benefits, Potential Risks, and Countermeasures of Expanding Operation Locations

Domestic Operation Locations: No plans to expand business locations temporarily.

Oversea Operation Locations:

1. Expected Benefits:

- (1) Increase the Bank's market share and international reputation.
- (2) Establish overseas operation bases for Taiwanese businessmen in major overseas investment areas to provide more convenient financial services for customers and increase their willingness to deal with the Bank and increase operational volume which will result in more revenue.
- (3) Expanding the variety of customer groups could diversify operation risk; in the meantime, cultivate international financial talents to enhance operational strength.
- (4) To establish branches or subsidiaries in the offshore financial market with the development potential, benefiting from regional economic growth in order to promote the Bank's overall operating performance.

2. Possible Risks:

- (1) The international situation is changing rapidly and the economic pace of development varies between countries.
- (2) Facing competitions from local, foreign and Taiwanese-funded banks' overseas operations.
- (3) Global banking supervision has become more stringent and the cost of compliance has increased.
- (4) Lacking in government and economic organization contacts and less local language talents results in difficulties to develop overseas customers in local areas.

3. Responding measures:

- (1) The Bank will Fully assess the operation environment, financial market potential, allocation of local Taiwanese business industry and operation layout of Taiwanese-funded financial peers. In addition, the Bank should also appoint consultants or accountants who are familiar with local financial regulations to provide consulting services in laws to reduce the risk of compliance.
- (2) The Bank may First set up an office to be acquainted with local financial market and business opportunities and set up a good relationship between local government, authorities, peers and customers. And the Bank should recruit talents who are familiar with local markets, language and culture to facilitate localized operations and expand local customers.

g. The Risks Generated by Business Concentration and the Countermeasure

The Bank has been continuously developing new financial products such as deposit, lending, foreign exchange, trust, derivatives, wealth management and mobile payment, so that the Bank can meet the diverse needs of its customers. There is no business concentration occurred.

h. The Risk and Effect of the Change of Ownership Exerting on the Bank and the Countermeasure

None.

i. The Risk and Effect of the Massive Share Transfer or Replacement from the Directors or the Shareholders Who Holds More Than 1% of Ownership Interest, and the Countermeasure

None.

j. Lawsuit and Non-Lawsuit

1. Lawsuit of the Bank

With respect to the Bank's lawsuit with TDK Corporation involving claims for indirect damage, the case was remanded and assigned a case appeals to the Taiwan High Court for further trial after the Supreme Court (The Taiwan High Court re-examined case No. 88 in 2019), subject-matter amounts of money was NT\$ 45,793,530.

2. The litigations of the shareholder who holds more than 1% of ownership interest ("the Shareholder") in the Bank:

(1) Taishin Financial Holdings Co., Ltd. ("TSFHC")

TSFHC claimed that the Ministry of Finance was in breach of the said Ministry's announcement press release and official letter issued in 2005. This led to TSFHC having only two directors and one independent nominated director elected to the Bank's Board of Directors during the Bank's Shareholder Assembly held on December 8, 2014. TSFHC has engaged lawyers to institute civil proceedings, at Taiwan Taipei District Court against the Ministry of Finance. The case has been remanded by the Supreme Court on May 23, 2019 and after adjudgment by Taiwan High Court reexamine order on August 21, 2020, the Ministry of Finance and TSFHC all filed appeals again and currently adjudicated by the Supreme Court.

(2) Mega International Commercial Bank Co., Ltd.

Former chairperson Mr. Tsai and former president Mr. Wu did not actively manage and respond to the matters that should be improved in the inspection report of The New York State Department of Financial Services (NYDFS) during their tenure. This results in the fine of US\$ 180 million (NT\$ 5,751,953,509 equivalent) consent between NYDFS and Mega, and Mega was also fined NT\$ 10,000,000 by FSC. The resolution decided by the board of directors was to claim to both of them as well as the motion for provisional attachment was claimed, and the case is still in the second process adjudicated by the court.

(3) Bank of Taiwan

Bank of Taiwan has litigation with Tang Eng Steel Company on March 2, 2007 and currently adjudicated by Taiwan High Court.

k. Other Major Risks and Countermeasures

1. The Bank will construct an evaluation plan for the whole computer system based on continuous operation and protection of customers' rights, classified the information according to the importance and impact on assets and conduct information security assessments regularly in accordance with "Regulation for Financial Institutions to Manage Computer System and Information Security Assessment."
2. In response to COVID-19 pandemic, the Bank follows "VDN & VDI management regulation" to implement work from home under tough situation.

G. Emergency Response Mechanisms

1. In case of catastrophes, epidemics, strikes, information system breakdowns or any other events that would result in operation discontinuity, the Bank establishes the "Business Continuity Plan," "Directions of Emergency Response Measures for Compulsory Collective Isolation Responding to Epidemics," "Information Operations Disaster Recovery Plan," and "Material Contingencies Procedures" and major accident handling with contingency plans for all units to serve as guidelines for prevention, preparation, reporting, responding, and post-event reporting to maintain the Bank's business operations in order to protect the rights of customers and mitigate financial and personnel losses to a minimum.
2. In order to implement information security management, the Bank stipulated "Emergency Reporting Working Guidelines" and "Enforcement Rules of Information Securities Incidents Notification," to establish efficient procedure of information security incidents. If the Bank meets information security incidents, the Bank can handle information security incidents in real time through information security incidents reporting management system, provide all levels of personnel identify, assess, and control the scope of the security incident instantly and take appropriate contingency measures immediately to reduce damage in accidents.

