

**Chang Hwa Commercial Bank, Ltd. and  
Subsidiaries**

**Consolidated Financial Statements for the  
Nine Months Ended September 30, 2021 and 2020 and  
Independent Auditors' Review Report**

## INDEPENDENT AUDITORS' REVIEW REPORT

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

### Introduction

We have reviewed the accompanying consolidated balance sheets of Chang Hwa Commercial Bank, Ltd. (the "Bank") and its subsidiaries (collectively referred to as the "Group") as of September 30, 2021 and 2020, the related consolidated statements of comprehensive income for the three months ended September 30, 2021 and 2020 and the nine months ended September 30, 2021 and 2020, the consolidated statements of changes in equity and cash flows for the nine months then ended, and the related notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as 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 and International Accounting Standards 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

### Scope of Review

We conducted our reviews in accordance with Statement of Auditing Standards No. 65 "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not give a true and fair view of the consolidated financial position of the Group as of September 30, 2021 and 2020 and of its consolidated financial performance for the three months ended September 30, 2021 and 2020, its consolidated financial performance and its consolidated cash flows for the nine months ended September 30, 2021 and 2020 in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks and International Accounting Standards 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

November 11, 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 review such consolidated financial statements are those generally applied in the Republic of China.*

*For the convenience of readers, the independent auditors' review 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' review report and consolidated financial statements shall prevail.*

# CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

	September 30, 2021 (Reviewed)		December 31, 2020 (Audited)		September 30, 2020 (Reviewed)	
	Amount	%	Amount	%	Amount	%
<b>ASSETS</b>						
Cash and cash equivalents (Notes 4, 6 and 36)	\$ 30,438,264	1	\$ 26,452,525	1	\$ 27,320,897	1
Due from the Central Bank and call loans to banks (Notes 4, 6 and 36)	176,708,952	7	235,739,431	10	182,923,562	8
Financial assets at fair value through profit or loss (Notes 4, 7, 34 and 37)	26,334,775	1	14,581,474	1	22,100,432	1
Financial assets at fair value through other comprehensive income (Notes 4, 8, 34 and 37)	180,153,263	7	122,695,821	5	116,511,902	5
Financial assets for hedging (Notes 4, 13 and 34)	182,088	-	231,693	-	262,399	-
Investments in debt instruments at amortized cost (Notes 4, 5, 9, 34 and 37)	378,296,368	16	345,283,447	15	307,367,941	14
Receivables, net (Notes 4, 11 and 12)	25,621,225	1	21,481,338	1	22,373,312	1
Current tax assets (Notes 4 and 31)	346,582	-	396,516	-	408,715	-
Discounts and loans, net (Notes 4, 5, 12, 35 and 36)	1,576,518,237	65	1,477,886,845	64	1,463,346,239	66
Other financial assets, net (Notes 4, 14 and 37)	3,378,477	-	25,590,786	1	40,308,381	2
Property and equipment, net (Notes 4 and 16)	20,886,720	1	20,908,603	1	20,681,516	1
Right-of-use assets, net (Notes 4 and 17)	1,984,490	-	1,519,247	-	1,574,792	-
Investment property, net (Notes 4 and 18)	13,853,705	1	13,858,910	1	13,867,596	1
Intangible assets, net (Notes 4 and 19)	597,069	-	687,613	-	682,358	-
Deferred tax assets (Notes 4 and 31)	3,322,542	-	3,379,099	-	3,311,995	-
Other assets, net (Notes 20 and 37)	<u>1,074,974</u>	<u>-</u>	<u>2,746,871</u>	<u>-</u>	<u>1,844,482</u>	<u>-</u>
<b>TOTAL</b>	<u>\$ 2,439,697,731</u>	<u>100</u>	<u>\$ 2,313,440,219</u>	<u>100</u>	<u>\$ 2,224,886,519</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>						
Deposits from the Central Bank and banks (Notes 4, 21 and 36)	\$ 83,175,540	4	\$ 103,221,627	5	\$ 102,809,584	5
Due to the Central Bank and banks (Note 6)	23,304,950	1	14,829,050	1	10,998,230	1
Financial liabilities at fair value through profit or loss (Notes 4, 7 and 34)	1,806,832	-	7,293,565	-	5,536,030	-
Securities sold under repurchase agreements (Note 4)	1,449,673	-	1,226,633	-	1,753,032	-
Payables (Notes 4, 22 and 29)	46,899,700	2	22,237,409	1	29,130,671	1
Current tax liabilities (Notes 4 and 31)	304,120	-	841,436	-	767,325	-
Deposits and remittances (Notes 4, 23 and 36)	2,044,106,503	84	1,917,987,149	83	1,836,093,649	83
Bank notes payable (Notes 4, 24 and 34)	51,311,389	2	61,351,032	3	54,579,773	3
Other financial liabilities (Notes 4 and 25)	1,312,659	-	1,949,149	-	2,313,623	-
Reserve for liabilities (Notes 4, 5 and 27)	4,916,770	-	5,316,038	-	5,158,767	-
Lease liabilities (Notes 4 and 17)	1,821,750	-	1,343,548	-	1,402,252	-
Deferred tax liabilities (Notes 4 and 31)	8,404,891	-	8,301,861	-	8,279,160	-
Other liabilities (Notes 4, 16 and 26)	<u>2,635,702</u>	<u>-</u>	<u>2,487,932</u>	<u>-</u>	<u>2,481,193</u>	<u>-</u>
Total liabilities	<u>2,271,450,479</u>	<u>93</u>	<u>2,148,386,429</u>	<u>93</u>	<u>2,061,303,289</u>	<u>93</u>
<b>EQUITY (Notes 4, 29 and 31)</b>						
Capital stock						
Common stock	104,885,708	4	103,847,236	5	103,847,236	5
Retained earnings						
Legal reserve	40,320,456	2	38,266,789	2	38,266,789	2
Special reserve	12,201,590	1	12,201,590	-	12,204,648	-
Unappropriated earnings	6,847,026	-	6,884,362	-	5,774,474	-
Other equity	<u>3,992,472</u>	<u>-</u>	<u>3,853,813</u>	<u>-</u>	<u>3,490,083</u>	<u>-</u>
Total equity	<u>168,247,252</u>	<u>7</u>	<u>165,053,790</u>	<u>7</u>	<u>163,583,230</u>	<u>7</u>
<b>TOTAL</b>	<u>\$ 2,439,697,731</u>	<u>100</u>	<u>\$ 2,313,440,219</u>	<u>100</u>	<u>\$ 2,224,886,519</u>	<u>100</u>

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

# CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2021		2020		2021		2020	
	Amount	%	Amount	%	Amount	%	Amount	%
INTEREST INCOME (Notes 4, 30 and 36)	\$ 7,002,615	90	\$ 6,832,461	105	\$ 20,413,956	94	\$ 23,005,776	110
INTEREST EXPENSE (Notes 30 and 36)	<u>(1,717,520)</u>	<u>(22)</u>	<u>(2,236,639)</u>	<u>(34)</u>	<u>(5,312,182)</u>	<u>(24)</u>	<u>(8,685,032)</u>	<u>(42)</u>
NET INTEREST INCOME	<u>5,285,095</u>	<u>68</u>	<u>4,595,822</u>	<u>71</u>	<u>15,101,774</u>	<u>70</u>	<u>14,320,744</u>	<u>68</u>
NET NON-INTEREST INCOME								
Net service fee income (Notes 4 and 30)	1,113,565	15	1,104,379	17	3,394,353	16	3,392,564	16
Gain (loss) on financial assets or liabilities measured at fair value through profit or loss (Notes 4, 7 and 30)	236,635	3	261,665	4	941,210	4	1,427,225	7
Realized gain (loss) on financial assets at fair value through other comprehensive income (Notes 4 and 30)	860,690	11	366,025	6	1,463,050	7	1,203,276	6
Gain (loss) arising from derecognition of financial assets at amortized cost	-	-	36	-	-	-	52	-
Foreign exchange gain (loss) (Notes 4 and 34)	168,295	2	65,159	1	410,499	2	298,218	1
Net other non-interest income (loss) (Note 13)	<u>92,615</u>	<u>1</u>	<u>94,384</u>	<u>1</u>	<u>331,369</u>	<u>1</u>	<u>332,075</u>	<u>2</u>
Net non-interest income	<u>2,471,800</u>	<u>32</u>	<u>1,891,648</u>	<u>29</u>	<u>6,540,481</u>	<u>30</u>	<u>6,653,410</u>	<u>32</u>
NET REVENUE AND GAINS	<u>7,756,895</u>	<u>100</u>	<u>6,487,470</u>	<u>100</u>	<u>21,642,255</u>	<u>100</u>	<u>20,974,154</u>	<u>100</u>
BAD DEBTS EXPENSE, COMMITMENT AND GUARANTEE LIABILITY PROVISION (Notes 4 and 12)	<u>(455,593)</u>	<u>(6)</u>	<u>(969,783)</u>	<u>(15)</u>	<u>(1,394,960)</u>	<u>(6)</u>	<u>(2,386,914)</u>	<u>(12)</u>
OPERATING EXPENSES								
Employee benefits expenses (Notes 4 and 30)	(3,081,158)	(40)	(2,650,414)	(41)	(8,581,191)	(40)	(7,855,392)	(37)
Depreciation and amortization expenses (Notes 4 and 30)	(355,952)	(4)	(351,859)	(5)	(1,071,340)	(5)	(1,056,129)	(5)
Other general and administrative expenses	<u>(956,700)</u>	<u>(12)</u>	<u>(959,242)</u>	<u>(15)</u>	<u>(2,808,551)</u>	<u>(13)</u>	<u>(2,902,922)</u>	<u>(14)</u>
Total operating expenses	<u>(4,393,810)</u>	<u>(56)</u>	<u>(3,961,515)</u>	<u>(61)</u>	<u>(12,461,082)</u>	<u>(58)</u>	<u>(11,814,443)</u>	<u>(56)</u>
INCOME BEFORE INCOME TAX	2,907,492	38	1,556,172	24	7,786,213	36	6,772,797	32
INCOME TAX EXPENSE (Notes 4 and 31)	<u>(300,467)</u>	<u>(4)</u>	<u>(147,468)</u>	<u>(2)</u>	<u>(1,011,738)</u>	<u>(5)</u>	<u>(1,118,315)</u>	<u>(5)</u>
NET INCOME	<u>2,607,025</u>	<u>34</u>	<u>1,408,704</u>	<u>22</u>	<u>6,774,475</u>	<u>31</u>	<u>5,654,482</u>	<u>27</u>

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# CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2021		2020		2021		2020	
	Amount	%	Amount	%	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX								
Items that will not be reclassified to profit or loss, net of tax:								
Revaluation gains (losses) on investments in equity instruments measured at fair value through other comprehensive income	\$ (158,642)	(2)	\$ 35,074	-	\$ 1,324,398	6	\$ 467,913	2
Items that will be reclassified to profit or loss, net of tax:								
Exchange differences on translation (Note 4)	(182,371)	(2)	32,511	1	(447,811)	(2)	(777,666)	(4)
Revaluation gains (losses) on investments in debt instruments measured at fair value through other comprehensive income	(119,986)	(2)	3,128	-	(786,247)	(3)	125,654	1
(Impairment loss) reversal of impairment loss on investments in debt instruments measured at fair value through other comprehensive income	4,198	-	609	-	18,465	-	(24,276)	-
Income tax related to items that will be reclassified to profit or loss (Notes 4 and 31)	19,179	-	22,175	-	48,683	-	(105,948)	(1)
Other comprehensive income (loss), net of income tax	(437,622)	(6)	93,497	1	157,488	1	(314,323)	(2)
TOTAL COMPREHENSIVE INCOME	<u>\$ 2,169,403</u>	<u>28</u>	<u>\$ 1,502,201</u>	<u>23</u>	<u>\$ 6,931,963</u>	<u>32</u>	<u>\$ 5,340,159</u>	<u>25</u>
NET PROFIT ATTRIBUTABLE TO:								
Owners of the Bank	<u>\$ 2,607,025</u>	<u>34</u>	<u>\$ 1,408,704</u>	<u>22</u>	<u>\$ 6,774,475</u>	<u>31</u>	<u>\$ 5,654,482</u>	<u>27</u>
Non-controlling interests	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:								
Owners of the Bank	<u>\$ 2,169,403</u>	<u>28</u>	<u>\$ 1,502,201</u>	<u>23</u>	<u>\$ 6,931,963</u>	<u>32</u>	<u>\$ 5,340,159</u>	<u>25</u>
Non-controlling interests	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>-</u>
EARNINGS PER SHARE (Note 32)								
Basic	<u>\$ 0.25</u>		<u>\$ 0.13</u>		<u>\$ 0.65</u>		<u>\$ 0.54</u>	
Diluted	<u>\$ 0.25</u>		<u>\$ 0.13</u>		<u>\$ 0.64</u>		<u>\$ 0.54</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 (In Thousands of New Taiwan Dollars, Except Shares of Capital Stock) (Reviewed, Not Audited)

	Equity Attributable to Owners of the Bank						Other Equity		Total Equity
	Capital Stock		Retained Earnings			Exchange Differences on Translation of Foreign Financial Statements	Unrealized Gains (Losses) on Financial Assets Measured at Fair Value Through Other Comprehensive Income		
	Common stock (In Thousands)	Amount	Legal Reserve	Special Reserve	Unappropriated Earnings				
BALANCE, JANUARY 1, 2020	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									
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 nine months ended September 30, 2020	-	-	-	-	5,654,482	-	-	5,654,482	
Other comprehensive income (loss) for the nine months ended September 30, 2020, net of tax	-	-	-	-	-	(929,634)	615,311	(314,323)	
Total comprehensive income (loss) for the nine months ended September 30, 2020	-	-	-	-	5,654,482	(929,634)	615,311	5,340,159	
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	84,241	-	(84,241)	-	
BALANCE, SEPTEMBER 30, 2020	10,384,724	\$ 103,847,236	\$ 38,266,789	\$ 12,204,648	\$ 5,774,474	\$ (2,572,237)	\$ 6,062,320	\$ 163,583,230	
BALANCE, JANUARY 1, 2021	10,384,724	\$ 103,847,236	\$ 38,266,789	\$ 12,201,590	\$ 6,884,362	\$ (2,870,996)	\$ 6,724,809	\$ 165,053,790	
Appropriation of 2020 earnings									
Legal reserve appropriated	-	-	2,053,667	-	(2,053,667)	-	-	-	
Cash dividends	-	-	-	-	(3,738,501)	-	-	(3,738,501)	
Stock dividends	103,847	1,038,472	-	-	(1,038,472)	-	-	-	
Net income for the nine months ended September 30, 2021	-	-	-	-	6,774,475	-	-	6,774,475	
Other comprehensive income (loss) for the nine months ended September 30, 2021, net of tax	-	-	-	-	-	(393,346)	550,834	157,488	
Total comprehensive income (loss) for the nine months ended September 30, 2021	-	-	-	-	6,774,475	(393,346)	550,834	6,931,963	
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	18,829	-	(18,829)	-	
BALANCE, SEPTEMBER 30, 2021	10,488,571	\$ 104,885,708	\$ 40,320,456	\$ 12,201,590	\$ 6,847,026	\$ (3,264,342)	\$ 7,256,814	\$ 168,247,252	

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

# CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income before income tax	\$ 7,786,213	\$ 6,772,797
Non-cash (income and gains) or expenses and losses		
Expected credit loss recognized on trade receivables	1,394,960	2,386,914
Depreciation expense	877,675	873,878
Amortization expense	193,665	182,251
Interest income	(20,413,956)	(23,005,776)
Dividend income	(1,066,388)	(629,458)
Interest expense	5,312,182	8,685,032
Net gain on financial assets or liabilities at fair value through profit or loss	(2,772,573)	(1,500,909)
Gain on disposal of investments	(398,731)	(573,870)
Unrealized foreign exchange losses	1,831,363	73,684
Other adjustments	77,467	(218,930)
Changes in operating assets and liabilities		
Increase in due from the Central Bank	(9,276,995)	(20,157,103)
Increase in financial assets at fair value through profit or loss	(15,165,376)	(9,646,688)
Increase in receivables	(4,547,363)	(672,555)
Increase in discounts and loans	(100,271,141)	(38,503,790)
(Increase) decrease in financial assets at fair value through other comprehensive income	(56,502,095)	927,346
Increase in investments in debt instruments at amortized cost	(33,012,921)	(31,308,913)
Decrease (increase) in other financial assets	22,340,121	(79,565)
Decrease (increase) in other assets	1,674,828	(775,988)
Decrease in deposits from the Central Bank and banks	(96,670)	(23,004)
Increase in deposits and remittances	126,119,354	70,145,446
Increase in payables	24,953,592	7,948,810
(Decrease) increase in financial liabilities at fair value through profit or loss	(1,234,626)	1,683,731
Decrease in reserve for liabilities	(242,429)	(262,477)
Decrease in other financial liabilities	(636,490)	(1,961,277)
Increase (decrease) in other liabilities	152,088	(72,797)
Cash flows used in operations	(52,924,246)	(29,713,211)
Interest received	20,962,828	24,700,825
Dividends received	981,990	614,558
Interest paid	(5,606,681)	(9,355,899)
Income taxes paid	(1,340,784)	(587,937)
Net cash flows used in operating activities	(37,926,893)	(14,341,664)

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# CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2021	2020
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property and equipment	\$ (352,206)	\$ (333,890)
Acquisition of intangible assets	<u>(102,488)</u>	<u>(130,527)</u>
Net cash flows used in investing activities	<u>(454,694)</u>	<u>(464,417)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
(Decrease) increase in due to the Central Bank and banks	(11,473,517)	11,525,192
Proceeds from issuing bank notes	-	4,040,000
Repayments of bank notes	(10,000,000)	(5,000,000)
Cash dividends paid	(3,738,501)	(3,994,124)
Increase in securities sold under repurchase agreement	223,040	205,741
Repayments of the principal portion of lease liabilities	<u>(503,359)</u>	<u>(441,476)</u>
Net cash flows (used in) generated from financing activities	<u>(25,492,337)</u>	<u>6,335,333</u>
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	<u>(447,811)</u>	<u>(777,666)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(64,321,735)	(9,248,414)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<u>175,454,685</u>	<u>135,910,391</u>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<u>\$ 111,132,950</u>	<u>\$ 126,661,977</u>
	<b>September 30</b>	
	<b>2021</b>	<b>2020</b>
<b>Reconciliation of cash and cash equivalents</b>		
Cash and cash equivalents in the consolidated balance sheets	\$ 30,438,264	\$ 27,320,897
Call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	<u>80,694,686</u>	<u>99,341,080</u>
Cash and cash equivalents at end of period	<u>\$ 111,132,950</u>	<u>\$ 126,661,977</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 NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)**

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### **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:

- a. All commercial banking operations allowed by the Banking Law;
- b. Trust operations;
- c. International banking operations;
- d. Overseas branch operations authorized by the respective foreign governments; and
- e. 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 November 11, 2021.

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

- a. 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.

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

The Group elected to apply the practical expedient provided in the amendments to deal with the changes in the basis for determining contractual cash flows of financial assets, financial liabilities or lease liabilities resulting from the interest rate benchmark reform. The changes 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.

For the hedging relationships that are subject to the reform, the Group applies the following temporary exceptions:

- a) The changes to the hedging relationship that are needed to reflect the changes required by the reform are treated as a continuation of the existing hedging relationship.
- b) If an alternative benchmark rate that is reasonably expected to be separately identifiable within a period of 24 months, the Group designates the rate as a non-contractually specified risk component.
- c) 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) The Group allocates 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 designates the hedged benchmark rate separately.

2) Amendment to IFRS 16 “Covid-19 - Related Rent Concessions beyond June 30, 2021”

The Group elected to apply the amendment that extends the availability of the practical expedient to lease payments due on or before June 30, 2022. Refer to the Summary of Significant Accounting Policies in the notes to the consolidated financial statements for the year ended December 31, 2020 for the relevant accounting policies of the practical expedient.

b. IFRSs approved by the FSC for prospective application in 2022

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

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

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

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

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

As of the date the 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.

