Chang Hwa Commercial Bank, Ltd. and Subsidiaries

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

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The entities that are required to be included in the combined financial statements of Chang Hwa Commercial Bank, Ltd. as of and for the year ended December 31, 2021, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard 10, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Chang Hwa Commercial Bank, Ltd. and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

CHANG HWA COMMERCIAL BANK, LTD.

By

JOANNE LING
Chairman

February 22, 2022

Deloitte.

勤業眾信

勤業眾信聯合會計師事務所
110016 台北市信義區松仁路100號20樓

Deloitte & Touche
20F, Taipei Nan Shan Plaza
No. 100, Songren Rd.,
Xinyi Dist., Taipei 110016, Taiwan

Tel :+886 (2) 2725-9988
Fax:+886 (2) 4051-6888
www.deloitte.com.tw

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of Chang Hwa Commercial Bank, Ltd. (the "Bank") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The following is the description for the key audit matter in the audit of the consolidated financial statements of the Group for the year ended December 31, 2021.

Impairment Assessment of Loans

Loans are the most important assets of the Group. As of December 31, 2021, the balance of the Group's loans totaled $1,554,775,087 thousand, accounting for 61% of the Group's total consolidated assets. The Group assessed the impairment on loans in accordance with IFRS 9 and with relevant regulations on recognizing allowance for loans. As the assessment of the impairment on the aforementioned assets involves the management's critical judgments, estimations and assumptions, we considered the impairment assessment on loans as a key audit matter. Refer to Notes 4, 5 and 12 to the Group's consolidated financial statements for related information.

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

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

Other Matter

We have also audited the financial statements of Chang Hwa Commercial Bank, Ltd. as of and for the years ended December 31, 2021 and 2020 on which we have issued an unqualified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms and IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including the audit committee, are responsible for overseeing the Group's financial reporting process.

Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors’ report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors’ report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2021 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 22, 2022

Notice to Readers

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

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

CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2021 AND 2020
(In Thousands of New Taiwan Dollars)

	2021		2020	
ASSETS	**Amount**	**%**	**Amount**	**%**
Cash and cash equivalents (Notes 4, 6 and 36)	$ 41,507,576	2	$ 26,452,525	1
Due from the Central Bank and call loans to banks (Notes 4, 6 and 36)	249,194,363	10	235,739,431	10
Financial assets at fair value through profit or loss (Notes 4, 7, 34 and 37)	56,611,729	2	14,581,474	1
Financial assets at fair value through other comprehensive income (Notes 4, 8, 10, 34 and 37)	174,195,003	7	122,695,821	5
Financial assets for hedging (Notes 4 and 13)	147,321	-	231,693	-
Investments in debt instruments at amortized cost (Notes 4, 5, 9, 10, 34 and 37)	405,256,329	16	345,283,447	15
Receivables, net (Notes 4, 11 and 12)	22,928,736	1	21,481,338	1
Current tax assets (Notes 4 and 31)	344,089	-	396,516	-
Discounts and loans, net (Notes 4, 5, 12, 34, 35 and 36)	1,554,775,087	61	1,477,886,845	64
Other financial assets, net (Notes 4, 14 and 37)	3,857,675	-	25,590,786	1
Property and equipment, net (Notes 4 and 16)	20,979,380	1	20,908,603	1
Right-of-use assets, net (Notes 4 and 17)	1,941,510	-	1,519,247	-
Investment properties, net (Notes 4 and 18)	13,852,096	-	13,858,910	1
Intangible assets, net (Notes 4 and 19)	595,639	-	687,613	-
Deferred tax assets (Notes 4 and 31)	3,455,911	-	3,379,099	-
Other assets, net (Notes 20 and 37)	1,464,053	-	2,746,871	-
TOTAL	$ 2,551,106,497	100	$ 2,313,440,219	100
LIABILITIES AND EQUITY				
Deposits from the Central Bank and banks (Notes 4, 21 and 36)	$ 72,221,898	3	$ 103,221,627	5
Due to the Central Bank and banks (Notes 6 and 37)	27,667,470	1	14,829,050	1
Financial liabilities at fair value through profit or loss (Notes 4, 7 and 36)	3,150,309	-	7,293,565	-
Securities sold under repurchase agreements (Note 4)	1,372,860	-	1,226,633	-
Payables (Notes 4, 22 and 29)	36,770,068	2	22,237,409	1
Current tax liabilities (Notes 4 and 31)	318,060	-	841,436	-
Deposits and remittances (Notes 4, 23 and 36)	2,167,441,232	85	1,917,987,149	83
Bank notes payable (Notes 4, 24 and 34)	51,278,335	2	61,351,032	3
Other financial liabilities (Notes 4 and 25)	1,001,902	-	1,949,149	-
Reserve for liabilities (Notes 4, 5, 27 and 28)	4,694,126	-	5,316,038	-
Lease liabilities (Notes 4 and 17)	1,770,490	-	1,343,548	-
Deferred tax liabilities (Notes 4 and 31)	8,818,712	-	8,301,861	-
Other liabilities (Notes 4, 16 and 26)	3,148,580	-	2,487,932	-
Total liabilities	2,379,654,042	93	2,148,386,429	93
EQUITY (Notes 4, 29 and 31)				
Capital stock				
Common stock	104,885,708	4	103,847,236	5
Retained earnings				
Legal reserve	40,320,456	2	38,266,789	2
Special reserve	12,201,590	1	12,201,590	-
Unappropriated earnings	9,130,892	-	6,884,362	-
Other equity	4,913,809	-	3,853,813	-
Total equity	171,452,455	7	165,053,790	7
TOTAL	$ 2,551,106,497	100	$ 2,313,440,219	100