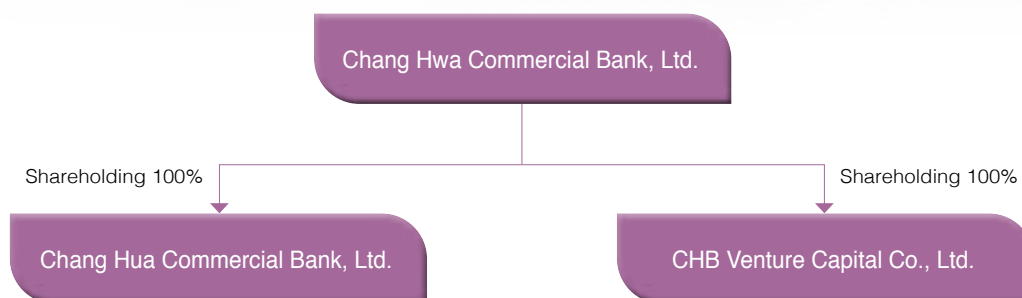
H. Other Important Events

None.

VIII | Special Notes

A. Information Regarding the Bank's Subsidiaries

a. The Bank's Subsidiaries



b. Basic Data of the Bank's Subsidiaries

Unit: thousand

Enterprise Name	Establishment Date	Address	Paid-in Capital	Major Operations
Chang Hua Commercial Bank, Ltd.	December 11, 2018	No. 371, Jiangdong Middle Road, Jianye District, Nanjing City, Jiangsu Province, P.R.C.	CNY 2,500,000	Banking Industry
CHB Venture Capital Co., Ltd.	April 17, 2019	8F, No. 57, Sec. 2, Zhongshan N. Road, Zhongshan District, Taipei City 10412, Taiwan, R.O.C.	NTD 600,000	Venture Capital Industry

c. Information of Chairman, Directors, Supervisors and President of the Bank's Subsidiaries

March 22, 2021

Enterprise Name	Position	Name	Shareholding	
			Shares	%
Chang Hua Commercial Bank, Ltd.	Chairman	Ming-Jeng Shyn	Unissued	100
	Director	Bin Chen, Hsueh-Ni Hsieh, Huan-Yu Chiu		
	Independent Director	Lian-Shui Li, Mei-Jhu Huang		
	Supervisor	Bin Lu		
	President	Huan-Yu Chiu		
CHB Venture Capital Co., Ltd.	Chairman	Chiao-Hsiang Chang	60,000,000	100
	Director	Chih-Chen Hsu, Hsien-Lung Chen		
	Supervisor	Hsiu-Chuan Teng		
	President	Yu-Ling Tang		

d. Operation Overview of the Bank's Subsidiaries

December 31, 2020 Unit: NT\$ thousand

Enterprise Name	Capital	Total Assets	Total Liability	Equity	Operating Revenue	Operating Profits	Income (After Tax)	EPS (After Tax)
Chang Hua Commercial Bank, Ltd. (Note 1)	12,117,288	27,348,933	14,420,205	12,928,728	1,107,549	806,221	413,565	N.A. (Note 2)
CHB Venture Capital Co., Ltd.	600,000	589,669	6,807	582,862	12,585	(2,528)	(1,167)	(0.02)

Note 1: Capital of Chang Hua Commercial Bank, Ltd. was exchanged at the outflow moment, items included in the balance sheet were exchanged at the evaluation exchange rate of Dec. 31, 2020, items included in income statement were exchanged at the average rate of 2020.

Note 2: Chang Hua Commercial Bank, Ltd. has no issued shares, EPS is not applicable.

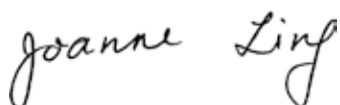
e. Consolidated Financial Statements of the Bank and its subsidiaries: Please refer to annual report p.117~p176.

f. Declaration of Consolidation of Financial Statements of Affiliates

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The entities that are required to be included in the combined financial statements of Chang Hwa Commercial Bank, Ltd. as of and for the year ended December 31, 2020, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard 10, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Chang Hwa Commercial Bank, Ltd. and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,
CHANG HWA COMMERCIAL BANK, LTD.



JOANNE LING
Chairperson

February 25, 2021

B. Progress of Private Placement of Securities and Financial Bonds during the Latest Year and as of the Date of Annual Report Publication

None.

C. The Bank's Subsidiaries' Shareholding or Disposal of the Bank's Shares during the Latest Year and as of the Date of Annual Report Publication

None.

D. Additional Disclosure

None.

E. Pursuant to Item 2, Paragraph 3, Article 36 of Security and Exchange Act, the Incidence Exerting Material Influence on Shareholders' Rights or Security Prices

None.