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

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
“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 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 2)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 3)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 4)

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

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

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

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

As of the date the 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 IAS 34 as endorsed and issued into effect by the FSC. Disclosure information included in these consolidated financial statements is less than the disclosure information required in a complete set of annual consolidated financial statements.

##### **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.

### **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.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

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

### **Other Significant Accounting Policies**

Except for the following, for the summary of other significant accounting policies, refer to the Group's consolidated financial statements for the year ended December 31, 2019.

- a. Retirement benefits

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant plan amendments, settlements, or other significant one-off events.

- b. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings.

- c. Modification of financial instruments

When a financial instrument is modified, the Group assesses whether the modification will result in derecognition. If modification of a financial instrument results in derecognition, it is accounted for as derecognition of financial assets or liabilities. If the modification does not result in derecognition, the Group recalculates the gross carrying amount of the financial asset or the amortized cost of the financial liability based on the modified cash flows discounted at the original effective interest rate with any modification gain or loss recognized in profit or loss. The cost incurred is adjusted to the carrying amount of the modified financial asset or financial liability and amortized over the modified remaining period.

For the changes in the basis for determining contractual cash flows of financial assets or financial liabilities resulting from the interest rate benchmark reform, the Group elects to apply the practical expedient in which the changes 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. When multiple changes are made to a financial asset or a financial liability, the Group first applies the practical expedient to those changes required by interest rate benchmark reform, and then applies the requirements of modification of financial instruments to the other changes that cannot apply the practical expedient.

## **5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

Refer to the summary of critical accounting judgements and key sources of estimation uncertainty in the Group's consolidated financial statements for the year ended December 31, 2020.

## **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**

	<b>September 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>
Cash on hand	\$ 11,987,074	\$ 12,204,073	\$ 12,415,035
Checks for clearing	2,746,213	4,251,010	6,877,688
Due from banks	14,171,599	8,266,344	6,307,781
Foreign currencies on hand	<u>1,533,378</u>	<u>1,731,098</u>	<u>1,720,393</u>
	<u><b>\$ 30,438,264</b></u>	<u><b>\$ 26,452,525</b></u>	<u><b>\$ 27,320,897</b></u>

Refer to the consolidated statements of cash flows for the cash and cash equivalents reconciliation information as of September 30, 2021 and 2020. Cash and cash equivalents as of December 31, 2020 as shown in the statement of cash flows can be reconciled to the related items in the consolidated balance sheets as follows:

	<b>December 31, 2020</b>
Cash and cash equivalents	\$ 26,452,525
Call loans to banks	<u>149,002,160</u>
	<u><b>\$ 175,454,685</b></u>

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

	September 30, 2021	December 31, 2020	September 30, 2020
Call loans to banks	\$ 80,694,686	\$ 149,002,160	\$ 99,341,080
Reserve for checking accounts	29,859,951	26,392,663	23,439,384
Reserve for demand accounts	54,656,050	49,651,547	47,726,778
Reserve for foreign deposits	549,075	531,980	544,905
Others	<u>10,949,190</u>	<u>10,161,081</u>	<u>11,871,415</u>
	<u>\$ 176,708,952</u>	<u>\$ 235,739,431</u>	<u>\$ 182,923,562</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 assessment is on a 12-month expected credit loss basis.

c. Due to the Central Bank and banks

	September 30, 2021	December 31, 2020	September 30, 2020
Other dues to the Central Bank	<u>\$ 23,304,950</u>	<u>\$ 14,829,050</u>	<u>\$ 10,998,230</u>

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)

	September 30, 2021	December 31, 2020	September 30, 2020
Financial assets mandatorily classified at FVTPL			
Derivative financial assets (not under hedge accounting)			
Futures	\$ 150,675	\$ 120,403	\$ 106,957
Forward exchange contracts	67,274	124,452	108,900
Interest rate swaps	200,872	394,122	511,436
Currency swaps	1,622,079	4,915,742	3,198,540
Currency call option premiums	23,039	105,119	97,500
Non-derivative financial assets			
Investment in bills	21,252,064	7,042,832	16,894,512
Domestic listed stock	28,955	-	-
Domestic unquoted stock	292,706	117,616	84,286
Mutual funds	6,000	-	55,500
Government bonds	5,625	5,716	5,719
Corporate bonds	2,330,845	1,755,472	1,037,082
Bank notes	<u>354,641</u>	<u>-</u>	<u>-</u>
	<u>\$ 26,334,775</u>	<u>\$ 14,581,474</u>	<u>\$ 22,100,432</u>

The par value of notes provided for transactions with repurchase agreements was \$477,900 thousand, \$387,600 thousand and \$377,600 thousand, as of September 30, 2021, December 31, 2020 and September 30, 2020, respectively.

#### Financial Liabilities at FVTPL

	September 30, 2021	December 31, 2020	September 30, 2020
Financial liabilities held for trading			
Derivative financial liabilities (not applying hedge accounting)			
Forward contracts	\$ 57,852	\$ 71,115	\$ 65,015
Interest rate swaps	198,141	390,853	512,120
Cross-currency swaps	-	211,325	284,945
Currency swaps	1,527,796	6,515,131	4,576,441
Currency put option premiums	<u>23,043</u>	<u>105,141</u>	<u>97,509</u>
	<u>\$ 1,806,832</u>	<u>\$ 7,293,565</u>	<u>\$ 5,536,030</u>

The Group entered into derivative contracts during the nine months ended September 30, 2021 and 2020 to manage exposures 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 September 30, 2021, December 31, 2020 and September 30, 2020 were as follows:

	September 30, 2021	December 31, 2020	September 30, 2020
Currency swaps	\$ 612,599,532	\$ 460,858,070	\$ 539,396,326
Currency options	17,586,479	15,472,077	20,729,754
Forward exchange contracts	22,482,504	17,924,875	17,154,887
Interest rate swaps	125,954,104	191,201,583	229,564,058
Cross-currency swaps	-	3,091,000	6,957,600

#### 8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	September 30, 2021	December 31, 2020	September 30, 2020
Investments in equity instruments at FVTOCI			
Domestic listed stock	\$ 14,934,197	\$ 7,362,952	\$ 7,966,597
Domestic unquoted stock	<u>10,665,506</u>	<u>8,861,275</u>	<u>9,200,090</u>
	<u>25,599,703</u>	<u>16,224,227</u>	<u>17,166,687</u>
Investments in debt instruments at FVTOCI			
Government bonds	29,307,146	26,568,737	25,714,833
Corporate bonds	57,118,944	31,986,914	25,741,936
Bank notes	60,851,982	42,184,984	42,395,240
Bonds issued by international organizations	1,087,710	2,154,265	2,118,713
Beneficiary and asset-backed securities	5,063,706	2,669,006	2,444,062
Investments in bills	<u>1,124,072</u>	<u>907,688</u>	<u>930,431</u>
	<u>154,553,560</u>	<u>106,471,594</u>	<u>99,345,215</u>
	<u>\$ 180,153,263</u>	<u>\$ 122,695,821</u>	<u>\$ 116,511,902</u>



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

- a. Refer to Note 10 for information relating to their credit risk management and impairment.
- b. The par value of bonds provided for transactions with repurchase agreements was \$881,300 thousand, \$762,200 thousand and \$1,246,600 thousand as of September 30, 2021, December 31, 2020 and September 30, 2020, respectively.
- c. Government bonds placed as deposits in courts amounted to \$375,600 thousand, \$295,900 thousand and \$275,900 thousand as of September 30, 2021, December 31, 2020 and September 30, 2020, 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; overseas branches' bonds provided as collateral for operations were \$220,867 thousand, \$281,069 thousand and \$146,012 thousand as of September 30, 2021, December 31, 2020 and September 30, 2020, respectively. Government bonds placed at the Central Bank as collateral for treasury operations amounted to \$4,600,000 thousand as of September 30, 2021. 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

	September 30, 2021	December 31, 2020	September 30, 2020
Investments in bills	\$ 336,539,531	\$ 338,044,687	\$ 299,605,397
Bank notes	8,560,944	2,822,380	3,333,550
Corporate bonds	2,460,765	-	-
Government bonds	11,290,009	4,416,380	4,428,994
Bonds issued by international organizations	5,391,416	-	-
Beneficiary and asset-backed securities	<u>14,053,703</u>	<u>-</u>	<u>-</u>
	<u>\$ 378,296,368</u>	<u>\$ 345,283,447</u>	<u>\$ 307,367,941</u>

- a. Refer to Note 10 for information relating to their credit risk management and impairment.
- b. The amounts of the overseas branches' bonds provided as collateral for operations were \$139,250 thousand, \$140,500 thousand and \$289,854 thousand as of September 30, 2021, December 31, 2020 and September 30, 2020, respectively.
- c. 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 September 30, 2021, December 31, 2020 and September 30, 2020.
- d. 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 at amortized cost.

September 30, 2021

	<b>At FVTOCI</b>	<b>At Amortized Cost</b>	<b>Total</b>
Gross carrying amount	\$ 154,661,431	\$ 378,299,485	\$ 532,960,916
Less: Allowance for impairment loss	<u>(57,839)</u>	<u>(3,117)</u>	<u>(60,956)</u>
Amortized cost	154,603,592	<u>\$ 378,296,368</u>	532,899,960
Adjustment to fair value	<u>(50,032)</u>		<u>(50,032)</u>
	<u>\$ 154,553,560</u>		<u>\$ 532,849,928</u>

December 31, 2020

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

September 30, 2020

	<b>At FVTOCI</b>	<b>At Amortized Cost</b>	<b>Total</b>
Gross carrying amount	\$ 99,005,712	\$ 307,369,870	\$ 406,375,582
Less: Allowance for impairment loss	<u>(36,088)</u>	<u>(1,929)</u>	<u>(38,017)</u>
Amortized cost	98,969,624	<u>\$ 307,367,941</u>	406,337,565
Adjustment to fair value	<u>375,591</u>		<u>375,591</u>
	<u>\$ 99,345,215</u>		<u>\$ 406,713,156</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:

<b>Category</b>	<b>Description</b>	<b>Basis for Recognizing Expected Credit Losses</b>
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
Write-off	There is evidence indicating that the debtor is experiencing severe financial difficulty and the Group has no realistic prospect of recovery.	Amount is written off

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

September 30, 2021

<b>Category</b>	<b>Expected Loss Rate</b>	<b>At FVTOCI</b>	<b>At Amortized Cost</b>
Performing	0%-0.3396%	<u>\$ 154,661,431</u>	<u>\$ 378,299,485</u>

December 31, 2020

<b>Category</b>	<b>Expected Loss Rate</b>	<b>At FVTOCI</b>	<b>At Amortized Cost</b>
Performing	0%-0.3365%	<u>\$ 105,793,218</u>	<u>\$ 345,285,234</u>

September 30, 2020

<b>Category</b>	<b>Expected Loss Rate</b>	<b>At FVTOCI</b>	<b>At Amortized Cost</b>
Performing	0%-0.3365%	<u>\$ 99,005,712</u>	<u>\$ 307,369,870</u>

At FVTOCI

Allowance for Impairment Loss	Credit Rating			Total
	Performing (12-month ECLs)	Doubtful (Lifetime ECLs - Not Credit Impaired)	Defaulted (Lifetime ECLs - Credit Impaired)	
Balance at January 1, 2021	\$ 39,374	\$ -	\$ -	\$ 39,374
Purchase of investments in debt instruments	27,199	-	-	27,199
Derecognition	(5,282)	-	-	(5,282)
Change in exchange rates or others	<u>(3,452)</u>	<u>-</u>	<u>-</u>	<u>(3,452)</u>
Balance at September 30, 2021	<u>\$ 57,839</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 57,839</u>
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	9,656	-	-	9,656
Derecognition	(8,894)	-	-	(8,894)
Change in exchange rates or others	<u>1,517</u>	<u>-</u>	<u>-</u>	<u>1,517</u>
Balance at September 30, 2020	<u>\$ 36,088</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 36,088</u>

At amortized cost

Allowance for Impairment Loss	Credit Rating			Total
	Performing (12-month ECLs)	Doubtful (Lifetime ECLs - Not Credit Impaired)	Defaulted (Lifetime ECLs - Credit Impaired)	
Balance at January 1, 2021	\$ 1,787	\$ -	\$ -	\$ 1,787
Purchase of investments in debt instruments	3,112	-	-	3,112
Derecognition	(1,749)	-	-	(1,749)
Change in exchange rates or others	<u>(33)</u>	<u>-</u>	<u>-</u>	<u>(33)</u>
Balance at September 30, 2021	<u>\$ 3,117</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,117</u>
Balance at January 1, 2020	\$ 4,366	\$ -	\$ -	\$ 4,366
Purchase of investments in debt instruments	35	-	-	35
Derecognition	(2,471)	-	-	(2,471)
Change in exchange rates or others	<u>(1)</u>	<u>-</u>	<u>-</u>	<u>(1)</u>
Balance at September 30, 2020	<u>\$ 1,929</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,929</u>

## 11. RECEIVABLES, NET

### a. Details of receivables

	September 30, 2021	December 31, 2020	September 30, 2020
Accounts receivable	\$ 12,771,356	\$ 9,266,689	\$ 11,169,023
Accrued income	961	4,501	1,171
Interests receivable	2,685,772	3,137,784	3,225,313
Acceptances receivable	4,741,567	4,518,519	4,230,805
Credit card accounts receivable	3,238,679	2,306,682	2,458,931
Settlement price	628,116	856,397	286,064
Accounts receivable for settlement	739,273	648,785	266,832
Other receivables	<u>1,142,169</u>	<u>1,042,568</u>	<u>1,049,368</u>
	25,947,893	21,781,925	22,687,507
Less: Allowance for bad debts, receivables	<u>(326,668)</u>	<u>(300,587)</u>	<u>(314,195)</u>
	<u>\$ 25,621,225</u>	<u>\$ 21,481,338</u>	<u>\$ 22,373,312</u>

### b. Allowance for receivables

#### 1) Movements in the allowance for receivables

For the Nine Months Ended September 30, 2021						
	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						
Beginning balance	\$ 20,940	\$ 5,234	\$ 28,420	\$ 54,594	\$ 245,993	\$ 300,587
Changes from financial instruments recognized at the beginning of the period:						
Transfers to lifetime expected credit losses	(9)	142	(133)	-	-	-
Transfers to credit-impaired financial assets	(2)	(435)	437	-	-	-
Transfers to 12-month expected credit losses	314	(223)	(91)	-	-	-
Financial assets derecognized for the period	(19,700)	(2,791)	(7,987)	(30,478)	-	(30,478)
Purchased or originated financial assets	10,395	1,078	32,791	44,264	-	44,264

(Continued)

**For the Nine Months Ended September 30, 2021**

	<b>12-Month Expected Credit Losses</b>	<b>Lifetime Expected Credit Losses</b>	<b>Realized Credit Impairment</b>	<b>Loss Recognized Based on IFRS 9</b>	<b>Recognized Impairment Difference Based on Regulations of the Procedures For Banking Institutions to Evaluate Assets And Deal With Non- performing Loans and Bad Debts</b>	<b>Total</b>
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	\$ -	\$ -	\$ -	\$ -	\$ 29,176	\$ 29,176
Doubtful debts written off	-	-	(16,827)	(16,827)	-	(16,827)
Changes in exchange rates or others	(4)	(1)	(49)	(54)	-	(54)
Ending balance	<u>\$ 11,934</u>	<u>\$ 3,004</u>	<u>\$ 36,561</u>	<u>\$ 51,499</u>	<u>\$ 275,169</u>	<u>\$ 326,668</u>

(Concluded)

**For the Nine Months Ended September 30, 2020**

	<b>12-Month Expected Credit Losses</b>	<b>Lifetime Expected Credit Losses</b>	<b>Realized Credit Impairment</b>	<b>Loss Recognized Based on IFRS 9</b>	<b>Recognized Impairment Difference Based on Regulations of the Procedures For Banking Institutions to Evaluate Assets And Deal With Non- performing Loans and Bad Debts</b>	<b>Total</b>
Receivables						
Beginning balance	\$ 22,941	\$ 3,535	\$ 44,895	\$ 71,371	\$ 368,111	\$ 439,482
Changes from financial instruments recognized at the beginning of the period:						
Transfers to lifetime expected credit losses	(60)	111	(34)	17	-	17
Transfers to credit-impaired financial assets	(8)	(4)	672	660	-	660
Transfers to 12-month expected credit losses	615	(72)	(238)	305	-	305
Financial assets derecognized for the period	(21,465)	(1,878)	(24,734)	(48,077)	-	(48,077)
Purchased or originated financial assets	21,398	2,580	56,221	80,199	-	80,199

(Continued)

For the Nine Months Ended September 30, 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
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	\$ -	\$ -	\$ -	\$ -	\$ (142,093)	\$ (142,093)
Doubtful debts written off	-	-	(16,259)	(16,259)	-	(16,259)
Changes in exchange rates or others	(25)	(8)	(6)	(39)	-	(39)
Ending balance	<u>\$ 23,396</u>	<u>\$ 4,264</u>	<u>\$ 60,517</u>	<u>\$ 88,177</u>	<u>\$ 226,018</u>	<u>\$ 314,195</u>

(Concluded)

## 2) Movements in the total carrying amount of receivables

For the Nine Months Ended September 30, 2021				
	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	\$ 21,406,829	\$ 253,128	\$ 121,968	\$ 21,781,925
Changes from financial instruments recognized at the beginning of the period:				
Transfers to lifetime expected credit loss	(10,052)	10,351	(299)	-
Transfers to credit-impaired financial assets	(2,019)	(7,172)	9,191	-
Transfers to 12-month expected credit losses	10,425	(10,342)	(83)	-
Purchased or originated financial assets	16,070,854	88,307	181,693	16,340,854
Derecognized	(11,875,184)	(202,003)	(77,466)	(12,154,653)
Doubtful debts written off	-	-	(16,827)	(16,827)
Change in exchange rates or others	(2,943)	(373)	(90)	(3,406)
Ending balance	<u>\$ 25,597,910</u>	<u>\$ 131,896</u>	<u>\$ 218,087</u>	<u>\$ 25,947,893</u>

For the Nine Months Ended September 30, 2020				
	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	\$ 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	(44,343)	44,577	(283)	(49)
Transfers to credit-impaired financial assets	(10,807)	(398)	7,608	(3,597)
Transfers to 12-month expected credit losses	76,088	(8,906)	(762)	66,420
Purchased or originated financial assets	12,877,301	109,483	297,292	13,284,076
Derecognized	(13,912,552)	(142,918)	(217,549)	(14,273,019)
Doubtful debts written off	-	-	(16,259)	(16,259)
Change in exchange rates or others	(8,213)	(2,284)	(87)	(10,584)
Ending balance	<u>\$ 22,186,770</u>	<u>\$ 162,343</u>	<u>\$ 338,394</u>	<u>\$ 22,687,507</u>

## 12. DISCOUNTS AND LOANS, NET

### a. Details of discounts and loans

	September 30, 2021	December 31, 2020	September 30, 2020
Negotiated and discounted	\$ 3,483,353	\$ 3,425,322	\$ 2,225,866
Overdrafts	1,191,664	1,297,092	1,199,312
Short-term loans	415,190,414	385,124,720	396,051,651
Margin loans receivable	373,066	353,805	271,809
Medium-term loans	454,958,441	435,044,534	437,438,264
Long-term loans	716,916,637	666,647,255	639,326,507
Overdue loans	<u>4,139,370</u>	<u>4,942,391</u>	<u>5,361,770</u>
	1,596,252,945	1,496,835,119	1,481,875,179
Less: Allowance for loan losses	<u>(19,734,708)</u>	<u>(18,948,274)</u>	<u>(18,528,940)</u>
	<u>\$ 1,576,518,237</u>	<u>\$ 1,477,886,845</u>	<u>\$ 1,463,346,239</u>

Loans of which the accrual of interest income was ceased internally as of September 30, 2021, December 31, 2020 and September 30, 2020 amounted to \$4,139,370 thousand, \$4,942,391 thousand and \$5,361,770 thousand, respectively. The amounts of interest income that would have been accrued on these loans for the nine months ended September 30, 2021 and 2020 were \$80,997 thousand and \$103,348 thousand, respectively.