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

CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

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

	2021		2020		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
INTEREST INCOME (Notes 4, 30 and 40)	$ 27,492,016	96	$ 29,816,159	109	(8)
INTEREST EXPENSE (Notes 30, 36 and 40)	(7,026,311)	(25)	(10,675,907)	(39)	(34)
NET INCOME OF INTEREST	20,465,705	71	19,140,252	70	7
NET NON-INTEREST INCOME					
Net service fee income (Notes 4 and 30)	4,554,268	16	4,527,568	17	1
Gain on financial assets or liabilities measured at fair value through profit or loss (Notes 4, 7 and 30)	1,237,708	4	1,648,070	6	(25)
Realized gain on financial assets at fair value through other comprehensive income (Notes 4 and 30)	1,483,220	5	1,219,076	4	22
Gain arising from derecognition of financial assets at amortized cost	29	-	97	-	(70)
Foreign exchange gain (Notes 4 and 34)	494,694	2	339,421	1	46
Net other non-interest income (Notes 13 and 15)	450,334	2	442,608	2	2
Net non-interest income	8,220,253	29	8,176,840	30	1
NET REVENUE AND GAINS	28,685,958	100	27,317,092	100	5
BAD DEBTS EXPENSE, COMMITMENT AND GUARANTEE LIABILITY PROVISION (Notes 4 and 12)	(1,793,845)	(6)	(2,836,199)	(10)	(37)
OPERATING EXPENSES					
Employee benefits expenses (Notes 4 and 30)	(11,408,544)	(40)	(10,807,707)	(40)	6
Depreciation and amortization expenses (Notes 4 and 30)	(1,420,297)	(5)	(1,402,619)	(5)	1
Other general and administrative expenses	(3,942,833)	(14)	(3,960,001)	(14)	-
Total operating expenses	(16,771,674)	(59)	(16,170,327)	(59)	4

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CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

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

	2021		2020		Percentage Increase (Decrease)
	Amount	**%**	**Amount**	**%**	**%**
INCOME BEFORE INCOME TAX	$ 10,120,439	35	$ 8,310,566	31	22
INCOME TAX EXPENSE (Notes 4 and 31)	(1,316,636)	(4)	(1,269,639)	(5)	4
NET INCOME	8,803,803	31	7,040,927	26	25
OTHER COMPREHENSIVE INCOME (LOSS)					
Items that will not be reclassified to profit or loss, net of tax:					
Remeasurement of defined benefit plans (Notes 4 and 28)	325,487	1	(259,674)	(1)	225
Revaluation gains (losses) on investments in equity instruments measured at fair value through other comprehensive income	2,941,694	10	748,689	3	293
Income tax related to items that will not be reclassified to profit or loss (Notes 4 and 31)	(65,126)	-	51,935	-	(225)
Items that will be reclassified to profit or loss, net of tax:					
Exchange differences on translation (Note 4)	(516,997)	(2)	(1,118,628)	(4)	(54)
Revaluation gains (losses) on investments in debt instruments measured at fair value through other comprehensive income	(1,438,153)	(5)	464,526	2	(410)
(Impairment loss) reversal of impairment loss on investments in debt instruments measured at fair value through other comprehensive income	14,282	-	(20,990)	-	168
Income tax related to items that will be reclassified to profit or loss (Notes 4 and 31)	72,176	-	(96,066)	(1)	175
Other comprehensive income (loss), net of tax	1,333,363	4	(230,208)	(1)	679
TOTAL COMPREHENSIVE INCOME	$ 10,137,166	35	$ 6,810,719	25	49