IX | Directory of Head Office & Branches & Subsidiaries

IX

DOMESTIC OFFICES	ADDRESS	TEL
Head Office (Taichung)	No. 38, Sec. 2, Ziyou Rd., Central Dist., Taichung City 40045, Taiwan (R.O.C.)	(04) 22222001
Head Office (Taipei)	No. 57, Sec. 2, Zhongshan N. Rd., Zhongshan Dist., Taipei City 10412, Taiwan (R.O.C.)	(02) 25362951
Business Department	No. 38, Sec. 2, Ziyou Rd., Central Dist., Taichung City 40045, Taiwan (R.O.C.)	(04) 22230001
Taichung Branch	1F., No. 78, Sec. 2, Fuxing Rd., South Dist., Taichung City 40245, Taiwan (R.O.C.)	(04) 22650011
Pei-Taichung Branch	No. 6, Sec. 2, Taiwan Blvd., West Dist., Taichung City 40354, Taiwan (R.O.C.)	(04) 22011122
Nan-Taichung Branch	1F., No. 102, Taichung Rd., South Dist., Taichung City 40250, Taiwan (R.O.C.)	(04) 22243181
Peitun Branch	1F., No. 10, Beitun Rd., North Dist., Taichung City 40459, Taiwan (R.O.C.)	(04) 22322922
Chung-Kang Branch	No. 651, Sec. 2, Taiwan Blvd., Xitun Dist., Taichung City 40759, Taiwan (R.O.C.)	(04) 23271717
Shuinan Branch	No. 447, Sec. 3, Wenxin Rd., Beitun Dist., Taichung City 40667, Taiwan (R.O.C.)	(04) 22969966
Nantun Branch	No. 306, Sec. 1, Wenxin Rd., Nantun Dist., Taichung City 40866, Taiwan (R.O.C.)	(04) 23220011
Hsitun Branch	No. 923, Sec. 4, Taiwan Blvd., Xitun Dist., Taichung City 40767, Taiwan (R.O.C.)	(04) 23593435
Keelung Branch	1F., No. 60, Ai 4 th Rd., Ren'ai Dist., Keelung City 20048, Taiwan (R.O.C.)	(02) 24233933
Jenai Branch	No. 100, Xiao 2 nd Rd., Ren'ai Dist., Keelung City 20042, Taiwan (R.O.C.)	(02) 24233941
Tung-Keelung Branch	1F., No. 57, Xin 1 st Rd., Xinyi Dist., Keelung City 20145, Taiwan (R.O.C.)	(02) 24233861
Ilan Branch	1F., No. 16, Guangfu Rd., Yilan City, Yilan County 26043, Taiwan (R.O.C.)	(03) 9352511
Lotung Branch	No. 194, Zhongzheng Rd., Luodong Township, Yilan County 26547, Taiwan (R.O.C.)	(03) 9551171
Suao Branch	1F., No. 121, Sec. 1, Zhongshan Rd., Su'ao Township, Yilan County 27041, Taiwan (R.O.C.)	(03) 9961116
International Banking Division	2F., No. 57, Sec. 2, Zhongshan N. Rd., Zhongshan Dist., Taipei City 10412, Taiwan (R.O.C.)	(02) 25621919
Central Branch	1F., No. 57, Sec. 2, Zhongshan N. Rd., Zhongshan Dist., Taipei City 10412, Taiwan (R.O.C.)	(02) 25514256
Trust Division	12F., No. 57, Sec. 2, Zhongshan N. Rd., Zhongshan Dist., Taipei City 10412, Taiwan (R.O.C.)	(02) 25362951
Offshore Banking Branch	10F., No. 57, Sec. 2, Zhongshan N. Rd., Zhongshan Dist., Taipei City 10412, Taiwan (R.O.C.)	(02) 25362951
Taipei Branch	No. 27, Sec. 1, Chongqing S. Rd., Zhongzheng Dist., Taipei City 10046, Taiwan (R.O.C.)	(02) 23617211
Chengnei Branch	1F., No. 68, Hengyang Rd., Zhongzheng Dist., Taipei City 10045, Taiwan (R.O.C.)	(02) 23113791
Tunhwa Branch	No. 71, Sec. 2, Dunhua S. Rd., Da'an Dist., Taipei City 10682, Taiwan (R.O.C.)	(02) 27849821
Wanhua Branch	No. 304, Kangding Rd., Wanhua Dist., Taipei City 10852, Taiwan (R.O.C.)	(02) 23060201
Shuangyuan Branch	No. 312, Juguang Rd., Wanhua Dist., Taipei City 10860, Taiwan (R.O.C.)	(02) 23042141

DOMESTIC OFFICES	ADDRESS	TEL
Hsimen Branch	No. 169-2, Xining S. Rd., Wanhua Dist., Taipei City 10844, Taiwan (R.O.C.)	(02) 23719271
Peimen Branch	1F., No. 19, Sec. 1, Yanping N. Rd., Datong Dist., Taipei City 10341, Taiwan (R.O.C.)	(02) 25586271
Yunglo Branch	1F., No. 120, Sec. 1, Dihua St., Datong Dist., Taipei City 10344, Taiwan (R.O.C.)	(02) 25585151
Chiencheng Branch	1F., No. 123, Nanjing W. Rd., Datong Dist., Taipei City 10355, Taiwan (R.O.C.)	(02) 25555121
Tatung Branch	No. 199, Sec. 3, Chongqing N. Rd., Datong Dist., Taipei City 10369, Taiwan (R.O.C.)	(02) 25919113
Min-Sheng Branch	No. 54-1, Sec. 4, Minsheng E. Rd., Songshan Dist., Taipei City 10574, Taiwan (R.O.C.)	(02) 27121311
Chungshan North Rd. Branch	No. 111, Sec. 2, Zhongshan N. Rd., Zhongshan Dist., Taipei City 10448, Taiwan (R.O.C.)	(02) 25711241
Ching-Kuang Branch	No. 609, Linsen N. Rd., Zhongshan Dist., Taipei City 10460, Taiwan (R.O.C.)	(02) 25950551
Chien-Kuo Branch	No. 136, Sec. 3, Ren'ai Rd., Da'an Dist., Taipei City 10657, Taiwan (R.O.C.)	(02) 27033737
Chilin Branch	1F., No. 98, Sec. 2, Nanjing E. Rd., Zhongshan Dist., Taipei City 10457, Taiwan (R.O.C.)	(02) 25626151
Chang-An E. Rd. Branch	No. 23-1, Sec. 1, Chang'an E. Rd., Zhongshan Dist., Taipei City 10441, Taiwan (R.O.C.)	(02) 25230739
Tungmen Branch	1F., No. 139, Sec. 2, Xinyi Rd., Zhongzheng Dist., Taipei City 10064, Taiwan (R.O.C.)	(02) 23921241
Chung-Cheng Branch	1F., No. 47, Sec. 1, Jinshan S. Rd., Zhongzheng Dist., Taipei City 10056, Taiwan (R.O.C.)	(02) 23560000
Kuting Branch	No. 25, Sec. 2, Roosevelt Rd., Da'an Dist., Taipei City 10643, Taiwan (R.O.C.)	(02) 23517211
Chung-Hsiao Tung Lu Branch	No. 164, Sec. 4, Zhongxiao E. Rd., Da'an Dist., Taipei City 10688, Taiwan (R.O.C.)	(02) 27713151
Yung-Chun Branch	No. 1-2, Sec. 5, Zhongxiao E. Rd., Xinyi Dist., Taipei City 11071, Taiwan (R.O.C.)	(02) 27682322
Taan Branch	No. 177, Sec. 1, Heping E. Rd., Da'an Dist., Taipei City 10644, Taiwan (R.O.C.)	(02) 23213214
Heping Branch	No. 106, Sec. 3, Heping E. Rd., Da'an Dist., Taipei City 10675, Taiwan (R.O.C.)	(02) 33169009
Hsin-Yi Branch	No. 155, Sec. 4, Xinyi Rd., Da'an Dist., Taipei City 10681, Taiwan (R.O.C.)	(02) 27039081
Jen-Ho Branch	No. 31, Sec. 4, Ren'ai Rd., Da'an Dist., Taipei City 10685, Taiwan (R.O.C.)	(02) 27514066
Taipei World Trade Center Branch	3F., No. 333, Sec. 1, Keelung Rd., Xinyi Dist., Taipei City 11012, Taiwan (R.O.C.)	(02) 27203101
Guanglong Branch	1F., No. 78, Sec. 2, Keelung Rd., Xinyi Dist., Taipei City 11052, Taiwan (R.O.C.)	(02) 27207678
Chengtung Branch	1F., No. 188, Sec. 3, Nanjing E. Rd., Zhongshan Dist., Taipei City 10488, Taiwan (R.O.C.)	(02) 27153535
Chunglun Branch	1F., No. 201, Sec. 2, Bade Rd., Zhongshan Dist., Taipei City 10491, Taiwan (R.O.C.)	(02) 27312211
Fu-Hsing Branch	No. 367, Fuxing N. Rd., Songshan Dist., Taipei City 10543, Taiwan (R.O.C.)	(02) 27173222
Sung-Chiang Branch	No. 261, Songjiang Rd., Zhongshan Dist., Taipei City 10483, Taiwan (R.O.C.)	(02) 25024923
Chengde Branch	1F., No. 81, Sec. 4, Chengde Rd., Shilin Dist., Taipei City 11166, Taiwan (R.O.C.)	(02) 28868989
Shihlin Branch	No. 21, Fude Rd., Shilin Dist., Taipei City 11163, Taiwan (R.O.C.)	(02) 28822354