The Group did not write off any loans without legal claims process during the nine months ended September 30, 2021 and 2020.



b. Allowance for discounts and loans

1) Movements in the allowance for discounts and loans

\	For the Nine Months Ended September 30, 2021					
	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
Loans						
Beginning balance	\$ 1,595,328	\$ 2,099,425	\$ 5,742,200	\$ 9,436,953	\$ 9,511,321	\$ 18,948,274
Changes from financial instruments recognized at the beginning of the period:						
Transfers to lifetime expected credit losses	(12,761)	570,433	(557,672)	-	-	-
Transfers to credit impaired financial assets	(1,548)	(42,987)	44,535	-	-	-
Transfers to 12-month expected credit losses	583,548	(578,059)	(5,489)	-	-	-
Financial assets derecognized for the period	(1,209,028)	(1,186,189)	(794,874)	(3,190,091)	-	(3,190,091)
Purchased or originated financial assets	1,132,162	1,006,133	2,833,204	4,971,499	-	4,971,499
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	-	-	-	-	843,069	843,069
Doubtful debts written off	-	-	(1,812,505)	(1,812,505)	-	(1,812,505)
Change in exchange rates or others	(2,168)	(2,438)	(20,932)	(25,538)	-	(25,538)
Ending balance	<u>\$ 2,085,533</u>	<u>\$ 1,866,318</u>	<u>\$ 5,428,467</u>	<u>\$ 9,380,318</u>	<u>\$ 10,354,390</u>	<u>\$ 19,734,708</u>

**For the Nine Months Ended September 30, 2020**

	<b>12-month Expected Credit Losses</b>	<b>Lifetime Expected Credit Losses</b>	<b>Realized Credit Impairment</b>	<b>Loss Recognized Based on IFRS 9</b>	<b>Recognized Impairment Difference Based on Regulations of the Procedures For Banking Institutions to Evaluate Assets And Deal With Non-performing Loans and Bad Debts</b>	<b>Total</b>
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	(32,486)	50,112	(12,332)	5,294	-	5,294
Transfers to credit impaired financial assets	(4,802)	(19,022)	27,669	3,845	-	3,845
Transfers to 12-month expected credit losses	264,005	(206,094)	(50,399)	7,512	-	7,512
Financial assets derecognized for the period	(1,147,783)	(736,088)	(1,813,644)	(3,697,515)	-	(3,697,515)
Purchased or originated financial assets	818,415	1,376,627	4,101,751	6,296,793	-	6,296,793
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	-	-	-	-	521,266	521,266
Doubtful debts written off	-	-	(2,128,867)	(2,128,867)	-	(2,128,867)
Change in exchange rates or others	(7,511)	(5,295)	(3,846)	(16,652)	-	(16,652)
Ending balance	<u>\$ 1,662,404</u>	<u>\$ 2,380,615</u>	<u>\$ 5,154,016</u>	<u>\$ 9,197,035</u>	<u>\$ 9,331,905</u>	<u>\$ 18,528,940</u>

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

**For the Nine Months Ended September 30, 2021**

	<b>12-month Expected Credit Losses</b>	<b>Significant Increase in Risk Due to Lifetime Expected Credit Losses</b>	<b>Credit Impairment Due to Lifetime Expected Credit Losses</b>	<b>Total</b>
Beginning balance	\$ 1,412,549,836	\$ 69,691,173	\$ 14,594,110	\$ 1,496,835,119
Changes from financial instruments recognized at the beginning of the period:				
Transfers to lifetime expected credit losses	(8,927,062)	9,738,681	(811,619)	-
Transfers to credit-impaired financial assets	(711,391)	(1,878,779)	2,590,170	-
Transfers to 12-month expected credit losses	9,827,229	(9,784,010)	(43,219)	-
Derecognized	(544,911,576)	(32,282,803)	(4,476,203)	(581,670,582)
Purchased or originated financial assets	651,542,045	28,776,202	4,613,326	684,931,573
Doubtful debts written off	-	-	(1,812,505)	(1,812,505)
Others	(1,795,835)	(200,072)	(34,753)	(2,030,660)
Ending balance	<u>\$ 1,517,573,246</u>	<u>\$ 64,060,392</u>	<u>\$ 14,619,307</u>	<u>\$ 1,596,252,945</u>

	For the Nine Months Ended September 30, 2020			
	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	\$ 1,366,328,215	\$ 64,407,067	\$ 14,152,929	\$ 1,444,888,211
Changes from financial instruments recognized at the beginning of the period:				
Transfers to lifetime expected credit losses	(18,737,229)	19,428,449	(63,427)	627,793
Transfers to credit-impaired financial assets	(2,223,560)	(1,396,374)	3,708,924	88,990
Transfers to 12-month expected credit losses	9,787,272	(7,035,007)	(100,013)	2,652,252
Derecognized	(587,494,796)	(34,036,558)	(7,526,519)	(629,057,873)
Purchased or originated financial assets	633,570,952	29,040,292	5,562,466	668,173,710
Doubtful debts written off	-	-	(2,128,867)	(2,128,867)
Others	<u>(2,652,255)</u>	<u>(627,792)</u>	<u>(88,990)</u>	<u>(3,369,037)</u>
Ending balance	<u>\$ 1,398,578,599</u>	<u>\$ 69,780,077</u>	<u>\$ 13,516,503</u>	<u>\$ 1,481,875,179</u>

- c. Details of provision for bad debts expense, commitment and guarantee for the three months and the nine months ended September 30, 2021 and 2020:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Provision for receivables and loan (including overdue loan) losses	\$ 459,287	\$ 938,370	\$ 1,551,799	\$ 2,306,226
(Reversal) provision for loan commitment	(12,970)	27,083	(144,125)	7,165
Provision (reversal) for guarantee liability	10,317	6,086	(19,650)	72,659
(Reversal) provision for others	<u>(1,041)</u>	<u>(1,756)</u>	<u>6,936</u>	<u>864</u>
	<u>\$ 455,593</u>	<u>\$ 969,783</u>	<u>\$ 1,394,960</u>	<u>\$ 2,386,914</u>

### 13. FINANCIAL ASSETS FOR HEDGING

	September 30, 2021	December 31, 2020	September 30, 2020
Financial assets for hedging			
Fair value hedges - interest rate swaps	<u>\$ 182,088</u>	<u>\$ 231,693</u>	<u>\$ 262,399</u>

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 Bank's outstanding interest rate swaps as of September 30, 2021, December 31, 2020 and September 30, 2020 were \$6,000,000 thousand, \$8,200,000 thousand and \$8,200,000 thousand, respectively. 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 nine months ended September 30, 2021 and 2020, the swaps were effective in hedging the fair value exposure to interest rate movements, and as a result, the carrying amount of the fixed-rate borrowings were adjusted by \$211,389 thousand, \$251,032 thousand and \$279,773 thousand as of September 30, 2021, December 31, 2020 and September 30, 2020, 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 Group'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 range: 0.4799%-0.4801%) 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.

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Hedging instrument profit (loss)	<u>\$ 7,278</u>	<u>\$ (4,583)</u>	<u>\$ 7,182</u>	<u>\$ 71,326</u>
Fair-value hedging profit (loss)	<u>\$ 6,565</u>	<u>\$ 23,733</u>	<u>\$ 39,643</u>	<u>\$ (18,759)</u>

The realized gains or losses from hedging instruments and the realized gains or losses from fair-value hedging were accounted for as net other non-interest income or loss.

#### 14. OTHER FINANCIAL ASSETS

	September 30, 2021	December 31, 2020	September 30, 2020
Time deposits with original maturities of more than 3 months	\$ 3,225,750	\$ 25,400,000	\$ 40,105,500
Exchange bills negotiated	12,934	14,941	13,635
Overdue receivables	4,456	170,486	178,593
Call loan to security brokers	139,250	140,500	144,950
Less: Allowance for bad debts	<u>(3,913)</u>	<u>(135,141)</u>	<u>(134,297)</u>
	<u>\$ 3,378,477</u>	<u>\$ 25,590,786</u>	<u>\$ 40,308,381</u>

The market rates of time deposits with original maturities of more than 3 months were 2.65%-3.05% and 0.70%-3.12% for the nine months ended September 30, 2021 and 2020, respectively.

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

## 15. SUBSIDIARIES

### Subsidiaries Included in Consolidated Financial Statements

Investor	Investee	Main Business	% of Ownership		
			September 30, 2021	December 31, 2020	September 30, 2020
The Bank	Chang Hua Commercial Bank, Ltd.	Banking	100	100	100
The Bank	Chang Hwa Bank Venture Capital Co., Ltd.	Investing	100	100	100

## 16. PROPERTY AND EQUIPMENT

	September 30, 2021	December 31, 2020	September 30, 2020
Assets used by the Group	\$ 20,674,699	\$ 20,715,951	\$ 20,488,314
Assets leased under operating leases	<u>212,021</u>	<u>192,652</u>	<u>193,202</u>
	<u>\$ 20,886,720</u>	<u>\$ 20,908,603</u>	<u>\$ 20,681,516</u>

### a. Asset used by the Group

	Freehold Land	Buildings	Machinery Equipment	Transportation Equipment	Miscellaneous Equipment	Leasehold Improvement	Construction in Progress and Prepayment for Building and Equipment	Total
<b>Cost</b>								
Balance at January 1, 2021	\$ 14,814,573	\$ 9,353,976	\$ 4,726,106	\$ 715,939	\$ 1,501,196	\$ 974,085	\$ 110,107	\$ 32,195,982
Additions	-	15,495	73,184	21,993	24,826	3,831	212,877	352,206
Disposals	-	-	(61,475)	(6,902)	(12,302)	(8,780)	-	(89,459)
Transfers to assets leased under operating leases	-	(41,279)	-	-	-	-	-	(41,279)
Reclassification	-	-	1,775	-	1,703	15,462	(19,752)	(812)
Effect of foreign currency exchange differences	-	(3,984)	(1,710)	(556)	(691)	(1,557)	(311)	(8,809)
Balance at September 30, 2021	<u>\$ 14,814,573</u>	<u>\$ 9,324,208</u>	<u>\$ 4,737,880</u>	<u>\$ 730,474</u>	<u>\$ 1,514,732</u>	<u>\$ 983,041</u>	<u>\$ 302,921</u>	<u>\$ 32,407,829</u>
<b>Accumulated depreciation and impairment</b>								
Balance at January 1, 2021	\$ -	\$ 4,595,870	\$ 4,011,555	\$ 633,634	\$ 1,347,551	\$ 891,421	\$ -	\$ 11,480,031
Disposals	-	-	(61,216)	(6,796)	(11,731)	(8,780)	-	(88,523)
Depreciation expense	-	141,822	148,966	17,564	33,547	19,149	-	361,048
Transfers to assets leased under operating leases	-	(15,955)	-	-	-	-	-	(15,955)
Effect of foreign currency exchange differences	-	(392)	(1,136)	(361)	(602)	(980)	-	(3,471)
Balance at September 30, 2021	<u>\$ -</u>	<u>\$ 4,721,345</u>	<u>\$ 4,098,169</u>	<u>\$ 644,041</u>	<u>\$ 1,368,765</u>	<u>\$ 900,810</u>	<u>\$ -</u>	<u>\$ 11,733,130</u>
Carrying amount at September 30, 2021	<u>\$ 14,814,573</u>	<u>\$ 4,602,863</u>	<u>\$ 639,711</u>	<u>\$ 86,433</u>	<u>\$ 145,967</u>	<u>\$ 82,231</u>	<u>\$ 302,921</u>	<u>\$ 20,674,699</u>
Carrying amount at December 31, 2020 and January 1, 2021	<u>\$ 14,814,573</u>	<u>\$ 4,758,106</u>	<u>\$ 714,551</u>	<u>\$ 82,305</u>	<u>\$ 153,645</u>	<u>\$ 82,664</u>	<u>\$ 110,107</u>	<u>\$ 20,715,951</u>
<b>Cost</b>								
Balance at January 1, 2020	\$ 14,647,146	\$ 9,108,562	\$ 4,607,029	\$ 732,871	\$ 1,487,286	\$ 968,543	\$ 231,714	\$ 31,783,151
Additions	-	25,503	154,481	11,500	38,380	16,115	87,911	333,890
Disposals	-	-	(98,009)	(21,740)	(28,127)	(9,474)	-	(157,350)
Transfers to assets leased under operating leases	-	(32,537)	-	-	-	-	-	(32,537)
Reclassification	-	2,384	2,884	-	-	395	(19,565)	(13,902)
Effect of foreign currency exchange differences	-	(4,738)	(1,369)	(297)	(907)	(1,869)	(2,034)	(11,214)
Balance at September 30, 2020	<u>\$ 14,647,146</u>	<u>\$ 9,099,174</u>	<u>\$ 4,665,016</u>	<u>\$ 722,334</u>	<u>\$ 1,496,632</u>	<u>\$ 973,710</u>	<u>\$ 298,026</u>	<u>\$ 31,902,038</u>

(Continued)

	Freehold Land	Buildings	Machinery Equipment	Transportation Equipment	Miscellaneous Equipment	Leasehold Improvement	Construction in Progress and Prepayment for Building and Equipment	Total
Accumulated depreciation and impairment								
Balance at January 1, 2020	\$ -	\$ 4,423,584	\$ 3,948,971	\$ 636,296	\$ 1,336,492	\$ 875,385	\$ -	\$ 11,220,728
Disposals	-	-	(97,933)	(21,710)	(28,126)	(9,474)	-	(157,243)
Depreciation expense	-	136,448	149,109	24,379	33,706	21,071	-	364,713
Transfers to assets leased under operating leases	-	(10,660)	-	-	-	-	-	(10,660)
Effect of foreign currency exchange differences	-	(422)	(743)	(200)	(832)	(1,617)	-	(3,814)
Balance at September 30, 2020	<u>\$ -</u>	<u>\$ 4,548,950</u>	<u>\$ 3,999,404</u>	<u>\$ 638,765</u>	<u>\$ 1,341,240</u>	<u>\$ 885,365</u>	<u>\$ -</u>	<u>\$ 11,413,724</u>
Carrying amount at September 30, 2020	<u>\$ 14,647,146</u>	<u>\$ 4,550,224</u>	<u>\$ 665,612</u>	<u>\$ 83,569</u>	<u>\$ 155,392</u>	<u>\$ 88,345</u>	<u>\$ 298,026</u>	<u>\$ 20,488,314</u>

(Concluded)

b. Assets leased under operating leases

	Buildings
<u>Cost</u>	
Balance at January 1, 2021	\$ 385,210
Transfers from assets used by the Group	<u>41,279</u>
Balance at September 30, 2021	<u>\$ 426,489</u>
<u>Accumulated depreciation and impairment</u>	
Balance at January 1, 2021	\$ 192,558
Depreciation expense	5,955
Transfers from assets used by the Group	<u>15,955</u>
Balance at September 30, 2021	<u>\$ 214,468</u>
Carrying amount at September 30, 2021	<u>\$ 212,021</u>
Carrying amount at December 31, 2020 and January 1, 2021	<u>\$ 192,652</u>
<u>Cost</u>	
Balance at January 1, 2020	\$ 351,452
Transfers from assets used by the Group	<u>32,537</u>
Balance at September 30, 2020	<u>\$ 383,989</u>
<u>Accumulated depreciation and impairment</u>	
Balance at January 1, 2020	\$ 174,839
Depreciation expense	5,288
Transfers from assets used by the Group	<u>10,660</u>
Balance at September 30, 2020	<u>\$ 190,787</u>
Carrying amount at September 30, 2020	<u>\$ 193,202</u>

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.

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

	September 30, 2021	December 31, 2020	September 30, 2020
Year 1	\$ 68,678	\$ 68,737	\$ 68,702
Year 2	54,442	67,682	66,950
Year 3	28,775	47,269	49,997
Year 4	8,932	16,435	25,175
Year 5	6,451	6,671	6,671
Year 6 onwards	<u>15,479</u>	<u>20,330</u>	<u>28,397</u>
	<u>\$ 182,757</u>	<u>\$ 227,124</u>	<u>\$ 245,892</u>

The above items of property, plant 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

	September 30, 2021	December 31, 2020	September 30, 2020
<u>Carrying amount</u>			
Land	\$ 2,275	\$ 846	\$ 1,099
Buildings	1,902,775	1,443,000	1,493,998
Machinery equipment	-	34	45
Transportation equipment	67,972	61,170	64,491
Miscellaneous equipment	<u>11,468</u>	<u>14,197</u>	<u>15,159</u>
	<u>\$ 1,984,490</u>	<u>\$ 1,519,247</u>	<u>\$ 1,574,792</u>
		<b>For the Nine Months Ended September 30</b>	
		<b>2021</b>	<b>2020</b>
Additions to right-of-use assets		<u>\$ 985,825</u>	<u>\$ 438,349</u>

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Depreciation charge for right-of-use assets				
Land	\$ 230	\$ 255	\$ 703	\$ 770
Buildings	155,130	153,126	469,185	462,669
Machinery equipment	11	11	32	103
Transportation equipment	9,733	9,244	28,935	27,813
Miscellaneous equipment	<u>2,146</u>	<u>2,373</u>	<u>6,611</u>	<u>7,328</u>
	<u>\$ 167,250</u>	<u>\$ 165,009</u>	<u>\$ 505,466</u>	<u>\$ 498,683</u>

In addition to the additions and recognition of depreciation expenses mentioned above, the Group's right-of-use assets did not undergo significant sublease and impairment as of September 30, 2021 and 2020.

b. Lease liabilities

	<b>September 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>
Carrying amount	<u>\$ 1,821,750</u>	<u>\$ 1,343,548</u>	<u>\$ 1,402,252</u>

Range of discount rate for lease liabilities was as follows:

	<b>September 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>
Land	0.31%-0.91%	0.91%	0.91%
Buildings	0.20%-3.53%	0.20%-3.53%	0.20%-3.50%
Machinery equipment	0.20%-2.89%	0.20%-2.89%	0.20%-2.89%
Transportation equipment	0.35%-3.53%	0.53%-3.53%	0.53%-3.45%
Miscellaneous equipment	0.28%-2.89%	0.67%-3.40%	0.66%-3.45%

c. Material lease-in activities and terms

The Group 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 Group 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 Group is prohibited from subleasing all or any portion of the underlying assets.

The Group did not have significant acquisition of lease contracts as of September 30, 2021 and 2020.



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.

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Expenses relating to short-term leases	<u>\$ 12,871</u>	<u>\$ 15,372</u>	<u>\$ 34,600</u>	<u>\$ 26,804</u>
Expenses relating to low-value asset leases	<u>\$ 6,049</u>	<u>\$ 5,789</u>	<u>\$ 17,859</u>	<u>\$ 16,888</u>
Expenses relating to variable lease payments not included in the measurement of lease liabilities	<u>\$ 40,906</u>	<u>\$ 37,623</u>	<u>\$ 133,685</u>	<u>\$ 137,545</u>
Total cash outflow for leases			<u>\$ (186,144)</u>	<u>\$ (181,237)</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.

All lease commitments with lease terms commencing after the balance sheet dates are as follows:

	<b>September 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>
Lease commitments	<u>\$ 24,499</u>	<u>\$ 6,929</u>	<u>\$ 7,500</u>

## 18. INVESTMENT PROPERTY

	<b>September 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>
Completed investment property	<u>\$ 13,853,705</u>	<u>\$ 13,858,910</u>	<u>\$ 13,867,596</u>

Except for depreciation recognized, the Group had no significant additions, disposals, and impairment of investment property during the nine months ended September 30, 2021 and 2020.

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 lease of investment properties was as follows:

	September 30, 2021	December 31, 2020	September 30, 2020
Year 1	\$ 184,730	\$ 178,492	\$ 133,521
Year 2	165,257	166,276	109,034
Year 3	135,163	132,429	75,995
Year 4	109,612	106,753	53,531
Year 5	97,804	97,436	43,628
Year 6 onwards	<u>157,450</u>	<u>212,725</u>	<u>164,673</u>
	<u>\$ 850,016</u>	<u>\$ 894,111</u>	<u>\$ 580,382</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 \$30,164,147 thousand, \$27,303,772 thousand and \$27,303,772 thousand as of September 30, 2021, December 31, 2020 and September 30, 2020, respectively.