DOMESTIC OFFICES	ADDRESS	TEL
Tienmu Branch	1F., No.33, Dexing W. Rd., Shilin Dist., Taipei City 11158, Taiwan (R.O.C.)	(02) 28333232
Sungshan Branch	No. 165, Yongji Rd., Xinyi Dist., Taipei City 11063, Taiwan (R.O.C.)	(02) 27625242
Hsi-Sung Branch	1F., No.213, Sec. 5, Nanjing E. Rd., Songshan Dist., Taipei City 10569, Taiwan (R.O.C.)	(02) 27639611
Tung-Taipei Branch	No. 126, Sec. 4, Nanjing E. Rd., Songshan Dist., Taipei City 10595, Taiwan (R.O.C.)	(02) 25704567
Dongxing Branch	1F., No.88, Sec. 4, Bade Rd., Songshan Dist., Taipei City 10565, Taiwan (R.O.C.)	(02) 21711115
Hsi-Neihu Branch	1F., No.26, Ln. 513, Ruiguang Rd., Neihu Dist., Taipei City 11492, Taiwan (R.O.C.)	(02) 27978966
Tachih Branch	No.589, Bei'an Rd., Zhongshan Dist., Taipei City 10463, Taiwan (R.O.C.)	(02) 25337861
Nei-Hu Branch	No. 19, Ruihu St., Neihu Dist., Taipei City 11494, Taiwan (R.O.C.)	(02) 26590766
Tung-Hu Branch	1F., No. 109, Sec. 6, Miquan E. Rd., Neihu Dist., Taipei City 11490, Taiwan (R.O.C.)	(02) 27904567
Sinhu Branch	No. 180, Xihu 2 nd Rd., Neihu Dist., Taipei City 11494, Taiwan (R.O.C.)	(02) 27931616
Nankang Branch	No. 48, Sec. 3, Nangang Rd., Nangang Dist., Taipei City 11510, Taiwan (R.O.C.)	(02) 27833456
Nankang Science Industrial Park Branch	2F-3, No. 3, Park St., Nangang Dist., Taipei City 11503, Taiwan (R.O.C.)	(02) 26558169
Wufenpu Branch	1F., No.92, Zhongpo N. Rd., Nangang Dist., Taipei City 11562, Taiwan (R.O.C.)	(02) 27852787
Mucha Branch	No. 48, Sec. 3, Muxin Rd., Wenshan Dist., Taipei City 11664, Taiwan (R.O.C.)	(02) 86617377
Bei Tou Branch	1F., No.6, Ln. 452, Daye Rd., Beitou Dist., Taipei City 11268, Taiwan (R.O.C.)	(02) 28968585
Hsi-Chih Branch	No.93, Zhongxing Rd., Xizhi Dist., New Taipei City 22158, Taiwan (R.O.C.)	(02) 26947878
Xike Branch	1F., No.217, Sec. 1, Datong Rd., Xizhi Dist., New Taipei City 22161, Taiwan (R.O.C.)	(02) 21653111
Tanshui Branch	1F., No.211, Sec. 2, Zhongshan N. Rd., Tamsui Dist., New Taipei City 25152, Taiwan (R.O.C.)	(02) 26219998
Juifang Branch	No.38, Sec. 3, Mingdeng Rd., Ruifang Dist., New Taipei City 22441, Taiwan (R.O.C.)	(02) 24972860
Sanchungpu Branch	No.89, Sec. 1, Chongxin Rd., Sanchong Dist., New Taipei City 24148, Taiwan (R.O.C.)	(02) 29733450
Pei-Sanchungpu Branch	1F., No.68, Zhengyi N. Rd., Sanchong Dist., New Taipei City 24147, Taiwan (R.O.C.)	(02) 29823111
Tung-Sanchung Branch	No.303, Zhengyi N. Rd., Sanchong Dist., New Taipei City 24146, Taiwan (R.O.C.)	(02) 29821100
Hsi-Sanchung Branch	No.22, Sec. 2, Chongyang Rd., Sanchong Dist., New Taipei City 24161, Taiwan (R.O.C.)	(02) 29820221
Nan-Sanchung Branch	No.82, Zhongzheng S. Rd., Sanchong Dist., New Taipei City 24143, Taiwan (R.O.C.)	(02) 29771234
San Ho Rd. Branch	No.368, Sec. 4, Sanhe Rd., Sanchong Dist., New Taipei City 24154, Taiwan (R.O.C.)	(02) 22871441
Luchou Branch	1F., No.77, Zhongzheng Rd., Luzhou Dist., New Taipei City 24757, Taiwan (R.O.C.)	(02) 22851000
Hsintien Branch	No.135, Sec. 1, Beixin Rd., Xindian Dist., New Taipei City 23147, Taiwan (R.O.C.)	(02) 29141650

DOMESTIC OFFICES	ADDRESS	TEL
Pei Hsin Branch	1F., No. 11, Baoqiang Rd., Xindian Dist., New Taipei City 23144, Taiwan (R.O.C.)	(02) 29131071
Chicheng Branch	No. 98, Minquan Rd., Xindian Dist., New Taipei City 23141, Taiwan (R.O.C.)	(02) 22189001
Yungho Branch	1F., No. 69, Sec. 2, Yonghe Rd., Yonghe Dist., New Taipei City 23444, Taiwan (R.O.C.)	(02) 29243334
Fuho Branch	No. 139, Fuhe Rd., Yonghe Dist., New Taipei City 23449, Taiwan (R.O.C.)	(02) 29221171
Chungho Branch	1F., No. 182, Zhonghe Rd., Zhonghe Dist., New Taipei City 23575, Taiwan (R.O.C.)	(02) 22492711
Shuangho Branch	No. 801, Zhongzheng Rd., Zhonghe Dist., New Taipei City 23552, Taiwan (R.O.C.)	(02) 22259988
Lide Branch	1F., No. 142, Lide St., Zhonghe Dist., New Taipei City 23512, Taiwan (R.O.C.)	(02) 22239888
Hsinchuang Branch	No. 119, Xintai Rd., Xinzhuang Dist., New Taipei City 24242, Taiwan (R.O.C.)	(02) 29937101
Wugu Industrial Park Branch	No. 3-1, Wugong 5 th Rd., Xinzhuang Dist., New Taipei City 24890, Taiwan (R.O.C.)	(02) 22993311
Nan-Hsinchuang Branch	No. 657-1, Zhongzheng Rd., Xinzhuang Dist., New Taipei City 24257, Taiwan (R.O.C.)	(02) 29066599
Sy Yuan Branch	No. 228, Siyuan Rd., Xinzhuang Dist., New Taipei City 24250, Taiwan (R.O.C.)	(02) 29967137
Sinshu Branch	1F., No. 266-1, Xinshu Rd., Xinzhuang Dist., New Taipei City 24262, Taiwan (R.O.C.)	(02) 22086767
Taishan Branch	1F., No. 111, Quanxing Rd., Taishan Dist., New Taipei City 24341, Taiwan (R.O.C.)	(02) 22970809
Linkou Branch	1F., No. 46, Linkou Rd., Linkou Dist., New Taipei City 24444, Taiwan (R.O.C.)	(02) 26010711
New Linkou Branch	1F., No. 399, Sec. 1, Wenhua 3 rd Rd., Linkou Dist., New Taipei City 24448, Taiwan (R.O.C.)	(02) 26085185
Shulin Branch	No. 135, Sec. 1, Zhongshan Rd., Shulin Dist., New Taipei City 23844, Taiwan (R.O.C.)	(02) 26813621
Panchiao Branch	No. 22, Sec. 1, Zhongshan Rd., Banqiao Dist., New Taipei City 22063, Taiwan (R.O.C.)	(02) 29628161
Kuang-Fu Branch	No. 62, Sec. 2, Zhongshan Rd., Banqiao Dist., New Taipei City 22067, Taiwan (R.O.C.)	(02) 29619181
Chiang Tsui Branch	No. 9, Sec. 2, Wenhua Rd., Banqiao Dist., New Taipei City 22047, Taiwan (R.O.C.)	(02) 22591001
Tucheng Branch	No. 45, Sec. 3, Zhongyang Rd., Tucheng Dist., New Taipei City 23671, Taiwan (R.O.C.)	(02) 22691155
Sanhsia Branch	No. 89, Wenhua Rd., Sanxia Dist., New Taipei City 23741, Taiwan (R.O.C.)	(02) 26711261
Taoyuan Branch	No. 73, Zhongzheng Rd., Taoyuan Dist., Taoyuan City 33041, Taiwan (R.O.C.)	(03) 3346130
Ba De Branch	No. 135, Sec. 2, Jiesshou Rd., Bade Dist., Taoyuan City 33445, Taiwan (R.O.C.)	(03) 3711222
Pei-Taoyuan Branch	No. 189, Yong'an Rd., Taoyuan Dist., Taoyuan City 33054, Taiwan (R.O.C.)	(03) 3320743
Nankan Branch	No. 7, Sec. 2, Nankan Rd., Luzhu Dist., Taoyuan City 33855, Taiwan (R.O.C.)	(03) 3213666
Tung-Linkou Branch	No. 235, Fuxing 1 st Rd., Guishan Dist., Taoyuan City 33375, Taiwan (R.O.C.)	(03) 3975555
Chungli Branch	1F., No. 95, Zhongzheng Rd., Zhongli Dist., Taoyuan City 32041, Taiwan (R.O.C.)	(03) 4252101
Pei-Chungli Branch	No. 155, Zhongxiao Rd., Zhongli Dist., Taoyuan City 32065, Taiwan (R.O.C.)	(03) 4636688
Hsin-Ming Branch	No. 2, Zhongxiao Rd., Pingzhen Dist., Taoyuan City 32447, Taiwan (R.O.C.)	(03) 4941571