All investment properties are own right and interest.

Rental income and direct operating expenses generated by the investment property for the three months ended September 30, 2021 and 2020 and the nine months ended September 30, 2021 and 2020 were as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Rental incomes	<u>\$ 37,562</u>	<u>\$ 42,347</u>	<u>\$ 118,692</u>	<u>\$ 135,374</u>
Direct operating expenses	<u>\$ 25,172</u>	<u>\$ 25,376</u>	<u>\$ 76,121</u>	<u>\$ 76,168</u>

## 19. INTANGIBLE ASSETS

	Computer Software
Balance at January 1, 2021	\$ 687,613
Additions	102,488
Amortization expense	(193,398)
Reclassification	812
Effect of foreign currency exchange differences and others	<u>(446)</u>
Balance at September 30, 2021	<u>\$ 597,069</u>

(Continued)

	<b>Computer Software</b>
Balance at January 1, 2020	\$ 720,656
Additions	130,527
Amortization expense	(181,969)
Reclassification	13,902
Effect of foreign currency exchange differences and others	<u>(758)</u>
Balance at September 30, 2020	<u>\$ 682,358</u> (Concluded)

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

## 20. OTHER ASSETS

	<b>September 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>
Refundable deposits	\$ 801,941	\$ 2,601,890	\$ 931,227
Assumed collateral and residuals	23,418	23,418	23,462
Less: Accumulated impairment	(23,418)	(23,418)	(23,462)
Prepayments	272,190	143,871	912,052
Others	<u>843</u>	<u>1,110</u>	<u>1,203</u>
	<u>\$ 1,074,974</u>	<u>\$ 2,746,871</u>	<u>\$ 1,844,482</u>

## 21. DEPOSITS FROM THE CENTRAL BANK AND BANKS

	<b>September 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>
Deposits from the Central Bank	\$ 25,192	\$ 24,625	\$ 24,018
Deposits from banks	296,855	322,959	288,064
Overdrafts on banks	395,635	306,954	253,131
Call loans from banks	82,203,116	102,241,214	101,911,320
Deposits transferred from Chunghwa Post Co., Ltd.	<u>254,742</u>	<u>325,875</u>	<u>333,051</u>
	<u>\$ 83,175,540</u>	<u>\$ 103,221,627</u>	<u>\$ 102,809,584</u>

## 22. PAYABLES

	September 30, 2021	December 31, 2020	September 30, 2020
Checks issued to payees for clearing	\$ 6,484,505	\$ 7,626,187	\$ 10,422,545
Accounts payable	6,384,041	1,668,091	2,525,489
Accrued expenses	2,083,888	1,988,061	1,460,464
Accrued interests	1,501,677	1,792,978	1,977,859
Acceptances	5,099,000	4,807,972	4,260,135
Others	<u>25,346,589</u>	<u>4,354,120</u>	<u>8,484,179</u>
	<u>\$ 46,899,700</u>	<u>\$ 22,237,409</u>	<u>\$ 29,130,671</u>

## 23. DEPOSITS AND REMITTANCES

	September 30, 2021	December 31, 2020	September 30, 2020
Checking account deposits	\$ 36,398,321	\$ 41,220,029	\$ 36,149,509
Demand deposits	571,721,187	527,167,570	495,437,371
Time deposits	424,989,799	401,002,085	381,990,959
Negotiable certificates of deposit	3,245,015	2,853,940	2,948,136
Savings account deposits	1,006,461,761	944,530,955	918,291,118
Remittances	<u>1,290,420</u>	<u>1,212,570</u>	<u>1,276,556</u>
	<u>\$ 2,044,106,503</u>	<u>\$ 1,917,987,149</u>	<u>\$ 1,836,093,649</u>

## 24. BANK NOTES PAYABLE

The Group 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 Group issued \$3,300 million subordinated bank notes 100-1 on March 11, 2011, divided into Financial Debenture A of \$2,200 million with 7-year term and Financial Debenture B of \$1,100 million with 10-year term. The bank notes had been redeemed on March 11, 2018 and March 11, 2021, respectively.

The Group issued \$6,700 million subordinated bank notes 100-2 with 10-year term on April 18, 2011. The bank notes had been redeemed on April 18, 2021.

The Group issued \$2,200 million subordinated bank notes A 103-1 with 7-year term on April 16, 2014. The bank notes had been redeemed on April 16, 2021.

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.

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. The bank notes are callable 5 years and 1 month after issue date.

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

<b>Bank Note, Interest Rate and Maturity Date</b>	<b>September 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>
<u>Hedged financial liabilities at fair value</u>			
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	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	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	2,000,000
Valuation adjustment	<u>211,389</u>	<u>251,032</u>	<u>279,773</u>
	<u>6,211,389</u>	<u>8,451,032</u>	<u>8,479,773</u>
<u>Non-hedged bank notes payable</u>			
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	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	2,500,000

(Continued)

<b>Bank Note, Interest Rate and Maturity Date</b>	<b>September 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>
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	\$ 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	1,300,000
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	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	8,670,000
107-1, no maturity date, interest payable annually, interest rate 2.66%	7,000,000	7,000,000	7,000,000
107-2, no maturity date, interest payable annually, interest rate 2.30%	3,000,000	3,000,000	3,000,000
108-1, no maturity date, interest payable annually, interest rate 1.90%	5,960,000	5,960,000	5,960,000
109-1, no maturity date, interest payable annually, interest rate 1.40%	4,040,000	4,040,000	4,040,000
109-2, no maturity date, interest payable annually, interest rate 1.25%	<u>6,800,000</u>	<u>6,800,00</u>	<u>-</u>
	<u>45,100,000</u>	<u>52,900,000</u>	<u>46,100,000</u>
	<u>\$ 51,311,389</u>	<u>\$ 61,351,032</u>	<u>\$ 54,579,773</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 for as hedging derivative financial assets (Refer to Note 13).

## 25. OTHER FINANCIAL LIABILITIES

	<b>September 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>
Principal received on structured notes	\$ 834,624	\$ 1,325,070	\$ 1,650,488
Appropriations for loans	<u>478,035</u>	<u>624,079</u>	<u>663,135</u>
	<u>\$ 1,312,659</u>	<u>\$ 1,949,149</u>	<u>\$ 2,313,623</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

	September 30, 2021	December 31, 2020	September 30, 2020
Advance receipts	\$ 599,231	\$ 612,599	\$ 642,055
Guarantee deposits	2,023,827	1,865,559	1,823,325
Deferred revenue	<u>12,644</u>	<u>9,774</u>	<u>15,813</u>
	<u>\$ 2,635,702</u>	<u>\$ 2,487,932</u>	<u>\$ 2,481,193</u>

## 27. RESERVE FOR LIABILITIES

	September 30, 2021	December 31, 2020	September 30, 2020
Reserve for employee benefits (Note 28)	\$ 3,969,634	\$ 4,208,987	\$ 3,980,961
Reserve for guarantee liabilities	658,883	678,588	698,807
Reserve for loan commitments	170,058	314,368	364,722
Reserve for decommissioning restoration and rehabilitation costs	61,418	57,009	61,013
Reserve for contingencies	926	-	641
Others	<u>55,851</u>	<u>57,086</u>	<u>52,623</u>
	<u>\$ 4,916,770</u>	<u>\$ 5,316,038</u>	<u>\$ 5,158,767</u>

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

For the Nine Months Ended September 30, 2021						
	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	\$ 416,984	\$ 82,185	\$ 33,457	\$ 532,626	\$ 517,416	\$ 1,050,042
Changes from financial instruments recognized at the beginning of the period:						
Transfers to lifetime expected credit losses	(273)	273	-	-	-	-
Transfers to 12-month expected credit losses	13,325	(13,325)	-	-	-	-
Financial assets derecognized for the period	(245,357)	(54,817)	(11,015)	(311,189)	-	(311,189)
Purchased or originated financial assets	136,556	16,634	5,916	159,106	-	159,106
Recognized impairment difference based on the Laws	-	-	-	-	(12,969)	(12,969)
Changes in exchange rates or others	<u>(150)</u>	<u>(47)</u>	<u>(1)</u>	<u>(198)</u>	<u>-</u>	<u>(198)</u>
Ending balance	<u>\$ 321,085</u>	<u>\$ 30,903</u>	<u>\$ 28,357</u>	<u>\$ 380,345</u>	<u>\$ 504,447</u>	<u>\$ 884,792</u>

	For the Nine Months Ended September 30, 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	\$ 1,036,698
Changes from financial instruments recognized at the beginning of the period:						
Transfers to lifetime expected credit losses	(2,911)	3,299	-	388	-	388
Transfers to credit-impaired financial assets	(4)	(179)	189	6	-	6
Transfers to 12-month expected credit losses	22,614	(21,806)	-	808	-	808
Financial assets derecognized for the period	(291,491)	(14,396)	(6,250)	(312,137)	-	(312,137)
Purchased or originated financial assets	283,017	58,826	8,854	350,697	-	350,697
Recognized impairment difference based on the Laws	-	-	-	-	40,838	40,838
Changes in exchange rates or others	(753)	(387)	(6)	(1,146)	-	(1,146)
Ending balance	<u>\$ 470,411</u>	<u>\$ 77,564</u>	<u>\$ 30,918</u>	<u>\$ 578,893</u>	<u>\$ 537,259</u>	<u>\$ 1,116,152</u>

## 28. RETIREMENT BENEFIT PLANS

Employee benefits expense in respect of the Group's defined benefit retirement plans was calculated using the prior year's actuarially determined pension cost discount rate as of December 31, 2020 and 2019 and the amounts were \$76,149 thousand, \$79,222 thousand, \$231,618 thousand and \$253,747 thousand for the three months ended September 30, 2021 and 2020, and for the nine months ended September 30, 2021 and 2020, respectively.

## 29. EQUITY

### a. Capital

#### Common stock

	September 30, 2021	December 31, 2020	September 30, 2020
Shares authorized (in thousands)	<u>12,000,000</u>	<u>11,000,000</u>	<u>11,000,000</u>
Capital stock granted	<u>\$ 120,000,000</u>	<u>\$ 110,000,000</u>	<u>\$ 110,000,000</u>
Shares issued and fully paid (in thousands)	<u>10,488,571</u>	<u>10,384,724</u>	<u>10,384,724</u>
Capital stock issued	<u>\$ 104,885,708</u>	<u>\$ 103,847,236</u>	<u>\$ 103,847,236</u>

Fully paid common stocks, with a par value at \$10, carry one vote per stock and carry a right to dividends.



As of January 1, 2020, 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 \$99,853,111 thousand. In September 2021 and August 2020, the Bank resolved its capitalization of earnings and increased its paid-in capital by \$1,038,472 thousand and \$3,994,125 thousand, respectively. The amount of the Bank's authorized and registered capital as at September 30, 2021 and 2020 were \$120,000,000 thousand and \$110,000,000 thousand divided into 12,000,000 thousand and 11,000,000 thousand shares and, also at those dates, the total amounts of paid-in capital were \$104,885,708 thousand and \$103,847,236 thousand divided into 10,488,571 thousand and 10,384,724 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.

The amendments explicitly stipulate that when a special reserve is appropriated for cumulative net debit balance reserves from prior period, the sum of net profit for current period and items other than net profit that are included directly in the unappropriated earnings for current period is used if the prior unappropriated earnings is not sufficient. Before the amendment of the Articles, the special reserve is appropriated from the prior unappropriated earnings.

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 stock if the Bank has 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 2020 and 2019 were approved in the stockholders' meetings on July 20, 2021 and June 19, 2020, respectively. The appropriations of earnings and dividends per stock were as follows:

	<b>Appropriation of Earnings</b>	
	<b>2020</b>	<b>2019</b>
Legal reserve	<u>\$ 2,053,667</u>	<u>\$ 3,434,160</u>
Special reserve	<u>\$ -</u>	<u>\$ -</u>
Cash dividends	<u>\$ 3,738,501</u>	<u>\$ 3,994,124</u>
Share dividends	<u>\$ 1,038,472</u>	<u>\$ 3,994,125</u>
Cash dividends per share (NT\$)	\$ 0.36	\$ 0.40
Share dividends per share (NT\$)	0.10	0.40

c. Special reserve

	<b>September 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>
Initial application of IFRSs	\$ 11,778,829	\$ 11,778,829	\$ 11,778,829
Reversals			
Disposal of investment properties	(3,058)	(3,058)	-
Others	<u>425,819</u>	<u>425,819</u>	<u>425,819</u>
	<u>\$ 12,201,590</u>	<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 asset. Additional special reserve should be appropriated for the amount equal to the difference between net debit balance reserve 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

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Interest income				
Loans	\$ 5,915,368	\$ 5,694,737	\$ 17,241,871	\$ 18,705,412
Due from and call loans to banks	165,327	327,614	609,493	1,481,118
Investments in marketable securities	893,704	785,526	2,480,222	2,710,990
Others	<u>28,216</u>	<u>24,584</u>	<u>82,370</u>	<u>108,256</u>
	<u>7,002,615</u>	<u>6,832,461</u>	<u>20,413,956</u>	<u>23,005,776</u>

(Continued)

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Interest expense				
Deposits	\$ (1,441,934)	\$ (1,875,001)	\$ (4,432,608)	\$ (7,082,566)
Due to the Central Bank and call loans from banks	(38,421)	(116,270)	(142,080)	(796,356)
Others	<u>(237,165)</u>	<u>(245,368)</u>	<u>(737,494)</u>	<u>(806,110)</u>
	<u>(1,717,520)</u>	<u>(2,236,639)</u>	<u>(5,312,182)</u>	<u>(8,685,032)</u>
Net interest income	<u>\$ 5,285,095</u>	<u>\$ 4,595,822</u>	<u>\$ 15,101,774</u>	<u>\$ 14,320,744</u> (Concluded)

b. Net service fee income

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Service fee income				
Fees from import and export	\$ 71,376	\$ 60,482	\$ 209,599	\$ 184,994
Remittance fees	90,957	94,978	267,222	283,237
Loan fees	162,684	138,923	434,426	482,969
Fees from trust	290,796	265,996	876,488	772,134
Fees from trust business	115,860	103,600	336,314	289,648
Fees from insurance agency	345,481	370,376	1,156,707	1,271,412
Others	<u>310,679</u>	<u>339,806</u>	<u>916,662</u>	<u>938,566</u>
	<u>1,387,833</u>	<u>1,374,161</u>	<u>4,197,418</u>	<u>4,222,960</u>
Service charge				
Interbank fees	(35,752)	(40,172)	(110,829)	(117,823)
Charges from trust	(1,528)	(4,903)	(10,446)	(14,338)
Custodian fees	(33,508)	(28,113)	(98,100)	(85,248)
Charges from insurance agency	(38,297)	(36,488)	(114,663)	(149,646)
Others	<u>(165,183)</u>	<u>(160,106)</u>	<u>(469,027)</u>	<u>(463,341)</u>
	<u>(274,268)</u>	<u>(269,782)</u>	<u>(803,065)</u>	<u>(830,396)</u>
Net service fee income	<u>\$ 1,113,565</u>	<u>\$ 1,104,379</u>	<u>\$ 3,394,353</u>	<u>\$ 3,392,564</u>

c. Gain (loss) on financial assets or liabilities measured at FVTPL

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Realized gain (loss) on financial assets or liabilities measured at FVTPL				
Stock and mutual funds	\$ 26,004	\$ 23,946	\$ 22,766	\$ (38,542)
Bonds	44	1,273	2,861	127
Bills	-	653	(69)	653
Derivative financial instruments	83,974	530,467	552,088	1,743,762
Net interest gain	33,227	21,398	101,178	61,890
Stock dividends and bonus	<u>1,815</u>	<u>-</u>	<u>2,068</u>	<u>-</u>
	<u>145,064</u>	<u>577,737</u>	<u>680,892</u>	<u>1,767,890</u>
Valuation gain (loss) on financial assets or liabilities measured at FVTPL				
Stock and mutual funds	(3,926)	(11,577)	47,479	8,788
Bonds	40,891	(9,618)	187,232	(80,057)
Bills	15,421	(1,575)	(5,673)	(3,879)
Derivative financial instruments	<u>39,185</u>	<u>(293,302)</u>	<u>31,280</u>	<u>(265,517)</u>
	<u>91,571</u>	<u>(316,072)</u>	<u>260,318</u>	<u>(340,665)</u>
	<u>\$ 236,635</u>	<u>\$ 261,665</u>	<u>\$ 941,210</u>	<u>\$ 1,427,225</u>

d. Realized gain (loss) on financial assets at FVTOCI

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Stock dividends and bonus	\$ 822,171	\$ 374,381	\$ 1,064,320	\$ 629,458
Disposal gains				
Beneficiary securities	2,331	3,950	9,091	49,096
Bonds	37,442	(590)	509,558	547,774
Disposal losses				
Beneficiary securities	-	(1,741)	(3,867)	(2,012)
Bonds	<u>(1,254)</u>	<u>(9,975)</u>	<u>(116,052)</u>	<u>(21,040)</u>
	<u>\$ 860,690</u>	<u>\$ 366,025</u>	<u>\$ 1,463,050</u>	<u>\$ 1,203,276</u>

e. Depreciation and amortization expense

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Property and equipment	\$ 121,212	\$ 121,341	\$ 367,003	\$ 370,001
Investment property	1,734	1,725	5,206	5,194
Right-of-use assets	167,250	165,009	505,466	498,683
Intangible assets and other deferred assets	<u>65,756</u>	<u>63,784</u>	<u>193,665</u>	<u>182,251</u>
	<u>\$ 355,952</u>	<u>\$ 351,859</u>	<u>\$ 1,071,340</u>	<u>\$ 1,056,129</u>

f. Employee benefits expenses

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Short-term employee benefits	\$ 2,775,999	\$ 2,350,041	\$ 7,655,663	\$ 6,927,609
Post-employment benefits				
Defined contribution plans	55,438	51,816	169,166	160,386
Defined benefit plans (Note 28)	76,149	79,222	231,618	253,747
High-yield savings account for employees	145,624	141,369	426,268	418,208
Other post-employment benefits	27,925	27,929	84,556	83,726
Termination benefits	<u>23</u>	<u>37</u>	<u>13,920</u>	<u>11,716</u>
	<u>\$ 3,081,158</u>	<u>\$ 2,650,414</u>	<u>\$ 8,581,191</u>	<u>\$ 7,855,392</u>

g. Employees' compensation and remuneration of directors

The Bank accrues 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 remuneration of directors for the three months and the nine months ended September 30, 2021 and 2020 are as follows:

Accrual rate

	<b>For the Nine Months Ended September 30</b>	
	<b>2021</b>	<b>2020</b>
Employees' compensation	5.00%	5.00%
Remuneration of directors	0.40%	0.40%

Amount

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>Cash</b>	<b>Cash</b>	<b>Cash</b>	<b>Cash</b>
Employees' compensation	<u>\$ 154,423</u>	<u>\$ 126,402</u>	<u>\$ 411,423</u>	<u>\$ 343,102</u>
Remuneration of directors	<u>\$ 12,300</u>	<u>\$ 5,000</u>	<u>\$ 32,800</u>	<u>\$ 26,700</u>

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.

The appropriations of employees' compensation and remuneration of directors for 2020 and 2019 having been resolved by the board of directors on March 26, 2021 and March 20, 2020, respectively, were as below:

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
	<b>Cash</b>	<b>Cash</b>
Employees' compensation	<u>\$ 360,242</u>	<u>\$ 714,178</u>
Remuneration of directors	<u>\$ 28,995</u>	<u>\$ 57,134</u>

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 26, 2021, differs from what was accrued in the consolidation financial statements for 2020. The difference was adjusted to profit and loss for 2021.