DOMESTIC OFFICES	ADDRESS	TEL
Longtan Branch	1F., No. 240-3, Zhongzheng Rd., Longtan Dist., Taoyuan City 32552, Taiwan (R.O.C.)	(03) 4891238
Yangmei Branch	No. 158, Dacheng Rd., Yangmei Dist., Taoyuan City 32643, Taiwan (R.O.C.)	(03) 4783391
Puhsin Branch	No. 82, Zhongxing Rd., Yangmei Dist., Taoyuan City 32654, Taiwan (R.O.C.)	(03) 4824935
Hsinchu Branch	No. 63, Zhongzheng Rd., East Dist., Hsinchu City 30051, Taiwan (R.O.C.)	(03) 5253151
Pei-Hsinchu Branch	No. 110, Sec. 2, Dongda Rd., North Dist., Hsinchu City 30054, Taiwan (R.O.C.)	(03) 5339651
Hsinchu Science-based Industrial Park Branch	2F., No. 5, Gongye E. 6 th Rd., Science-based Industrial Park, East Dist., Hsinchu City 30077, Taiwan (R.O.C.)	(03) 5770780
Jhubei Branch	1F., No. 26-3, Taiyuan St., Zhubei City, Hsinchu County 30288, Taiwan (R.O.C.)	(03) 5526898
Chutung Branch	No. 43, Sec. 2, Changchun Rd., Zhudong Township, Hsinchu County 31047, Taiwan (R.O.C.)	(03) 5962280
Miaoli Branch	No. 636, Zhongzheng Rd., Miaoli City, Miaoli County 36049, Taiwan (R.O.C.)	(037) 326455
Yuanli Branch	No. 11, Jianguo Rd., Yuanli Township, Miaoli County 35847, Taiwan (R.O.C.)	(037) 861501
Zhunan Branch	1F., No. 110, Sec. 2, Huanshi Rd., Zhunan Township, Miaoli County 35047, Taiwan (R.O.C.)	(037) 551751
Tachia Branch	No. 405, Shuntian Rd., Dajia Dist., Taichung City 43741, Taiwan (R.O.C.)	(04) 26878711
Chingshui Branch	1F., No. 196, Zhongshan Rd., Qingshui Dist., Taichung City 43654, Taiwan (R.O.C.)	(04) 26225151
Shalu Branch	No. 52, Shatian Rd., Shalu Dist., Taichung City 43353, Taiwan (R.O.C.)	(04) 26358599
Tatu Branch	1F., No. 780, Sec. 2, Shatian Rd., Dadu Dist., Taichung City 43242, Taiwan (R.O.C.)	(04) 26983711
Fengyuan Branch	1F., No. 220, Zhongzheng Rd., Fengyuan Dist., Taichung City 42056, Taiwan (R.O.C.)	(04) 25269191
Daya Branch	1F., No. 1090, Sec. 3, Zhongqing Rd., Daya Dist., Taichung City 42878, Taiwan (R.O.C.)	(04) 25665500
Tantzu Branch	No. 199, Sec. 2, Zhongshan Rd., Tanzi Dist., Taichung City 42755, Taiwan (R.O.C.)	(04) 25322234
Tungshih Branch	No. 456, Fengshi Rd., Dongshi Dist., Taichung City 42343, Taiwan (R.O.C.)	(04) 25877160
Wufeng Branch	No. 900, Zhongzheng Rd., Wufeng Dist., Taichung City 41341, Taiwan (R.O.C.)	(04) 23393567
Taipin Branch	No. 89, Yongfeng Rd., Taiping Dist., Taichung City 41143, Taiwan (R.O.C.)	(04) 22736789
Tsaotun Branch	No. 23, Heping St., Caotun Township, Nantou County 54242, Taiwan (R.O.C.)	(049) 2338101
Nantou Branch	No. 72, Sec. 2, Zhangnan Rd., Nantou City, Nantou County 54063, Taiwan (R.O.C.)	(049) 2226171
Puli Branch	No. 73, Xikang Rd., Puli Township, Nantou County 54555, Taiwan (R.O.C.)	(049) 2983983
Shuilikeng Branch	No. 226, Minquan Rd., Shuili Township, Nantou County 55343, Taiwan (R.O.C.)	(049) 2772121
Changhua Branch	1F., No. 57, Heping Rd., Changhua City, Changhua County 50046, Taiwan (R.O.C.)	(04) 7242101
Dali Branch	1F., No. 20, Sec. 2, Defang Rd., Dali Dist., Taichung City 41262, Taiwan (R.O.C.)	(04) 24181558
Lukang Branch	No. 137, Zhongshan Rd., Lukang Township, Changhua County 50570, Taiwan (R.O.C.)	(04) 7773311

DOMESTIC OFFICES	ADDRESS	TEL
Hemei Branch	1F., No. 428, Daozhou Rd., Hemei Township, Changhua County 50845, Taiwan (R.O.C.)	(04) 7579696
Yuanlin Branch	No. 495, Zhongzheng Rd., Yuanlin Township, Changhua County 51041, Taiwan (R.O.C.)	(04) 8322101
Hsihu Branch	No. 158, Sec. 3, Zhangshui Rd., Xihu Township, Changhua County 51441, Taiwan (R.O.C.)	(04) 8853471
Peitou Branch	No. 172, Sec. 1, Douyuan Rd., Beidou Township, Changhua County 52146, Taiwan (R.O.C.)	(04) 8882811
Erlin Branch	1F., No. 67, Sec. 5, Douyuan Rd., Erlin Township, Changhua County 52641, Taiwan (R.O.C.)	(04) 8950011
Hsiluo Branch	1F., No. 225, Zhongshan Rd., Xiluo Township, Yunlin County 64848, Taiwan (R.O.C.)	(05) 5863611
Touliu Branch	No. 70, Zhongshan Rd., Douliu City, Yunlin County 64051, Taiwan (R.O.C.)	(05) 5324116
Tounan Branch	No. 100, Zhongshan Rd., Dounan Township, Yunlin County 63042, Taiwan (R.O.C.)	(05) 5974191
Huwei Branch	No. 35, Zhongzheng Rd., Huwei Township, Yunlin County 63242, Taiwan (R.O.C.)	(05) 6322561
Tukoo Branch	1F., No. 308, Guangming Rd., Tuku Township, Yunlin County 63346, Taiwan (R.O.C.)	(05) 6621116
Peikang Branch	No. 51, Wenhua Rd., Beigang Township, Yunlin County 65142, Taiwan (R.O.C.)	(05) 7836121
Talin Branch	No. 246, Xianghe Rd., Dalin Township, Chiayi County 62241, Taiwan (R.O.C.)	(05) 2653221
Chiayi Branch	1F., No. 386, Zhongshan Rd., West Dist., Chiayi City 60041, Taiwan (R.O.C.)	(05) 2278141
Tung-Chiayi Branch	1F., No. 832, Xinsheng Rd., East Dist., Chiayi City 60074, Taiwan (R.O.C.)	(05) 2712811
Pei-Chiayi Branch	No. 290, You'ai Rd., West Dist., Chiayi City 60088, Taiwan (R.O.C.)	(05) 2342166
Hsinying Branch	1F., No. 150, Fuxing Rd., Xinying Dist., Tainan City 73043, Taiwan (R.O.C.)	(06) 6323871
Yung kang Branch	No. 839, Zhongzheng S. Rd., Yongkang Dist., Tainan City 71045, Taiwan (R.O.C.)	(06) 2545386
Chung-Hua Road Branch	No. 473-3, Xiaodong Rd., Yongkang Dist., Tainan City 71069, Taiwan (R.O.C.)	(06) 3125318
Guiren Branch	No. 218, Sec. 2, Zhongshan Rd., Guiren Dist., Tainan City 71146, Taiwan (R.O.C.)	(06) 2391711
Tainan Branch	1F., No. 88, Zhongzheng Rd., West Central Dist., Tainan City 70048, Taiwan (R.O.C.)	(06) 2221281
Yenping Branch	No. 151, Sec. 2, Minquan Rd., West Central Dist., Tainan City 70042, Taiwan (R.O.C.)	(06) 2254161
Hsi-Tainan Branch	No. 94, Sec. 3, Minzu Rd., West Central Dist., Tainan City 70053, Taiwan (R.O.C.)	(06) 2235141
Tung-Tainan Branch	No. 95-1, Sec. 1, Beimen Rd., West Central Dist., Tainan City 70044, Taiwan (R.O.C.)	(06) 2267141
Nan-Tainan Branch	1F., No. 655, Sec. 1, Ximen Rd., South Dist., Tainan City 70245, Taiwan (R.O.C.)	(06) 2263181
Pei-Tainan Branch	No. 367, Sec. 4, Ximen Rd., North Dist., Tainan City 70465, Taiwan (R.O.C.)	(06) 2523450
An-Nan Branch	1F., No. 330, Sec. 4, Anhe Rd., Annan Dist., Tainan City 70969, Taiwan (R.O.C.)	(06) 3556111
Chishan Branch	1F., No. 102, Zhongshan Rd., Qishan Dist., Kaohsiung City 84257, Taiwan (R.O.C.)	(07) 6615481
Kangshan Branch	No. 293, Gangshan Rd., Gangshan Dist., Kaohsiung City 82041, Taiwan (R.O.C.)	(07) 6216111
Fengshan Branch	No. 264, Sanmin Rd., Fengshan Dist., Kaohsiung City 83058, Taiwan (R.O.C.)	(07) 7470101