	<b>For the Year Ended December 31, 2020</b>	
	<b>Employees' Compensation</b>	<b>Remuneration of Directors</b>
Amounts approved in the board of directors' meeting	<u>\$ 360,242</u>	<u>\$ 28,995</u>
Amounts recognized in the annual consolidated financial statements	<u>\$ 447,199</u>	<u>\$ 35,200</u>
Differences	<u>\$ (86,957)</u>	<u>\$ (6,205)</u>

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.

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

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Current income tax				
In respect of the current period	\$ 160,149	\$ 200,729	\$ 822,573	\$ 876,255
Income tax on unappropriated earnings	-	-	746	1,202
Deferred income tax				
In respect of the current period	<u>140,318</u>	<u>(53,261)</u>	<u>188,419</u>	<u>240,858</u>
Income tax expense recognized in profit or loss	<u>\$ 300,467</u>	<u>\$ 147,468</u>	<u>\$ 1,011,738</u>	<u>\$ 1,118,315</u>

b. Income tax recognized in other comprehensive income

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
<u>Deferred tax</u>				
In respect of the current year:				
Exchange differences on translation	\$ (23,513)	\$ (10,275)	\$ (54,466)	\$ 151,967
Unrealized (losses) gains on financial assets at FVTOCI	<u>4,334</u>	<u>(11,900)</u>	<u>5,783</u>	<u>(46,019)</u>
Total income tax benefit (loss) recognized in other comprehensive income	<u>\$ (19,179)</u>	<u>\$ (22,175)</u>	<u>\$ (48,683)</u>	<u>\$ 105,948</u>

c. Income tax assessments

The Bank's and the subsidiary Chang Hwa Bank Venture Capital Co., Ltd.'s income tax returns through 2019 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 September 6, 2021. The basic and diluted after-tax earnings per stock for the three months ended September 30, 2020 and the nine months ended September 30, 2020 were adjusted retrospectively as follows:

Unit: NT\$ Per Stock

	<b>Before Adjusted Retrospectively</b>		<b>After Adjusted Retrospectively</b>	
	<b>For the Three Months Ended September 30, 2020</b>	<b>For the Nine Months Ended September 30, 2020</b>	<b>For the Three Months Ended September 30, 2020</b>	<b>For the Nine Months Ended September 30, 2020</b>
Basic earnings per stock	<u>\$ 0.14</u>	<u>\$ 0.54</u>	<u>\$ 0.13</u>	<u>\$ 0.54</u>
Diluted earnings per stock	<u>\$ 0.14</u>	<u>\$ 0.54</u>	<u>\$ 0.13</u>	<u>\$ 0.54</u>

The earnings and weighted average number of common stocks outstanding in the computation of earnings per stock were as follows:

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Net profit for the period	<u>\$ 2,607,025</u>	<u>\$ 1,408,704</u>	<u>\$ 6,774,475</u>	<u>\$ 5,654,482</u>

The weighted average number of common stocks outstanding (in thousands of stocks) is as follows:

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Weighted average number of common stock used in the computation of basic earnings per stock	10,488,571	10,488,571	10,488,571	10,488,571
Effect of potentially dilutive common stock:				
Employees' compensation issued	<u>25,011</u>	<u>19,775</u>	<u>30,788</u>	<u>28,260</u>
Weighted average number of common stock used in the computation of diluted earnings per stock	<u>10,513,582</u>	<u>10,508,346</u>	<u>10,519,359</u>	<u>10,516,831</u>

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

The description of the goals and procedures of the capital risk management of the Group is the same as the description in the Group's consolidated financial statements for the year ended December 31, 2020.

### 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

##### September 30, 2021

	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
<u>Financial assets</u>					
Financial assets at amortized cost	\$ 378,296,368	\$ 36,083,652	\$ 342,081,875	\$ -	\$ 378,165,527
<u>Financial liabilities</u>					
Bank notes payable	51,311,389	-	6,211,389	46,742,980	52,954,369

##### December 31, 2020

	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
<u>Financial assets</u>					
Financial assets at amortized cost	\$ 345,283,447	\$ 3,610,277	\$ 341,736,917	\$ -	\$ 345,347,194
<u>Financial liabilities</u>					
Bank notes payable	61,351,032	-	8,451,032	54,695,616	63,146,648

##### September 30, 2020

	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
<u>Financial assets</u>					
Financial assets at amortized cost	\$ 307,367,941	\$ 3,599,608	\$ 303,833,757	\$ -	\$ 307,433,365
<u>Financial liabilities</u>					
Bank notes payable	54,579,773	-	8,479,773	47,949,371	56,429,144

b. Fair value of financial instruments that are measured at fair value on a recurring basis

1) Fair value hierarchy

September 30, 2021

<b>Fair Value Measurement of Financial Instruments</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<u>Non-derivative financial products</u>				
Assets				
Financial assets at FVTPL	\$ 480,115	\$ 23,588,534	\$ 202,187	\$ 24,270,836
Financial assets mandatorily measured at FVTPL				
Stock investments	125,474	-	196,187	321,661
Bond investments	354,641	2,336,470	-	2,691,111
Others	-	21,252,064	6,000	21,258,064
Financial assets at FVTOCI	107,109,541	62,416,138	10,627,584	180,153,263
Stock investments	14,972,119	-	10,627,584	25,599,703
Bond investments	85,949,644	62,416,138	-	148,365,782
Others	6,187,778	-	-	6,187,778
<u>Derivative financial products</u>				
Assets				
Financial assets at FVTPL	150,675	1,913,264	-	2,063,939
Other financial assets				
Financial assets for hedging	-	182,088	-	182,088
Liabilities				
Financial liabilities at FVTPL	-	1,806,832	-	1,806,832

December 31, 2020

<b>Fair Value Measurement of Financial Instruments</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<u>Non-derivative financial products</u>				
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
<u>Derivative financial products</u>				
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

September 30, 2020

<b>Fair Value Measurement of Financial Instruments</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<u>Non-derivative financial products</u>				
Assets				
Financial assets at FVTPL	\$ 55,500	\$ 17,945,074	\$ 76,525	\$ 18,077,099
Financial assets mandatorily measured at FVTPL				
Stock investments	-	7,761	76,525	84,286
Bond investments	-	1,042,801	-	1,042,801
Others	55,500	16,894,512	-	16,950,012
Financial assets at FVTOCI	77,684,789	29,657,323	9,169,790	116,511,902
Stock investments	7,966,597	30,300	9,169,790	17,166,687
Bond investments	66,343,699	29,627,023	-	95,970,722
Others	3,374,493	-	-	3,374,493
<u>Derivative financial products</u>				
Assets				
Financial assets at FVTPL	106,957	3,916,376	-	4,023,333
Other financial assets				
Financial assets for hedging	-	262,399	-	262,399
Liabilities				
Financial liabilities at FVTPL	-	5,536,030	-	5,536,030

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 nine months ended September 30, 2021

<b>Financial Assets</b>	<b>Financial Assets at FVTPL Equity Instrument</b>	<b>Financial Assets at FVTOCI Equity Instrument</b>
Beginning balance	\$ 110,525	\$ 8,830,725
Recognized in profit or loss (loss on financial assets or liabilities at FVTPL)	(22,888)	-
Recognized in other comprehensive income (unrealized gain on financial assets at FVTOCI)	-	1,764,813
Purchase	144,500	32,046
Transfer out of Level 3	(29,950)	-
Ending balance	<u>\$ 202,187</u>	<u>\$ 10,627,584</u>

For the nine months ended September 30, 2020

	<b>Financial Assets at FVTPL</b>	<b>Financial Assets at FVTOCI</b>
<b>Financial Assets</b>	<b>Equity Instrument</b>	<b>Equity Instrument</b>
Beginning balance	\$ -	\$ 8,000,918
Recognized in other comprehensive income (unrealized gain on financial assets at FVTOCI)	-	1,153,072
Purchase	<u>76,525</u>	<u>15,800</u>
Ending balance	<u>\$ 76,525</u>	<u>\$ 9,169,790</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 Group 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 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 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 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 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. The impact of the interest rate benchmark reform

The financial instruments of the Group affected by the interest rate benchmark reform include loan, floating-rate bonds and asset exchanges. The link of interest rate benchmark is London Interbank Offered Rate (LIBOR). It is expected that LIBOR will be replaced by the alternative interest rate recommended by the interest rate reform group of various countries; the differences of the two rates are discussed in the next paragraph.

LIBOR is a forward-looking interest rate indicator that implies market expectations for future interest rate trends, and includes inter-bank credit discounts. The alternative interest rate recommended by the interest rate reform group of various countries is Overnight Financing Rate (secured or unsecured), which is a retrospective interest rate indicator calculated using actual transaction data, and does not include credit discounts. Therefore, when an existing contract is modified from a linked LIBOR to a linked Overnight Financing Rate, additional adjustments must be made to the aforementioned differences to ensure that the interest rate basis before and after the modification is economically equivalent.

The Group has formulated a plan for LIBOR conversion and exit and has handled risk management policy adjustments, internal process adjustments, information system updates, financial instrument evaluation model adjustments, and related accounting or tax issues required to match the interest benchmark reform. The Group has identified all the information systems and internal processes that need to be updated, and has updated some of them. The Group has started to discuss with the counterparties of the financial instruments how to amend the affected contracts, which is expected to be completed by December 31, 2021 for the position other than U.S. dollars and by December 31, 2022 for U.S. dollars.

Due to the interest benchmark reform, the Group faces interest rate basis risks. If the Group fails to complete the negotiation with the counterparty in the financial instrument, it will bring about material uncertainty, and trigger exposure to interest rate risk that the Group had not expected.

September 30, 2021

	Projects Affected by Interest Rate Benchmark Reform Indicators							
	USD LIBOR		GBP LIBOR		JPY LIBOR		EUR LIBOR	
	Adjusted Average Assets	Number of Contracts	Adjusted Average Assets	Number of Contracts	Adjusted Average Assets	Number of Contracts	Adjusted Average Assets	Number of Contracts
Non-derivative financial assets								
Loans - syndicated loans	\$ 102,364,028	279	\$ 1,478,557	3	\$ 760,611	1	\$ -	-
Loans - other loans	33,830,111	672	5,845	3	549,680	53	1,407,044	65
Holding bonds	13,762,692	64	-	-	-	-	-	-
Derivative financial assets								
ECB asset exchange and structured products	2,228,000	1	-	-	-	-	-	-

#### d. 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 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 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, PVO1, 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 policy and procedures

The Group 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 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 DVO1. With regard to the Group’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 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.

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, please 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, please refer to item i.

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 September 30, 2021 and 2020, the Bank's VaR factors based on historical simulation method were as follows:

<b>For the Nine Months Ended September 30, 2021</b>				
	<b>Average</b>	<b>Highest</b>	<b>Lowest</b>	<b>Ending Balance</b>
Exchange rate VaR	\$ 165,101	\$ 204,762	\$ 134,063	\$ 181,711
Interest rate VaR	4,222	9,313	982	2,619
Equity securities VaR	<u>423</u>	<u>1,033</u>	<u>-</u>	<u>452</u>
Value at risk	<u>\$ 169,746</u>	<u>\$ 215,108</u>	<u>\$ 135,045</u>	<u>\$ 184,782</u>

  

<b>For the Nine Months Ended September 30, 2020</b>				
	<b>Average</b>	<b>Highest</b>	<b>Lowest</b>	<b>Ending Balance</b>
Exchange rate VaR	\$ 197,456	\$ 245,617	\$ 152,931	\$ 174,143
Interest rate VaR	14,381	17,791	11,412	11,412
Equity securities VaR	<u>11,499</u>	<u>13,951</u>	<u>2,419</u>	<u>2,476</u>
Value at risk	<u>\$ 223,336</u>	<u>\$ 277,359</u>	<u>\$ 166,762</u>	<u>\$ 188,031</u>

2) Primary foreign currencies

The significant foreign currency financial assets and liabilities as of September 30, 2021, December 31, 2020 and September 30, 2020 were as follows:

(In Thousands of Foreign Currencies/New Taiwan Dollars)

<b>September 30, 2021</b>			
	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>New Taiwan Dollars</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 9,131,659	27.8500	\$ 254,316,703
GBP	45,456	37.4500	1,702,327
AUD	1,294,254	20.0300	25,923,908
HKD	571,826	3.5770	2,045,422
CAD	94,527	21.8600	2,066,360
ZAR	4,167,562	1.8360	7,651,644
JPY	78,862,630	0.2491	19,644,681
EUR	574,683	32.3200	18,573,755
RMB	9,925,449	4.3010	42,689,356
(Continued)			

September 30, 2021			
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial liabilities</u>			
Monetary items			
USD	\$ 13,632,494	27.8500	\$ 379,664,958
GBP	48,691	37.4500	1,823,478
AUD	922,218	20.0300	18,472,027
HKD	571,119	3.5770	2,042,893
CAD	93,387	21.8600	2,041,440
ZAR	3,897,120	1.8360	7,155,112
JPY	84,406,654	0.2491	21,025,698
EUR	635,607	32.3200	20,542,818
NZD	47,944	19.1500	918,128
RMB	11,220,485	4.3010	48,259,306
			(Concluded)

(In Thousands of Foreign Currencies/New Taiwan Dollars)

December 31, 2020			
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
USD	\$ 7,376,691	28.1000	\$ 207,285,017
GBP	79,348	38.3500	3,042,996
AUD	1,456,483	21.6500	31,532,857
HKD	1,310,846	3.6240	4,750,506
CAD	133,336	22.0600	2,941,392
ZAR	4,208,211	1.9210	8,083,973
JPY	58,467,743	0.2725	15,932,460
EUR	684,298	34.5900	23,669,868
NZD	54,312	20.3200	1,103,620
RMB	12,028,965	4.3250	52,025,274

Financial liabilities

Monetary items			
USD	11,911,044	28.1000	334,700,336
GBP	64,600	38.3500	2,477,410
AUD	1,081,026	21.6500	23,404,213
HKD	961,918	3.6240	3,485,991
CAD	109,021	22.0600	2,405,003
ZAR	3,929,528	1.9210	7,548,623
JPY	54,606,113	0.2725	14,880,166
EUR	614,386	34.5900	21,251,612
NZD	67,748	20.3200	1,376,639
RMB	12,569,025	4.3250	54,361,033

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	September 30, 2020		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
USD	\$ 7,206,428	28.9900	\$ 208,914,348
GBP	76,252	37.3100	2,844,962
AUD	1,129,428	20.6950	23,373,512
HKD	782,406	3.7400	2,926,198
CAD	87,411	21.6700	1,894,196
ZAR	4,261,368	1.7120	7,295,462
JPY	52,653,802	0.2744	14,448,203
EUR	695,362	34.0600	23,684,030
RMB	11,898,353	4.2540	50,615,594
<u>Financial liabilities</u>			
Monetary items			
USD	11,600,618	28.9900	336,301,916
GBP	70,243	37.3100	2,620,766
AUD	897,356	20.6950	18,570,782
HKD	702,595	3.7400	2,627,705
CAD	85,766	21.6700	1,858,549
ZAR	3,984,364	1.7120	6,821,231
JPY	51,044,093	0.2744	14,006,499
EUR	607,223	34.0600	20,682,015
NZD	54,636	19.1600	1,046,826
RMB	12,751,271	4.2540	54,243,907
Non-monetary items			
USD	3,523	28.9900	102,132

For the three months ended September 30, 2021 and 2020, net foreign exchange gains were \$168,295 thousand and \$65,159 thousand, respectively. For the nine months ended September 30, 2021 and 2020, net foreign exchange gains were \$410,499 thousand and \$298,218 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 buildup 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; through the execution process of stress tests, the Group evaluates the probability and severity of stressful events to formulate responses, complies 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 are described as follows:

- i. Credit business (including loan commitments and guarantees)

The following various types of credit assets of the Group are classified based on credit quality and internal and external ratings.

- i) Significant 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.

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

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 Group 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
	Other groups
Individual banking loans	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 ECL based on past loss experience. The ECL 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 ECL. The ECL 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 ECL. The ECL 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 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 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 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.

In response to the outlook of the COVID-19, the Group's regular update of the overall indicator data has implicit adjustments due to the ebb and flow of the epidemic, which are then reflected 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:

	<b>September 30</b>	
	<b>2021</b>	<b>2020</b>
Discounts and loans	<u>\$ 4,613,326</u>	<u>\$ 5,562,466</u>

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 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 Group 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 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 Bank 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 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 and high-risk industries in China to supervise concentration of credit risk in these categories, and control single counterparties, related companies, industries, and ultimate risks concentration of various types of credit risk by country. Various credit limits are regularly evaluated and revised in a timely manner based on the economic circumstances, financial environment and business development strategies, etc.

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:

### September 30, 2021

	Carrying Amount	Maximum Exposure to Credit Risk Mitigated by			
		Collateral	Master Netting Arrangement	Other Credit Enhancements	Total
Discounts and loans	\$ 1,596,252,945	\$ 1,121,537,606	\$ -	\$ -	\$ 1,121,537,606
Financial assets at FVTPL	26,334,775	7,870,248	-	-	7,870,248
Investments in debt instruments at FVTOCI	154,553,560	5,279,712	-	-	5,279,712
Investments in debt instruments at amortized cost	378,296,368	-	-	-	-

### December 31, 2020

	Carrying Amount	Maximum Exposure to Credit Risk Mitigated by			
		Collateral	Master Netting Arrangement	Other Credit Enhancements	Total
Discounts and loans	\$ 1,496,835,119	\$ 1,057,161,683	\$ -	\$ -	\$ 1,057,161,683
Financial assets at FVTPL	14,581,474	4,947,248	-	-	4,947,248
Investments in debt instruments at FVTOCI	106,471,594	3,074,425	-	-	3,074,425
Investments in debt instruments at amortized cost	345,283,447	-	-	-	-

### September 30, 2020

	Carrying Amount	Maximum Exposure to Credit Risk Mitigated by			
		Collateral	Master Netting Arrangement	Other Credit Enhancements	Total
Discounts and loans	\$ 1,481,875,179	\$ 1,026,360,645	\$ -	\$ -	\$ 1,026,360,645
Financial assets at FVTPL	22,100,432	7,715,793	-	-	7,715,793
Investments in debt instruments at FVTOCI	99,345,215	2,158,485	-	-	2,158,485
Investments in debt instruments at amortized cost	307,367,941	-	-	-	-

The carrying amount of financial assets with maximum exposure to credit risk is as follows:

Discounts and Loans				
September 30, 2021				
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Total
Credit rating				
Levels 1-15	\$ 857,742,655	\$ 1,517,534	\$ 20,161	\$ 859,280,350
Levels 16-18	-	61,195,077	2,488,799	63,683,876
Levels 19-21	-	-	10,438,475	10,438,475
No rating	<u>659,830,591</u>	<u>1,347,781</u>	<u>1,671,872</u>	<u>662,850,244</u>
Total carrying amount	<u>\$ 1,517,573,246</u>	<u>\$ 64,060,392</u>	<u>\$ 14,619,307</u>	<u>\$ 1,596,252,945</u>
Expected credit losses	\$ 2,085,533	\$ 1,866,318	\$ 5,428,467	\$ 9,380,318
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>10,354,390</u>
				<u>\$ 19,734,708</u>

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	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	-	-	11,196,309	11,196,309
No rating	<u>612,823,835</u>	<u>1,734,511</u>	<u>1,471,121</u>	<u>616,029,467</u>
Total carrying amount	<u>\$ 1,412,549,836</u>	<u>\$ 69,691,173</u>	<u>\$ 14,594,110</u>	<u>\$ 1,496,835,119</u>
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				<u>9,511,321</u>
				<u>\$ 18,948,274</u>

Discounts and Loans				
September 30, 2020				
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Total
Credit rating				
Levels 1-15	\$ 824,485,355	\$ 4,101,858	\$ -	\$ 828,587,213
Levels 16-18	-	63,921,805	1,639,624	65,561,429
Levels 19-21	-	-	10,491,320	10,491,320
No rating	<u>574,093,244</u>	<u>1,756,414</u>	<u>1,385,559</u>	<u>577,235,217</u>
Total carrying amount	<u>\$ 1,398,578,599</u>	<u>\$ 69,780,077</u>	<u>\$ 13,516,503</u>	<u>\$ 1,481,875,179</u>
Expected credit losses	\$ 1,662,404	\$ 2,380,615	\$ 5,154,016	\$ 9,197,035
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>9,331,905</u>
				<u>\$ 18,528,940</u>

Guarantee Payments				
September 30, 2021				
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Total
Carrying amount	\$ 57,232,775	\$ 156,238	\$ 97,519	\$ 57,486,532
Expected credit losses	177,387	840	22,294	200,521

Guarantee Payments				
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	\$ 57,805,189	\$ 859,186	\$ 100,842	\$ 58,765,217
Expected credit losses	161,107	17,485	22,605	201,197

<b>Guarantee Payments</b>				
<b>September 30, 2020</b>				
	<b>Stage 1 12-month Expected Credit Losses</b>	<b>Stage 2 Lifetime Expected Credit Losses</b>	<b>Stage 3 Lifetime Expected Credit Losses</b>	<b>Total</b>
Carrying amount	\$ 60,212,723	\$ 501,807	\$ 100,843	\$ 60,815,373
Expected credit losses	170,876	11,519	22,605	205,000

  

<b>Loan Commitments</b>				
<b>September 30, 2021</b>				
	<b>Stage 1 12-month Expected Credit Losses</b>	<b>Stage 2 Lifetime Expected Credit Losses</b>	<b>Stage 3 Lifetime Expected Credit Losses</b>	<b>Total</b>
Carrying amount - non-cancellable	\$ 85,203,929	\$ 5,892,003	\$ 435	\$ 91,096,367
Carrying amount - cancellable	<u>551,568,595</u>	<u>7,479,806</u>	<u>31,823</u>	<u>559,080,224</u>
	<u>\$ 636,772,524</u>	<u>\$ 13,371,809</u>	<u>\$ 32,258</u>	<u>\$ 650,176,591</u>
Expected credit losses - non-cancellable	\$ 45,258	\$ 29,719	\$ 145	\$ 75,122
Expected credit losses - cancellable	<u>92,629</u>	<u>384</u>	<u>129</u>	<u>93,142</u>
	<u>\$ 137,887</u>	<u>\$ 30,103</u>	<u>\$ 274</u>	<u>\$ 168,264</u>

  

<b>Loan Commitments</b>				
<b>December 31, 2020</b>				
	<b>Stage 1 12-month Expected Credit Losses</b>	<b>Stage 2 Lifetime Expected Credit Losses</b>	<b>Stage 3 Lifetime Expected Credit Losses</b>	<b>Total</b>
Carrying amount - non-cancellable	\$ 64,527,353	\$ 5,216,346	\$ 8,499	\$ 69,752,198
Carrying amount - cancellable	<u>693,529,862</u>	<u>9,549,555</u>	<u>229,714</u>	<u>703,309,131</u>
	<u>\$ 758,057,215</u>	<u>\$ 14,765,901</u>	<u>\$ 238,213</u>	<u>\$ 773,061,329</u>
Expected credit losses - non-cancellable	\$ 56,137	\$ 62,696	\$ 2,739	\$ 121,572
Expected credit losses - cancellable	<u>190,399</u>	<u>166</u>	<u>142</u>	<u>190,707</u>
	<u>\$ 246,536</u>	<u>\$ 62,862</u>	<u>\$ 2,881</u>	<u>\$ 312,279</u>

  

<b>Loan Commitments</b>				
<b>September 30, 2020</b>				
	<b>Stage 1 12-month Expected Credit Losses</b>	<b>Stage 2 Lifetime Expected Credit Losses</b>	<b>Stage 3 Lifetime Expected Credit Losses</b>	<b>Total</b>
Carrying amount - non-cancellable	\$ 70,888,116	\$ 4,839,418	\$ 24,432	\$ 75,751,966
Carrying amount - cancellable	<u>575,991,178</u>	<u>12,186,481</u>	<u>187,321</u>	<u>588,364,980</u>
	<u>\$ 646,879,294</u>	<u>\$ 17,025,899</u>	<u>\$ 211,753</u>	<u>\$ 664,116,946</u>
Expected credit losses - non-cancellable	\$ 62,747	\$ 64,520	\$ 5,008	\$ 132,275
Expected credit losses - cancellable	<u>228,651</u>	<u>364</u>	<u>132</u>	<u>229,147</u>
	<u>\$ 291,398</u>	<u>\$ 64,884</u>	<u>\$ 5,140</u>	<u>\$ 361,422</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 September 30, 2021, December 31, 2020 and September 30, 2020, the maximum exposure to credit risk (before deducting the guarantees or other credit enhancement instruments and the irrevocably maximum amount of exposure) was as follows:

<b>Financial Instrument Type</b>	<b>September 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>
Unused loan commitments (excluding credit card)	\$ 91,096,367	\$ 69,752,198	\$ 75,751,966
Credit card commitments	372,110	348,160	461,720
Unused issued letters of credit	27,122,994	22,504,168	20,835,094
Guarantees in guarantee business	57,486,532	58,765,217	60,815,373

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:

<b>Industry Type</b>	<b>September 30, 2021</b>	
	<b>Carrying Amount</b>	<b>Percentage of Item (%)</b>
Financial and insurance	\$ 67,395,799	4
Manufacturing	409,893,932	26
Wholesale and retail	141,271,527	9
Real estate and leasing	107,953,297	7
Service	38,292,031	2
Individuals	594,017,248	37
Others	<u>237,429,111</u>	15
	<u>\$ 1,596,252,945</u>	

  

<b>Industry Type</b>	<b>December 31, 2020</b>	
	<b>Carrying Amount</b>	<b>Percentage of Item (%)</b>
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	<u>245,334,280</u>	16
	<u>\$ 1,496,835,119</u>	

Industry Type	September 30, 2020	
	Carrying Amount	Percentage of Item (%)
Financial and insurance	\$ 53,921,386	4
Manufacturing	379,192,967	26
Wholesale and retail	126,404,085	9
Real estate and leasing	113,385,573	7
Service	49,836,563	3
Individuals	527,588,299	36
Others	<u>231,546,306</u>	15

\$ 1,481,875,179

Geographic Location	September 30, 2021	
	Carrying Amount	Percentage of Item (%)
Asia	\$ 1,507,786,767	94
America	61,562,851	4
Europe	15,834,692	1
Others	<u>11,068,635</u>	1

\$ 1,596,252,945

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	<u>9,734,750</u>	1

\$ 1,496,835,119

Geographic Location	September 30, 2020	
	Carrying Amount	Percentage of Item (%)
Asia	\$ 1,381,344,571	93
America	71,755,583	5
Europe	18,466,464	1
Others	<u>10,308,561</u>	1

\$ 1,481,875,179



Securities Type	September 30, 2021	
	Carrying Amount	Percentage of Item (%)
Unsecured	\$ 474,715,338	30
Secured		
Properties	948,642,602	59
Others	<u>172,895,005</u>	11
	<u>\$ 1,596,252,945</u>	

Securities Type	December 31, 2020	
	Carrying Amount	Percentage of Item (%)
Unsecured	\$ 439,673,436	29
Secured		
Properties	898,300,022	60
Others	<u>158,861,661</u>	11
	<u>\$ 1,496,835,119</u>	

Securities Type	September 30, 2020	
	Carrying Amount	Percentage of Item (%)
Unsecured	\$ 455,514,535	31
Secured		
Properties	873,631,388	59
Others	<u>152,729,256</u>	10
	<u>\$ 1,481,875,179</u>	

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 resell 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 September 30, 2021 and 2020, the ratio of the liquidity reserve was 22.86% and 21.80%, 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 Group 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:

(In Thousands of New Taiwan Dollars)

Item	September 30, 2021					
	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	\$ 14,909,006	\$ -	\$ -	\$ -	\$ -	\$ 14,909,006
Due from the Central Bank and call loans to banks	45,072,050	5,163,460	6,256,104	7,842,933	30,706,841	95,041,388
Financial assets at FVTPL	21,604,750	-	-	-	-	21,604,750
Receivables	29,931,583	998,620	1,548,832	408,026	77,513	32,964,574
Discounts and loans	74,067,894	150,342,886	132,367,677	210,413,107	797,124,602	1,364,316,166
Investments in equity instruments designated at FVTOCI	-	-	-	-	25,599,703	25,599,703
Investments in debt instruments at FVTOCI	-	-	-	428,344	69,935,530	70,363,874
Investments in debt instruments at amortized cost	209,000,000	14,930,000	14,811,230	32,164,336	31,691,237	302,596,803
Other maturity funds inflow items	-	-	-	-	14,006,796	14,006,796
	<u>394,585,283</u>	<u>171,434,966</u>	<u>154,983,843</u>	<u>251,256,746</u>	<u>969,142,222</u>	<u>1,941,403,060</u>
Major maturity fund outflows						
Deposits from the Central Bank and banks	219,091	113,161	-	143,170	-	475,422
Due to the Central Bank and banks	1,010,000	20,000	19,014,640	4,290,310	-	24,334,950
Securities sold under repurchase agreements	812,133	637,540	-	-	-	1,449,673
Payables	42,205,200	1,582,228	327,553	1,720,080	761,759	46,596,820
Deposits and remittances	134,874,101	147,384,337	179,266,819	224,736,964	879,636,202	1,565,898,423
Bank notes payable	-	-	-	-	51,100,000	51,100,000
Other maturity fund outflow items	18,456	57,139	69,565	336,104	5,435,369	5,916,633
	<u>179,138,981</u>	<u>149,794,405</u>	<u>198,678,577</u>	<u>231,226,628</u>	<u>936,933,330</u>	<u>1,695,771,921</u>
Gap	\$ 215,446,302	\$ 21,640,561	\$ (43,694,734)	\$ 20,030,118	\$ 32,208,892	\$ 245,631,139

Note: The amounts listed above were the position in N.T. dollars of the Bank.

(In Thousands of New Taiwan Dollars)

Item	December 31, 2020					
	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	\$ 16,557,339	\$ -	\$ -	\$ -	\$ -	\$ 16,557,339
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	7,565,165	-	-	-	-	7,565,165
Receivables	33,700,386	625,025	553,622	1,210,838	284,990	36,374,861
Discounts and loans	81,568,301	112,458,451	152,004,186	215,731,235	725,087,878	1,286,850,051
Investments in equity instruments designated at FVTOCI	-	-	-	-	16,224,227	16,224,227
Investments in debt instruments at FVTOCI	-	200,491	200,518	25,074	42,333,523	42,759,606
Investments in debt instruments at amortized cost	222,800,000	25,260,000	8,000,000	29,535,000	13,386,380	298,981,380
Other maturity funds inflow items	-	-	-	-	14,103,908	14,103,908
	<u>428,100,100</u>	<u>142,901,070</u>	<u>165,171,278</u>	<u>252,967,458</u>	<u>841,630,121</u>	<u>1,830,770,027</u>
Major maturity fund outflows						
Deposits from the Central Bank and banks	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	30,812,333	450,237	1,428,580	1,116,591	1,298,534	35,106,275
Deposits and remittances	125,994,072	129,571,977	131,686,167	192,930,253	901,044,154	1,481,226,623
Bank notes payable	-	1,100,000	8,900,000	-	51,100,000	61,100,000
Other maturity fund outflow items	37,965	80,398	75,086	324,150	5,756,222	6,273,821
	<u>163,121,507</u>	<u>141,455,892</u>	<u>142,104,127</u>	<u>199,953,599</u>	<u>959,198,910</u>	<u>1,605,834,305</u>
Gap	\$ 264,978,593	\$ 1,445,178	\$ 23,067,151	\$ 53,013,859	\$ (117,568,789)	\$ 224,935,992

Note: The amounts listed above were the position in N.T. dollars of the Bank

(In Thousands of New Taiwan Dollars)

Item	September 30, 2020					
	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	\$ 19,452,411	\$ -	\$ -	\$ -	\$ -	\$ 19,452,411
Due from the Central Bank and call loans to banks	47,961,668	4,211,088	5,038,099	6,050,339	28,873,090	92,134,284
Financial assets at FVTPL	17,089,345	-	-	-	-	17,089,345
Receivables	15,716,388	858,465	1,474,588	297,853	319,525	18,666,819
Discounts and loans	79,858,611	140,673,969	124,731,167	221,919,251	697,183,823	1,264,366,821
Investments in equity instruments designated at FVTOCI	-	-	-	-	17,166,686	17,166,686
Investments in debt instruments at FVTOCI	-	-	201,092	225,827	33,885,921	34,312,840
Investments in debt instruments at amortized cost	175,575,000	18,040,000	22,860,000	26,205,000	18,358,994	261,038,994
Other maturity funds inflow items	-	-	-	-	14,115,008	14,115,008
	<u>355,653,423</u>	<u>163,783,522</u>	<u>154,304,946</u>	<u>254,698,270</u>	<u>809,903,047</u>	<u>1,738,343,208</u>
Major maturity fund outflows						
Deposits from the Central Bank and banks	136,496	111,732	6,361	211,500	-	466,089
Due to the Central Bank and banks	7,010,000	15,000	9,462,050	1,536,180	-	18,023,230
Securities sold under repurchase agreements	615,350	1,127,483	10,199	-	-	1,753,032
Payables	27,878,511	1,337,769	269,650	1,134,185	1,216,325	31,836,440
Deposits and remittances	104,858,540	123,160,815	147,674,981	177,585,585	847,110,232	1,400,390,153
Bank notes payable	-	-	1,100,000	8,900,000	44,300,000	54,300,000
Other maturity fund outflow items	46,292	53,953	71,925	329,899	5,602,447	6,104,516
	<u>140,545,189</u>	<u>125,806,752</u>	<u>158,595,166</u>	<u>189,697,349</u>	<u>898,229,004</u>	<u>1,512,873,460</u>
Gap	\$ 215,108,234	\$ 37,976,770	\$ (4,290,220)	\$ 65,000,921	\$ (88,325,957)	\$ 225,469,748

Note: The amounts listed above were the position in N.T. dollars of the Bank.

(In Thousands of United States Dollars)

Item	September 30, 2021					
	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	\$ 306,706	\$ -	\$ -	\$ -	\$ -	\$ 306,706
Due from the Central Bank and call loans to banks	1,727,351	870,169	42,404	2,412	14,711	2,657,047
Financial assets at FVTPL	82,996	-	-	-	-	82,996
Receivables	543,479	111,217	246,106	19,952	3,001	923,755
Discounts and loans	1,051,764	1,350,864	735,609	280,350	3,108,735	6,527,322
Investments in debt instruments at FVTOCI	15,003	15,051	26,096	170,794	1,685,015	1,911,959
Investments in debt instruments at amortized cost	-	2,999	-	-	1,024,172	1,027,171
Other maturity fund inflow items	5,000	-	-	-	18,680	23,680
	<u>3,732,299</u>	<u>2,350,300</u>	<u>1,050,215</u>	<u>473,508</u>	<u>5,854,314</u>	<u>13,460,636</u>
Major maturity fund outflows						
Deposits from the Central Bank and banks	9,587	534	801	1,602	340	12,864
Due to the Central Bank and banks	2,420,462	94,000	20,000	-	-	2,534,462
Payables	1,079,696	61,399	20,518	1,769	2,334	1,165,716
Deposits and remittances	2,372,659	2,668,249	2,088,394	2,048,508	4,843,294	14,021,104
Other maturity fund outflow items	43,911	1,998	5,815	167	10,863	62,754
	<u>5,926,315</u>	<u>2,826,180</u>	<u>2,135,528</u>	<u>2,052,046</u>	<u>4,856,831</u>	<u>17,796,900</u>
Gap	<u>\$ (2,194,016)</u>	<u>\$ (475,880)</u>	<u>\$ (1,085,313)</u>	<u>\$ (1,578,538)</u>	<u>\$ 997,483</u>	<u>\$ (4,336,264)</u>

Note: The amounts listed above were the position in U.S. dollars of the Bank.

(In Thousands of United States Dollars)

Item	December 31, 2020					
	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	\$ 250,522	\$ 50,000	\$ -	\$ -	\$ -	\$ 300,522
Due from the Central Bank and call loans to banks	2,029,277	1,211,793	307,263	107,589	5,132	3,661,054
Financial assets at FVTPL	48,273	-	-	-	-	48,273
Receivables	821,763	102,690	200,958	19,889	2,744	1,148,044
Discounts and loans	1,020,941	730,488	546,591	415,628	3,000,423	5,714,071
Investments in debt instruments at FVTOCI	-	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
	<u>4,175,776</u>	<u>2,128,499</u>	<u>1,083,437</u>	<u>1,184,691</u>	<u>4,118,952</u>	<u>12,691,355</u>
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
Payables	1,169,585	47,281	8,659	5,728	1,254	1,232,507
Deposits and remittances	2,179,972	2,246,177	1,817,550	2,141,938	4,156,206	12,541,843
Other maturity fund outflow items	51,872	15,776	617	38	10,120	78,423
	<u>6,054,190</u>	<u>2,664,845</u>	<u>1,827,743</u>	<u>2,149,538</u>	<u>4,168,364</u>	<u>16,864,680</u>
Gap	<u>\$ (1,878,414)</u>	<u>\$ (536,346)</u>	<u>\$ (744,306)</u>	<u>\$ (964,847)</u>	<u>\$ (49,412)</u>	<u>\$ (4,173,325)</u>

Note: The amounts listed above were the position in U.S. dollars of the Bank.

(In Thousands of United States Dollars)

Item	September 30, 2020					
	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	\$ 318,951	\$ 200,000	\$ -	\$ -	\$ -	\$ 518,951
Due from the Central Bank and call loans to banks	1,640,594	828,982	92,737	42,392	5,055	2,609,760
Financial assets at FVTPL	34,072	-	-	-	-	34,072
Receivables	486,800	131,018	218,584	15,421	2,657	854,480
Discounts and loans	923,955	722,292	530,330	269,560	3,257,673	5,703,810
Investments in debt instruments at FVTOCI	3,000	15,004	23,068	36,764	954,002	1,031,838
Investments in debt instruments at amortized cost	4,998	-	10,502	-	94,942	110,442
Other maturity fund inflow items	5,000	-	150,000	600,000	22,796	777,796
	<u>3,417,370</u>	<u>1,897,296</u>	<u>1,025,221</u>	<u>964,137</u>	<u>4,337,125</u>	<u>11,641,149</u>
Major maturity fund outflows						
Deposits from the Central Bank and banks	8,840	1,013	1,520	3,040	85	14,498
Due to the Central Bank and banks	2,333,431	372,000	10,000	-	-	2,715,431
Payables	543,460	47,581	7,845	5,005	1,246	605,137
Deposits and remittances	1,791,597	2,286,251	2,158,255	1,885,661	3,959,027	12,080,791
Other maturity fund outflow items	52,612	17,029	7,471	520	10,064	87,696
	<u>4,729,940</u>	<u>2,723,874</u>	<u>2,185,091</u>	<u>1,894,226</u>	<u>3,970,422</u>	<u>15,503,553</u>
Gap	\$ (1,312,570)	\$ (826,578)	\$ (1,159,870)	\$ (930,089)	\$ 366,703	\$ (3,862,404)

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 at reasonable prices in the market, and thus have very low liquidity risks.