DOMESTIC OFFICES	ADDRESS	TEL
Luchu Branch	No. 835, Zhongshan Rd., Luzhu Dist., Kaohsiung City 82152, Taiwan (R.O.C.)	(07) 6972151
Ta-Fa Branch	No. 101, Lixing Rd., Daliao Dist., Kaohsiung City 83167, Taiwan (R.O.C.)	(07) 7824356
Kaohsiung Branch	No. 59, Minquan 1 st Rd., Lingya Dist., Kaohsiung City 80251, Taiwan (R.O.C.)	(07) 3361620
Chi-Hsien Branch	1F., No. 456, Zhongxiao 1 st Rd., Xinxing Dist., Kaohsiung City 80055, Taiwan (R.O.C.)	(07) 2361191
Yencheng Branch	1F., No. 85, Dayong Rd., Yancheng Dist., Kaohsiung City 80343, Taiwan (R.O.C.)	(07) 5313181
Tung-Kaohsiung Branch	1F., No. 109, Zhongzheng 4 th Rd., Qianjin Dist., Kaohsiung City 80147, Taiwan (R.O.C.)	(07) 2217741
Nan-Kaohsiung Branch	No. 13, Yongfeng Rd., Qianzhen Dist., Kaohsiung City 80643, Taiwan (R.O.C.)	(07) 7158000
Pei-Kaohsiung Branch	No. 720, Houchang Rd., Nanzi Dist., Kaohsiung City 81142, Taiwan (R.O.C.)	(07) 3662566
Zuoying Branch	1F., No. 280, Bo'ai 4 th Rd., Zuoying Dist., Kaohsiung City 81369, Taiwan (R.O.C.)	(07) 3436269
Sanmin Branch	No. 157, Hebei 2 nd Rd., Sanmin Dist., Kaohsiung City 80749, Taiwan (R.O.C.)	(07) 2918131
Hsinhsing Branch	No. 139, Zhongzheng 2 nd Rd., Lingya Dist., Kaohsiung City 80274, Taiwan (R.O.C.)	(07) 2222200
Chanchen Branch	No. 155, Sanduo 3 rd Rd., Qianzhen Dist., Kaohsiung City 80655, Taiwan (R.O.C.)	(07) 3344121
Chiu-Ju Lu Branch	No. 7, Jiuru 2 nd Rd., Sanmin Dist., Kaohsiung City 80759, Taiwan (R.O.C.)	(07) 3123101
Chienhsing Branch	1F., No. 1, Yihua Rd., Sanmin Dist., Kaohsiung City 80770, Taiwan (R.O.C.)	(07) 3896789
Po-Ai Branch	No. 517, Bo'ai 1 st Rd., Gushan Dist., Kaohsiung City 80466, Taiwan (R.O.C.)	(07) 5545151
Lingya Branch	No. 2, Siwei 4 th Rd., Lingya Dist., Kaohsiung City 80247, Taiwan (R.O.C.)	(07) 3353171
Ta-Shun Branch	No. 109, Jianguo 1 st Rd., Lingya Dist., Kaohsiung City 80284, Taiwan (R.O.C.)	(07) 7715101
Pingtung Branch	1F., No. 117-2, Zhongzheng Rd., Pingtung City, Pingtung County 90074, Taiwan (R.O.C.)	(08) 7342705
Chaozhou Branch	No. 38, Zhongzheng Rd., Chaozhou Township, Pingtung County 92052, Taiwan (R.O.C.)	(08) 7883911
Tungkang Branch	No. 74, Zhongzheng Rd., Donggang Township, Pingtung County 92849, Taiwan (R.O.C.)	(08) 8351521
Hengchun Branch	No. 22, Hengnan Rd., Hengchun Township, Pingtung County 94641, Taiwan (R.O.C.)	(08) 8899665
Hualien Branch	No. 191, Zhongshan Rd., Hualien City, Hualien County 97047, Taiwan (R.O.C.)	(03) 8323961
Taitung Branch	1F., No. 226, Zhengqi Rd., Taitung City, Taitung County 95044, Taiwan (R.O.C.)	(089) 324311
RC Northern Area 1	2F., No. 47, Sec. 1, Jinshan S. Rd., Zhongzheng Dist., Taipei City 10056, Taiwan (R.O.C.)	(02) 23973801
RC Northern Area 2	3F., No. 182, Zhonghe Rd., Zhonghe Dist., New Taipei City 23575, Taiwan (R.O.C.)	(02) 22401223
RC Central Area	12F., No. 78, Sec. 2, Fuxing Rd., South Dist., Taichung City 40245, Taiwan (R.O.C.)	(04) 22601588
RC Southern Area	4F., No. 85, Dayong Rd., Yancheng Dist., Kaohsiung City 80343, Taiwan (R.O.C.)	(07) 5219123
Taipei Securities Broker	3F., No. 68, Hengyang Rd., Zhongzheng Dist., Taipei City 10045, Taiwan (R.O.C.)	(02) 23619654
Taichung Securities Broker	3F., No. 78, Sec. 2, Fuxing Rd., South Dist., Taichung City 40245, Taiwan (R.O.C.)	(04) 22660011

DOMESTIC OFFICES	ADDRESS	TEL
Chi-Hsien Securities Broker	3F., No. 456, Zhongxiao 1 st Rd., Xinxing Dist., Kaohsiung City 80055, Taiwan (R.O.C.)	(07) 2355658

OVERSEAS UNITS	ADDRESS	TEL
NEW YORK BRANCH	685 Third Avenue, 29 th Floor, New York, N.Y. 10017, U. S. A.	1-212-6519770
LOS ANGELES BRANCH	333 South Grand Avenue, Suite 2250, Los Angeles, CA 90071, U. S. A.	1-213-6207200
TOKYO BRANCH	Marunouchi Trust Tower Main 7 th Floor, 1-8-3 Marunouchi, Chiyoda-ku, Tokyo 100-0005, Japan	81-3-32128888
LONDON BRANCH	4 th Floor, 6-8 Tokenhouse Yard, London EC2R 7AS United Kingdom	44-20-76006600
HONG KONG BRANCH	1401, Tower II, The Gateway, 25 Canton Rd., Tsimshatsui, Kowloon, Hong Kong	852-29561212
SINGAPORE BRANCH	1 Finlayson Green, #08-00 Singapore 049246	65-65320820
MANILA BRANCH	43/F, Philamlife Tower, 8767 Paseo de Roxas Makati City, Metro Manila, 1226, Philippines	63-2-7621-0088
YANGON REPRESENTATIVE OFFICE	422/426 Corner of Strand Road and Botahtaung Pagoda Road, #10-02, Botahtaung Township, Yangon, Republic of the Union of Myanmar	95-1-8202095

SUBSIDIARIES AND THEIR BRANCHES	ADDRESS	TEL
CHB Venture Capital Co., LTD.	8F., No. 57, Sec. 2, Zhongshan N. Road, Zhongshan District, Taipei City 10412, Taiwan, (R.O.C.)	(02)25362951
CHANG HUA COMMERCIAL BANK, LTD.	No. 371, Jiang Dong Middle Road, Jianye District, Nanjing City, Jiangsu Province, P.R.C.	86-025-88811000
CHANG HUA COMMERCIAL BANK, LTD., KUNSHAN BRANCH	1F & 2F, Tower A, 88 Hei Long Jiang North Rd., Kunshan City, Jiangsu Province, P.R.C.	86-512-57367576
CHANG HUA COMMERCIAL BANK, LTD., KUNSHAN HUAQIAO SUB-BRANCH	No. 538, Shangyin Rd., Huaqiao Town Kunshan City, Jiangsu Province, P.R.C.	86-512-36690188
CHANG HUA COMMERCIAL BANK, LTD., DONGGUAN BRANCH	Room 801, TBA Tower1, No. 11, Dongguan Boulevard, Dong Cheng District, Dongguan City, Guangdong Province, P.R.C.	86-769-23660101
CHANG HUA COMMERCIAL BANK, LTD., FUZHOU BRANCH	No. 4, 5 14F, 128-1, Wusi Road, Fuzhou, Fujian Province, P.R.C.	86-591-86211320
CHANG HUA COMMERCIAL BANK, LTD., NANJING BRANCH	No. 371, Jiang Dong Middle Road, Jianye District, Nanjing City, Jiangsu Province, P.R.C.	86-025-88811000

Chang Hwa Commercial Bank, Ltd.

Chairperson *Joanne Ling*