(In Thousands of New Taiwan Dollars and Foreign Currencies)

Item	September 30, 2021					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Foreign currency derivative instruments						
Outflows	\$ 147,292,480	\$ 229,728,726	\$ 154,676,420	\$ 95,901,629	\$ 555,010	\$ 628,154,265
Inflows	147,360,927	229,794,163	154,642,583	95,980,076	557,000	628,334,749
Interest rate derivative instruments						
Outflows	-	-	-	-	28,985	28,985
Inflows	108,215	-	-	-	-	108,215
Others						
Outflows	-	-	-	-	-	-
Inflows	21,056	-	-	-	-	21,056
Total outflows	\$ 147,292,480	\$ 229,728,726	\$ 154,676,420	\$ 95,901,629	\$ 583,995	\$ 628,183,250
Total inflows	\$ 147,490,198	\$ 229,794,163	\$ 154,642,583	\$ 95,980,076	\$ 557,000	\$ 628,464,020

(In Thousands of New Taiwan Dollars and Foreign Currencies)

Item	December 31, 2020					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Foreign currency derivative instruments						
Outflows	\$ 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
Interest rate derivative instruments						
Outflows	-	3,303,180	-	-	22,746	3,325,926
Inflows	78,674	3,091,000	4,089	-	-	3,173,763
Others						
Outflows	-	-	-	-	-	-
Inflows	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	\$ 132,133,356	\$ 202,475,526	\$ 70,336,542	\$ 79,134,719	\$ 1,328,151	\$ 485,408,294

(In Thousands of New Taiwan Dollars and Foreign Currencies)

Item	September 30, 2020					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Foreign currency derivative instruments						
Outflows	\$ 108,130,881	\$ 266,973,326	\$ 104,813,242	\$ 80,750,050	\$ -	\$ 560,667,499
Inflows	107,712,264	266,157,269	104,736,477	80,793,844	-	559,399,854
Interest rate derivative instruments						
Outflows	127	3,946,840	3,303,180	-	20,900	7,271,047
Inflows	76,201	3,768,700	3,188,900	4,042	-	7,037,843
Others						
Outflows	-	-	-	-	-	-
Inflows	30,744	-	-	-	-	30,744
Total outflows	\$ 108,131,008	\$ 270,920,166	\$ 108,116,422	\$ 80,750,050	\$ 20,900	\$ 567,938,546
Total inflows	\$ 107,819,209	\$ 269,925,969	\$ 107,925,377	\$ 80,797,886	\$ -	\$ 566,468,441

## 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	September 30, 2021					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Irrevocable loan commitments issued	\$ 76,930,805	\$ 858,858	\$ 1,284,884	\$ 3,980,909	\$ 8,040,911	\$ 91,096,367
Credit card commitments	13	168	270	813	370,846	372,110
Letters of credit issued yet unused	27,001,469	121,525	-	-	-	27,122,994
Guarantees	56,984,180	241,519	58,063	131,061	71,709	57,486,532
	\$ 160,916,467	\$ 1,222,070	\$ 1,343,217	\$ 4,112,783	\$ 8,483,466	\$ 176,078,003

(In Thousands of New Taiwan Dollars)

Item	December 31, 2020					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Irrevocable loan commitments issued	\$ 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
Letters of credit issued yet unused	22,360,834	143,334	-	-	-	22,504,168
Guarantees	58,134,932	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	\$ 151,369,743

(In Thousands of New Taiwan Dollars)

Item	September 30, 2020					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Irrevocable loan commitments issued	\$ 62,942,713	\$ 44,667	\$ 739,418	\$ 2,508,494	\$ 9,516,674	\$ 75,751,966
Credit card commitments	1,570	3,294	7,792	34,479	414,585	461,720
Letters of credit issued yet unused	20,727,612	89,031	18,451	-	-	20,835,094
Guarantees	59,804,162	475,573	244,262	227,799	63,577	60,815,373
	\$ 143,476,057	\$ 612,565	\$ 1,009,923	\$ 2,770,772	\$ 9,994,836	\$ 157,864,153

### 35. OTHER DISCLOSURES OF FINANCIAL INSTITUTION

#### a. Asset quality

Item			September 30, 2021					September 30, 2020				
			Non-performing Loans (Note a)	Loans	Non-performing Loans Ratio (Note b)	Allowance for Loan Losses	Coverage Ratio (Note c)	Non-performing Loans (Note a)	Loans	Non-performing Loans Ratio (Note b)	Allowance for Loan Losses	Coverage Ratio (Note c)
Business Type												
Corporate finance	Secured		\$ 3,639,109	\$ 527,638,106	0.69%	\$ 6,218,658	170.88%	\$ 3,584,400	\$ 497,620,451	0.72%	\$ 5,874,891	163.90%
	Unsecured		544,615	458,807,115	0.12%	5,325,367	977.82%	921,454	441,194,255	0.21%	5,444,061	590.81%
Consumer finance	Mortgage loans (Note d)		388,959	369,545,037	0.11%	5,573,082	1,432.82%	450,811	316,680,501	0.14%	4,784,727	1,061.36%
	Cash cards (Note h)		-	-	-	-	-	-	-	-	-	-
	Credit loans (Note e)		2,170	2,591,831	0.08%	30,452	1,403.32%	6,590	2,142,386	0.31%	24,444	370.93%
	Others (Note f)	Secured	706,139	220,438,968	0.32%	2,248,321	318.40%	844,545	207,472,078	0.41%	2,136,454	252.97%
		Unsecured	2,723	1,441,412	0.19%	15,992	587.29%	2,756	1,293,334	0.21%	15,312	555.59%
Total			5,283,715	1,580,462,469	0.33%	19,411,872	367.39%	5,810,556	1,466,403,005	0.40%	18,279,889	314.60%

Item		September 30, 2021					September 30, 2020				
		Non-performing Loans (Note a)	Loans	Non-performing Loans Ratio (Note b)	Allowance for Loan Losses	Coverage Ratio (Note c)	Non-performing Loans (Note a)	Loans	Non-performing Loans Ratio (Note b)	Allowance for Loan Losses	Coverage Ratio (Note c)
Business Type											
Credit card		\$ 4,700	\$ 2,406,948	0.20%	\$ 22,196	472.26%	\$ 2,773	\$ 2,139,987	0.13%	\$ 18,522	667.94%
Non-recourse receivable factoring (Note g)		-	10,467,886	-	154,679	-	-	9,974,671	-	149,799	-

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 loan ÷ 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) 09440010950), 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 factorings are not defined as non-performing loans until compensation from factors or insurance companies are ascertained to be non-recoverable.

Note h: The Bank does not engage in cash card business.

Item  Business Type	September 30, 2021		September 30, 2020	
	Non-performing Loans Exempted from Reporting	Non-performing Receivables Exempted from Reporting	Non-performing Loans Exempted from Reporting	Non-performing Receivables Exempted from Reporting
Negotiated loans transacted in accordance with the agreement and exempted from reporting as non-performing loans (Note a)	\$ -	\$ 522	\$ -	\$ 750
Negotiated accounts receivable transacted in accordance with the agreement and exempted from reporting as non-performing receivables (Note b)	111	20,269	433	20,467
Total	111	20,791	433	21,217

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

September 30, 2021			
Rank (Note a)	Transaction Party (Note b)	Loans (Note c)	As Proportion of Net Equity (%) (Note d)
1	A Corporation (railway transportation industry)	\$ 24,294,969	14.44
2	B Group (airline industry)	23,113,608	13.74
3	C Group (synthesis construction industry)	16,330,000	9.71
4	D Group (steel smelting industry)	16,214,510	9.64
5	E Group (other holding businesses industry)	14,304,653	8.50
6	F Group (steel manufacturing industry)	8,501,690	5.05
7	G Group (other computer peripheral equipment manufacturing industry)	8,314,670	4.94
8	H Group (computer manufacturing industry)	7,034,537	4.18
9	I Group (chemical material manufacturing industry)	6,733,032	4.00
10	J Group (real estate development industry)	6,000,000	3.57



September 30, 2020			
Rank (Note a)	Transaction Party (Note b)	Loans (Note c)	As Proportion of Net Equity (%) (Note d)
1	B Group (airline industry)	\$ 25,733,311	15.73
2	A Corporation (railway transportation industry)	24,052,321	14.70
3	C Group (synthesis construction industry)	17,320,000	10.59
4	I Group (concrete manufacturing industry)	12,330,366	7.54
5	E Group (enterprise general management agency)	10,675,339	6.53
6	D Group (steel smelting industry)	8,767,002	5.36
7	G Group (other computer peripheral equipment manufacturing industry)	7,324,677	4.48
8	F Group (steel manufacturing industry)	7,229,385	4.42
9	K Group (computer manufacturing industry)	6,252,461	3.82
10	L Group (real estate development industry)	6,180,654	3.78

Note a: Sorted by the balance of loans on September 30, 2021 and 2020, 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, 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's 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	September 30, 2021				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	\$ 1,558,697,166	\$ 75,315,874	\$ 57,089,195	\$ 163,982,334	\$ 1,855,084,569
Interest-sensitive liabilities	345,639,768	1,117,118,821	88,123,107	57,128,911	1,608,010,607
Interest sensitivity gap	1,213,057,398	(1,041,802,947)	(31,033,912)	106,853,423	247,073,962
Net equity					145,826,114
Ratio of interest-sensitive assets to liabilities					115.37%
Ratio of interest sensitivity gap to net equity					169.43%

(In Thousands of New Taiwan Dollars)

Item	September 30, 2020				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	\$ 1,435,549,885	\$ 64,168,891	\$ 52,173,497	\$ 124,091,586	\$ 1,675,983,859
Interest-sensitive liabilities	308,665,753	992,538,743	89,290,308	49,840,921	1,440,335,725
Interest sensitivity gap	1,126,884,132	(928,369,852)	(37,116,811)	74,250,665	235,648,134
Net equity					142,217,631
Ratio of interest-sensitive assets to liabilities					116.36%
Ratio of interest sensitivity gap to net equity					165.70%

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)

(In Thousands of U.S. Dollars)

Item	September 30, 2021				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	\$ 13,781,546	\$ 968,602	\$ 159,081	\$ 2,118,827	\$ 17,028,056
Interest-sensitive liabilities	18,027,961	1,723,215	1,383,344	4	21,134,524
Interest sensitivity gap	(4,246,415)	(754,613)	(1,224,263)	2,118,823	(4,106,468)
Net equity					605,840
Ratio of interest-sensitive assets to liabilities					80.57%
Ratio of interest sensitivity gap to net equity					(677.81%)

(In Thousands of U.S. Dollars)

Item	September 30, 2020				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	\$ 11,144,737	\$ 883,134	\$ 715,114	\$ 347,455	\$ 13,090,440
Interest-sensitive liabilities	13,626,768	1,923,191	1,488,272	59	17,038,290
Interest sensitivity gap	(2,482,031)	(1,040,057)	(773,158)	347,396	(3,947,850)
Net equity					542,827
Ratio of interest-sensitive assets to liabilities					76.83%
Ratio of interest sensitivity gap to net equity					(727.28%)

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)

d. Profitability

Item		September 30, 2021	September 30, 2020
Return on total assets	Pretax	0.33%	0.31%
	After tax	0.29%	0.26%
Return on net equity	Pretax	4.67%	4.16%
	After tax	4.07%	3.47%
Profit margin		31.30%	26.96%

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 September 30, 2021 and 2020.

e. Maturity analysis of assets and liabilities

(In Thousands of New Taiwan Dollars)

	Total	September 30, 2021					
		Period Remaining until Due Date and Amount Due					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year
Major maturity cash inflows	\$ 2,212,189,772	\$ 224,469,812	\$ 202,727,248	\$ 282,673,552	\$ 206,310,888	\$ 292,883,866	\$ 1,003,124,406
Major maturity cash outflows	2,758,666,241	125,202,335	185,918,177	400,590,838	418,210,668	530,990,185	1,097,754,038
Gap	(546,476,469)	99,267,477	16,809,071	(117,917,286)	(211,899,780)	(238,106,319)	(94,629,632)

(In Thousands of New Taiwan Dollars)

	Total	September 30, 2020					
		Period Remaining until Due Date and Amount Due					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year
Major maturity cash inflows	\$ 1,989,555,494	\$ 175,705,287	\$ 207,384,009	\$ 284,172,160	\$ 189,883,163	\$ 288,799,100	\$ 843,611,775
Major maturity cash outflows	2,542,081,749	99,090,891	143,473,947	415,546,629	340,517,680	477,182,816	1,066,269,786
Gap	(552,526,255)	76,614,396	63,910,062	(131,374,469)	(150,634,517)	(188,383,716)	(222,658,011)

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	September 30, 2021				
		Period Remaining until Due Date and Amount Due				
		1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year
Major maturity cash inflows	\$ 30,689,771	\$ 11,650,417	\$ 6,147,083	\$ 4,515,043	\$ 2,147,281	\$ 6,229,947
Major maturity cash outflows	34,628,907	12,060,649	5,435,273	4,878,178	5,255,021	6,999,786
Gap	(3,939,136)	(410,232)	711,810	(363,135)	(3,107,740)	(769,839)

(In Thousands of U.S. Dollars)

	Total	September 30, 2020				
		Period Remaining until Due Date and Amount Due				
		1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year
Major maturity cash inflows	\$ 24,313,242	\$ 7,771,053	\$ 6,363,475	\$ 3,134,774	\$ 2,352,701	\$ 4,691,239
Major maturity cash outflows	28,464,885	8,084,557	4,935,587	4,458,265	4,791,307	6,195,169
Gap	(4,151,643)	(313,504)	1,427,888	(1,323,491)	(2,438,606)	(1,503,930)

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 September 30, 2021 and 2020 were as follows:

	<b>September 30</b>	
	<b>2021</b>	<b>2020</b>
Special purpose trust accounts - domestic	\$ 36,841,560	\$ 30,531,525
Special purpose trust accounts - foreign	70,572,958	71,769,563
Insurance trust	9,783	10,795
Retirement and breeds trust	482,893	443,928
Umbilical-cord-blood trust	13,117,311	12,362,734
Money claim and guarantee trust	54,800	56,800
Marketable securities trust	1,470,899	886,497
Real estate trust	19,689,991	18,019,895
Securities under custody	257,861,634	242,765,166
Other money trust	<u>3,570,078</u>	<u>3,382,172</u>
	<u>\$ 403,671,907</u>	<u>\$ 380,229,075</u>

### 36. RELATED PARTY TRANSACTIONS

a. Related parties and their relationships with the Bank

<b>Name</b>	<b>Relationship</b>
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)
Chunghwa 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
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 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
EirGenix, Inc.	Its director is the Bank's corporate director
Kaohsiung Rapid Transit Corporation	Its director is the Bank's corporate director
Lungteh Shipbuilding Co., Ltd.	Its director is the Bank's corporate director
China Airlines, Ltd.	Its director is the Bank's corporate director
Taichung Commercial Bank Co., Ltd.	Its director is the spouse of the Bank's manager
Others	Other related parties (IAS 24 "Related Party Disclosures")

b. Significant transactions with related parties

1) Loans

	Balance	Percentage of Loans (%)
Balance as of September 30, 2021	\$ 29,179,179	1.85
Balance as of December 31, 2020	32,684,371	2.21
Balance as of September 30, 2020	30,958,455	2.12

For the nine months ended September 30, 2021 and 2020, interest rates ranged from 0.56% to 3.57% and from 0.00% to 3.58%, respectively, and interest income amounted to \$383,799 thousand and \$408,806 thousand, respectively. For the three months ended September 30, 2021 and 2020, interest income amounted to \$126,834 thousand and \$126,547 thousand, respectively.

	September 30, 2021					Difference in Terms Between Related Parties and Non-related Parties
	Ending Balance	Highest Amount	Normal Loans	Non-performing Loans	Collateral	
<u>Consumer loans</u>						
49 accounts	\$ 26,737	\$ 28,230	\$ 26,737	\$	Credit	None
<u>Self-use residential mortgage loans</u>						
256 accounts	1,630,758	1,718,085	1,630,758		Real estate	None
<u>Others</u>						
Taiwan High Speed Rail Corporation	23,959,116	23,972,844	23,959,116	-	Credit and station equipment	None
Yang Ming Marine Transport Corporation	795,000	2,314,500	795,000	-	Credit and ship	None
China Airlines, Ltd.	1,000,000	2,000,000	1,000,000	-	Credit and fund guarantee	None
Unity Opto Technology Co., Ltd.	629,049	1,258,925	629,049	-	Credit and land and plant	None
United Renewable Energy Co., Ltd.	380,953	437,465	380,953	-	Credit	None
Powtec Electrochemical Corporation	266,512	466,027	-	266,512	Plant	None
Lungteh Shipbuilding Co., Ltd.	151,465	233,498	151,465	-	Credit and land and plant	None
Other - 10 corporation accounts (Note 1)	338,902	1,827,622	338,902	-	Credit and fund guarantee and real estate	None
Other - 4 individual accounts (Note 2)	689	804	689	-	Deposit	None

December 31, 2020							Difference in Terms Between Related Parties and Non-related Parties
	Ending Balance	Highest Amount	Normal Loans	Non-performing Loans	Collateral		
<u>Consumer loans</u>							
48 accounts	\$ 28,650	\$ 30,104	\$ 28,650	\$ -	Credit	None	
<u>Self-use residential mortgage loans</u>							
251 accounts	1,587,334	1,640,520	1,587,334	-	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 and land and plant	None	
Powtec Electrochemical 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 Corporation	200,000	530,000	200,000	-	Credit	None	
Lungteh Shipbuilding Co., Ltd.	120,224	136,804	120,224	-	Credit and land and plant	None	
EirGenix, Inc.	103,365	103,365	103,365	-	Plant	None	
Other - 9 corporation accounts (Note 1)	290,324	459,012	290,324	-	Credit and fund guarantee and real estate	None	
Other - 7 individual accounts (Note 2)	2,301	2,535	2,301	-	Deposit	None	
September 30, 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>							
49 accounts	\$ 30,279	\$ 32,547	\$ 30,279	\$ -	Credit	None	
<u>Self-use residential mortgage loans</u>							
240 accounts	1,530,155	1,574,413	1,530,155	-	Real estate	None	
<u>Others</u>							
Taiwan High Speed Rail Corporation	23,969,493	24,978,096	23,969,493	-	Credit and station equipment	None	
Yang Ming Marine Transport Corporation	2,894,500	3,434,500	2,894,500	-	Credit and ship	None	
Unity Opto Technology Co., Ltd.	631,674	1,138,481	631,674	-	Credit and land and plant	None	
China Airlines, Ltd.	550,000	550,000	550,000	-	Credit and fund guarantee	None	
Powtec Electrochemical Corporation	466,027	668,002	-	466,027	Credit and plant	None	
United Renewable Energy Co., Ltd.	357,355	518,402	357,355	-	Credit	None	
EirGenix, Inc.	103,365	103,365	103,365	-	Plant	None	
Other - 11 corporation accounts (Note 1)	423,869	2,799,387	423,869	-	Credit and fund guarantee and real estate	None	
Other - 4 individual accounts (Note 2)	1,737	1,740	1,737	-	Deposit	None	

Note 1: The balance of every corporate entity is not over \$1 billion.

Note 2: The balance of every single entity is not over 1% of the total ending balance.

Mortgage loans to managers within \$8,000 thousand and credit loans within \$800 thousand per person bore interests at 1.01%, 1.01% and 0.51% on September 30, 2021, December 31, 2020 and September 30, 2020, respectively. The interest rates and other terms provided to other related parties are the same as those offered to the public.

2) Guaranteed loans

	September 30, 2021				
	Ending Balance	Highest Amount	Reserve for Guarantee Liabilities	Interest Rate (Per Annum %)	Collateral
CSBC Corporation	\$ 2,133,316	\$ 2,136,516	\$ 21,333	0.50-0.65	None
Yang Ming Marine Transport Corporation	1,514,475	1,514,475	15,145	0.80-1.00	None
Kaohsiung Rapid Transit Corporation	6,000	6,000	60	0.50	None
Lungteh Shipbuilding Co., Ltd.	110,312	111,677	1,103	1.00	None
	December 31, 2020				
	Ending Balance	Highest Amount	Reserve for Guarantee Liabilities	Interest Rate (Per Annum %)	Collateral
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
	September 30, 2020				
	Ending Balance	Highest Amount	Reserve for Guarantee Liabilities	Interest Rate (Per Annum %)	Collateral
CSBC Corporation	\$ 2,010,650	\$ 2,010,650	\$ 20,107	0.65	None
Yang Ming Marine Transport Corporation	1,511,100	1,511,100	15,111	0.80-1.00	None
Kaohsiung Rapid Transit Corporation	6,000	6,000	60	0.50	None

3) Deposits

	Balance	Percentage of Loans (%)
Balance as of September 30, 2021	\$ 31,222,312	1.53
Balance as of December 31, 2020	7,384,898	0.39
Balance as of September 30, 2020	9,862,783	0.54

For the nine months ended September 30, 2021 and 2020, the interest rate intervals were between 0.00% and 13.00%, the interest expense amounted to \$56,150 thousand and \$85,755 thousand, respectively, for the three months ended September 30, 2021 and 2020, the interest expense amounted to \$15,659 thousand and \$16,620 thousand, respectively.

The interest rate for managers' deposits amounting to \$480 thousand per person was 13% per annum. The portion of deposits exceeding \$480 thousand will earn interest calculated at the demand savings rate. The interest rates and others terms provided to other related parties are the same as those offered to general public.

4) Transactions of derivative financial products

(In Thousands of New Taiwan Dollars)

Name	Contract	Duration	September 30, 2021			
			Nominal Principal Amount	Current Valuation Gain (Loss)	Balance Sheet	
					Subject	Amount
Chunghwa Post Co., Ltd	Currency swaps	2021.5.24-2022.7.22	\$ 13,368,000	\$ (4,520)	Financial liabilities at fair value through profit or loss	\$ 4,520

(In Thousands of New Taiwan Dollars)

Name	Contract	Duration	December 31, 2020			
			Nominal Principal Amount	Current Valuation Gain (Loss)	Balance Sheet	
					Subject	Amount
Chunghwa Post Co	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)

Name	Contract	Duration	September 30, 2020			
			Nominal Principal Amount	Current Valuation Gain (Loss)	Balance Sheet	
					Subject	Amount
Chunghwa Post Co., Ltd	Currency swaps	2020.7.24-2021.5.10	\$ 12,320,750	\$ (181,535)	Financial liabilities at fair value through profit or loss	\$ 181,535

5) Call loans to banks and call loans from banks

Call loans to banks

(In Thousands of Original Currencies)

Name	Department	Currency	September 30, 2021			
			Ending Balance	Interest Rate (Per Annum %)	Interest Income for the Three Months Ended	Interest Income for the Nine Months Ended
					September 30, 2021	September 30, 2021
Chunghwa Post Co. Land Bank	DBU	NTD	\$ 15,000	0.08-0.62	\$ 23	\$ 66
	DBU	NTD	10,000	0.08-0.47	40	1,527
	OBU	USD	115,000	0.06-0.33	66	159
	London Branch	USD	10,000	0.18-0.26	6	13
	Hong Kong Branch	USD	100,000	0.15-0.35	52	146
Taiwan Business Bank	OBU	USD	15,000	0.09-0.32	2	15
	Tokyo Branch	USD	15,000	0.14-0.25	7	21



December 31, 2020					
Name	Department	Currency	Ending Balance	Interest Rate (Per Annum %)	Interest Income
Chunghwa Post Co. Land Bank	DBU	NTD	\$ 15,000	0.08-0.77	\$ 445
	DBU	NTD	2,005,000	0.07-0.67	3,201
	OBU	USD	115,000	0.08-2.35	1,423
	OBU	AUD	80,000	0.06-0.38	53
	Hong Kong Branch	USD	40,000	0.10-2.38	768
Taiwan Business Bank	OBU	USD	30,000	0.09-2.30	143
	Tokyo Branch	USD	15,000	0.16-0.53	13
	Hong Kong Branch	USD	30,000	0.14-2.37	197
Taichung Commercial Bank	DBU	NTD	500,000	0.20-0.43	1,030
	OBU	JPY	1,500,000	0.02	3

September 30, 2020						
Name	Department	Currency	Ending Balance	Interest Rate (Per Annum %)	Interest Income for the Three Months Ended September 30, 2020	Interest Income for the Nine Months Ended September 30, 2020
Chunghwa Post Co. Land Bank	DBU	NTD	\$ 15,000	0.08-0.77	\$ 23	\$ 364
	DBU	NTD	5,000	0.07-0.67	314	2,369
	OBU	USD	190,000	0.08-2.35	115	1,306
	OBU	AUD	81,000	0.22-0.38	27	35
	Hong Kong Branch	USD	50,000	0.10-2.38	53	725
Taiwan Business Bank	OBU	RMB	70,000	0.75-3.15	6	18
	Tokyo Branch	USD	15,000	0.18-0.23	4	4
Taichung Commercial Bank	DBU	NTD	500,000	0.24-0.43	194	731

### Call loans from banks

(In Thousands of Original Currencies)

September 30, 2021						
Name	Department	Currency	Ending Balance	Interest Rate (Per Annum %)	Interest Expense for the Three Months Ended September 30, 2021	Interest Expense for the Nine Months Ended September 30, 2021
Land Bank	DBU	NTD	\$ 5,000	0.08-0.48	\$ 17	\$ 29
	OBU	ZAR	80,000	4.30-5.15	884	884
Taiwan Business Bank	OBU	ZAR	20,000	3.50-7.50	95	140
Taichung Commercial Bank	OBU	ZAR	40,000	4.30-6.00	516	526

December 31, 2020					
Name	Department	Currency	Ending Balance	Interest Rate (Per Annum %)	Interest Expense
Land Bank	DBU	NTD	\$ 5,000	0.18-0.66	\$ 180
Taiwan Business Bank	Singapore Branch	SGD	6,000	0.10-2.20	41

September 30, 2020						
Name	Department	Currency	Ending Balance	Interest Rate (Per Annum %)	Interest Expense for the Three Months Ended September 30, 2021	Interest Expense for the Nine Months Ended September 30, 2021
Land Bank	DBU	NTD	\$ 5,000	0.18-0.66	\$ 10	\$ 174
	New York Branch	USD	20,000	0.14-2.00	5	165

6) Due from banks and deposits from banks

Due from banks

(In Thousands of New Taiwan Dollars)

Name	Department	Currency	September 30, 2021	December 31, 2020	September 30, 2020
			Ending Balance	Ending Balance	Ending Balance
Land Bank	DBU	NTD	\$ 4	\$ 4	\$ 4
Taiwan Business Bank	DBU	NTD	26,544	4	291
Chunghwa Post Co	DBU	NTD	235	121	155

Deposits from banks

(In Thousands of Original Currencies)

Name	Department	Currency	September 30, 2021	December 31, 2020	September 30, 2020
			Ending Balance	Ending Balance	Ending Balance
Land Bank	DBU	NTD	\$ 277	\$ 277	\$ 277
The Export-Import Bank	DBU	NTD	1,922	2,205	386
Taishin International Bank	New York Branch	USD	68	68	69
Chunghwa Post Co	DBU	NTD	285,083	355,766	343,192

c. Compensation of directors and management personnel

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Short-term employee benefits	\$ 11,310	\$ 10,229	\$ 33,859	\$ 32,644
Post-employment benefits	<u>406</u>	<u>268</u>	<u>1,221</u>	<u>21,094</u>
	<u>\$ 11,716</u>	<u>\$ 10,497</u>	<u>\$ 35,080</u>	<u>\$ 53,738</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 on April 8, 2020 and April 30, 2020, with its subsidiaries Chang Hua Commercial Bank, Ltd. and Chang Hwa Bank Venture Capital Co., Ltd., respectively and recognized other income in the amount of \$1,659 thousand in 2021.

The Bank signed three-year legal advice service contract with its subsidiary, Chang Hwa Bank Venture Capital Co., Ltd., on November 26, 2020. Under the contract, the annual service fee is \$68 thousand.

### 37. PLEDGED ASSETS

The summary of the Bank's pledged assets as of September 30, 2021, December 31, 2020 and September 30, 2020 is as follows:

Pledged Assets	Description	September 30, 2021	December 31, 2020	September 30, 2020
Investments in debt instruments at FVTOCI	Bonds	\$ 5,746,467	\$ 1,126,969	\$ 971,912
Investments in debt instruments at amortized cost	Bonds and certificates of deposit	41,439,250	41,440,500	41,589,854
Time deposits with original maturities of more than 3 months	Time deposits	2,795,650	2,811,250	2,765,100
Refundable deposits	Cash	801,941	2,601,890	931,227
Reserves Account B	Cash	30,000,000	30,000,000	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 September 30, 2021, December 31, 2020 and September 30, 2020:

	September 30, 2021	December 31, 2020	September 30, 2020
Trust liabilities	\$ 403,671,907	\$ 377,589,720	\$ 380,229,075
Unused loan commitments (excluding credit cards)	91,096,367	69,752,198	75,751,966
Credit card commitments	372,110	348,160	461,720
Unused issued letters of credit	27,122,994	22,504,168	20,835,094
Guarantees issued in guarantee business	57,486,532	58,765,217	60,815,373
Repayment notes and time deposits held for custody	14,733,833	14,530,602	12,541,833
Liabilities on joint loans	483,721	629,849	669,227

The unrecognized commitments for the acquisition of equipment and intangible assets, as well as the commitments for construction, appointment and security service as of September 30, 2021 were in the amounts of \$1,396,217 thousand, \$56,688 thousand, \$521,894 thousand and \$34,314 thousand, respectively. The unrecognized refundable deposits for national financing guarantee promotion plan were \$67,875 thousand.

- 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 held hearings on September 3, 2019, November 4, 2019, January 14, 2020, May 11, 2020, July 16, 2020, September 30, 2020, November 25, 2020, January 25, 2021, April 12, 2021 and July 26, 2021. The Taiwan High Court sentenced the Bank to win the case without compensation on September 7, 2021, but TDK Corporation appealed to the Taiwan High Court against its sentence on October 26, 2021.

- c. The Bank's North Taichung branch was fined due to the misappropriation of customers' deposits. The customer has prosecuted a lawsuit against the Bank at the Taiwan Taichung District Court on June 25, 2021 regarding the misappropriation of the deposit amount and the loss of wealth management products. The subject-matter amount of money was \$369,778 thousand. The first trial was held on October 26, 2021 and the next trial procedure is scheduled to proceed on December 16, 2021.

### 39. OTHER ITEMS

The outbreak of the COVID-19 has had a significant global impact since the beginning of 2020, 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 nine months ended September 30, 2021	None
2	Acquisition of fixed assets over NT\$300 million or 10% of outstanding capital for the nine months ended September 30, 2021	None
3	Disposal of fixed assets over NT\$300 million or 10% of outstanding capital for the nine months ended September 30, 2021	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 September 30, 2021	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 September 30, 2021	Table 2
5	Accumulated purchases and sales balance of specific marketable security over NT\$300 million or 10% of outstanding capital for the nine months ended September 30, 2021	None
6	Acquisition of property, plant and equipment over NT\$300 million or 10% of outstanding capital for the nine months ended September 30, 2021	None
7	Disposal of property, plant and equipment over NT\$300 million or 10% of outstanding capital for the nine months ended September 30, 2021	None
8	Receivables from related parties over NT\$300 million or 10% of outstanding capital as of September 30, 2021	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. 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 Nine Months Ended September 30, 2021						Total
	Loans	Deposits	Financial Instruments and Investments	Wealth Management	Overseas Branches and Subsidiaries	Others	
Net interest income	\$ 9,730,083	\$ 3,615,319	\$ (164,613)	\$ -	\$ 1,932,735	\$ (11,750)	\$ 15,101,774
Net service fee income	1,069,058	177,003	(23,244)	2,101,645	69,891	-	3,394,353
Net income on financial instrument	-	-	2,714,090	-	127,338	-	2,841,428
Others	56,825	-	2,710	-	4,124	241,041	304,700
Net revenue and gains	<u>10,855,966</u>	<u>3,792,322</u>	<u>2,528,943</u>	<u>2,101,645</u>	<u>2,134,088</u>	<u>229,291</u>	<u>21,642,255</u>
Bad debts expense, commitment and guarantee liability provision	(471,362)	-	231	-	(923,829)	-	(1,394,960)
Operating expenses	-	-	-	-	-	-	(12,461,082)
Income before income tax	<u>\$ 10,384,604</u>	<u>\$ 3,792,322</u>	<u>\$ 2,529,174</u>	<u>\$ 2,101,645</u>	<u>\$ 1,210,259</u>	<u>\$ 229,291</u>	<u>\$ 7,786,213</u>

	For the Nine Months Ended September 30, 2020						
	Loans	Deposits	Financial Instruments and Investments	Wealth Management	Overseas Branches and Subsidiaries	Others	Total
Net interest income	\$ 9,516,297	\$ 3,461,013	\$ (938,587)	\$ -	\$ 2,296,133	\$ (14,112)	\$ 14,320,744
Net service fee income	1,114,994	169,602	(23,041)	2,044,943	86,066	-	3,392,564
Net income on financial instrument	-	-	2,897,551	-	109,913	-	3,007,464
Others	9,910	-	3,247	-	44,698	195,527	253,382
Net revenue and gains	<u>10,641,201</u>	<u>3,630,615</u>	<u>1,939,170</u>	<u>2,044,943</u>	<u>2,536,810</u>	<u>181,415</u>	<u>20,974,154</u>
Bad debts expense, commitment and guarantee liability provision	(505,698)	-	217	-	(1,881,433)	-	(2,386,914)
Operating expenses	-	-	-	-	-	-	(11,814,443)
Income before income tax	<u>\$ 10,135,503</u>	<u>\$ 3,630,615</u>	<u>\$ 1,939,387</u>	<u>\$ 2,044,943</u>	<u>\$ 655,377</u>	<u>\$ 181,415</u>	<u>\$ 6,772,797</u>

The revenue and results on the reported segment information did not include inter-segment revenue for the nine months ended September 30, 2021 and 2020.

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

	September 30, 2021						
	Loans	Deposits	Financial Instruments and Investments	Wealth Management	Overseas Branches and Subsidiaries	Others	Total
Assets	<u>\$ 1,492,966,424</u>	<u>\$ -</u>	<u>\$ 697,870,483</u>	<u>\$ -</u>	<u>\$ 167,138,679</u>	<u>\$ 81,722,145</u>	<u>\$ 2,439,697,731</u>
Liabilities	<u>\$ 3,040,437</u>	<u>\$ 2,002,330,172</u>	<u>\$ 72,151,892</u>	<u>\$ -</u>	<u>\$ 108,681,004</u>	<u>\$ 85,246,974</u>	<u>\$ 2,271,450,479</u>

  

	December 31, 2020						
	Loans	Deposits	Financial Instruments and Investments	Wealth Management	Overseas Branches and Subsidiaries	Others	Total
Assets	<u>\$ 1,388,038,660</u>	<u>\$ -</u>	<u>\$ 675,755,496</u>	<u>\$ -</u>	<u>\$ 165,778,550</u>	<u>\$ 83,867,513</u>	<u>\$ 2,313,440,219</u>
Liabilities	<u>\$ 1,973,128</u>	<u>\$ 1,877,383,413</u>	<u>\$ 100,757,373</u>	<u>\$ -</u>	<u>\$ 114,731,759</u>	<u>\$ 53,540,756</u>	<u>\$ 2,148,386,429</u>

  

	September 30, 2020						
	Loans	Deposits	Financial Instruments and Investments	Wealth Management	Overseas Branches and Subsidiaries	Others	Total
Assets	<u>\$ 1,368,992,986</u>	<u>\$ -</u>	<u>\$ 597,542,356</u>	<u>\$ -</u>	<u>\$ 173,917,395</u>	<u>\$ 84,433,782</u>	<u>\$ 2,224,886,519</u>
Liabilities	<u>\$ 2,142,480</u>	<u>\$ 1,795,414,088</u>	<u>\$ 85,866,103</u>	<u>\$ -</u>	<u>\$ 121,825,585</u>	<u>\$ 56,055,033</u>	<u>\$ 2,061,303,289</u>

**TABLE 1**

**CHANG HWA COMMERCIAL BANK, LTD.**

**INFORMATION ON INVESTEEES’ NAMES AND LOCATIONS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021  
(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 September 30, 2021	End of December 31, 2020	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	\$ 12,979,309 651,884	\$ 89,152 69,206	\$ 89,152 69,206	

Note: Limited company organization.

**TABLE 2****CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES****MARKETABLE SECURITIES HELD****SEPTEMBER 30, 2021****(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	September 30, 2021				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	1,340,000	\$ 37,922	0.5	\$ 37,922	
	Cheng Mei Instrument Technology Co., Ltd.	-	Financial assets at fair value through other comprehensive income	790,000	16,566	2.7	16,566	
	Jada International Development Co., Ltd.	-	Financial assets at fair value through other comprehensive income	2,919,378	29,990	8.5	29,990	
	Yuh Shan Environmental Engineering Co., Ltd.	-	Financial assets at fair value through profit or loss	500,000	10,000	2.0	10,000	
	Acer E-enabling Service Business Inc.	-	Financial assets at fair value through profit or loss	405,813	89,080	1.1	89,080	
	Advanced Wireless & Antenna Inc.	-	Financial assets at fair value through profit or loss	250,000	7,438	1.0	7,438	
	Huang Chieh Metal Composite Material Tech. Co., Ltd.	-	Financial assets at fair value through profit or loss	350,000	13,689	0.6	13,689	
	Ina Energy Corporation	-	Financial assets at fair value through profit or loss	2,000,000	34,000	1.0	34,000	
	imedtac Co., Ltd.	-	Financial assets at fair value through profit or loss	300,000	16,500	2.4	16,500	
	Locus Cell Co., Ltd.	-	Financial assets at fair value through profit or loss	3,600,000	36,000	1.8	36,000	
	Great Giant Fibre Garment Co., Ltd.	-	Financial assets at fair value through profit or loss	365,318	38,500	0.6	38,500	
	MegaPro Biomedical Co., Ltd.	-	Financial assets at fair value through profit or loss	500,000	17,500	0.9	17,500	
	Ace Medical Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	1,000,000	30,000	4.9	30,000	
	Mesh Cooperative Ventures Inc.	-	Financial assets at fair value through profit or loss	-	6,000	-	6,000	

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.



## CHANG HWA COMMERCIAL BANK, LTD.

INFORMATION ON INVESTMENT IN MAINLAND CHINA  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1.

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2021	Investment Flows		Accumulated Outflow of Investment from Taiwan as of September 30, 2021	Net Income (Loss) of the Investee (Note 2)	% of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of September 30, 2021	Accumulated Repatriation of Investment Income as of September 30, 2021	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)	\$ 89,152	100	\$ 89,152	\$ 12,979,309	\$ -	

2.

Accumulated Outward Remittance for Investment in Mainland China September 30, 2021	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)	\$ 25,237,088

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 into 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 "Regulations Governing Investments by Bank, Financial Holding Companies and their Affiliated Enterprises in Mainland China" announced by the FSC, the accumulated outflow of operating funds and investment from the following parties may not exceed 15% of net assets in the most recent financial statements:

- 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 stock with voting rights or more than 50% of capital held by banks in Taiwan that have investments in mainland China.

**TABLE 4****CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES****INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021****(In Thousands of New Taiwan Dollars, Except for Percentage and Stock)**

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	\$ 25,969	Same as normal customers	-
		Chang Hua Commercial Bank, Ltd.	a.	Cash and cash equivalents	196,323	Same as normal customers	0.01
		Chang Hua Commercial Bank, Ltd.	a.	Receivables	214,624	Same as normal customers	0.01
		Chang Hua Commercial Bank, Ltd.	a.	Other financial assets	4,301,000	Same as normal customers	0.18
		Chang Hua Commercial Bank, Ltd.	a.	Interest income	89,993	Same as normal customers	0.42
		Chang Hua Commercial Bank, Ltd.	a.	Net non-interest income	1,659	Same as normal customers	0.01
		Chang Hwa Bank Venture Capital Co., Ltd.	a.	Deposits and remittances	254,712	Same as normal customers	0.01
		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	189	Same as normal customers	-
		Chang Hwa Bank Venture Capital Co., Ltd.	a.	Net non-interest income	1,582	Same as normal customers	0.01

Note 1: Transaction details and 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. AND SUBSIDIARIES****INFORMATION OF MAJOR SHAREHOLDERS  
SEPTEMBER 30, 2021**

Name of Major Shareholders	Shares	
	Number of Shares	Percentage of Ownership (%)
Taishin Financial Holding Co., Ltd.	2,162,772,826	20.62
Ministry of Finance	1,278,869,918	12.19
Chunghwa Post Co., Ltd.	629,358,864	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.