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CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

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

	2021		2020		Percentage Increase (Decrease)
	Amount	**%**	**Amount**	**%**	**%**
NET INCOME ATTRIBUTABLE TO:					
Owners of the Bank	$ 8,803,803	31	$ 7,040,927	26	25
Non-controlling interests	$ -	-	$ -	-	-
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:					
Owners of the Bank	$ 10,137,166	35	$ 6,810,719	25	49
Non-controlling interests	$ -	-	$ -	-	-
EARNINGS PER SHARE (Note 32)					
Basic	$ 0.84		$ 0.67		
Diluted	$ 0.84		$ 0.67		

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

CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Bank							
	Capital Stock		Retained Earnings			Other Equity		
	Common Stock (In Thousands)	Amount	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Financial Statements	Unrealized Gains (Losses) on Financial Assets Measured at Fair Value Through Other Comprehensive Income	Total Equity
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								
Special reserve reversal	-	-	-	(3,058)	3,058	-	-	-
Legal reserve appropriated	-	-	3,434,160	-	(3,434,160)	-	-	-
Cash dividends	-	-	-	-	(3,994,124)	-	-	(3,994,124)
Stock dividends	399,413	3,994,125	-	-	(3,994,125)	-	-	-
Net income for the year ended December 31, 2020	-	-	-	-	7,040,927	-	-	7,040,927
Other comprehensive income (loss) for the year ended December 31, 2020, net of tax	-	-	-	-	(207,739)	(1,228,393)	1,205,924	(230,208)
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	6,833,188	(1,228,393)	1,205,924	6,810,719
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	12,365	-	(12,365)	-
BALANCE, DECEMBER 31, 2020	10,384,724	103,847,236	38,266,789	12,201,590	6,884,362	(2,870,996)	6,724,809	165,053,790
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 year ended December 31, 2021	-	-	-	-	8,803,803	-	-	8,803,803
Other comprehensive income (loss) for the year ended December 31, 2021, net of tax	-	-	-	-	260,361	(442,670)	1,515,672	1,333,363
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	9,064,164	(442,670)	1,515,672	10,137,166
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	13,006	-	(13,006)	-
BALANCE, DECEMBER 31, 2021	10,488,571	$ 104,885,708	$ 40,320,456	$ 12,201,590	$ 9,130,892	$ (3,313,666)	$ 8,227,475	$ 171,452,455

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

CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

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

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income before income tax	$ 10,120,439	$ 8,310,566
Non-cash (income and gains) or expenses and losses		
Expected credit loss recognized on trade receivables	1,793,845	2,836,199
Depreciation expense	1,159,730	1,158,351
Amortization expense	260,567	244,268
Interest income	(27,492,016)	(29,816,159)
Dividend income	(1,069,138)	(633,958)
Interest expense	7,026,311	10,675,907
Net gain on financial assets or liabilities at fair value through profit or loss	(1,719,437)	(1,595,085)
Gain on disposal of investments	(416,179)	(585,215)
Unrealized foreign exchange loss (gains)	481,729	(52,985)
Other adjustments	(26,172)	(194,490)
Changes in operating assets and liabilities		
Increase in due from the Central Bank	(9,457,993)	(23,311,892)
Increase financial assets at fair value through profit or loss	(45,392,998)	(485,555)
(Increase) decrease in receivables	(1,556,137)	130,791
Increase in discounts and loans	(78,989,768)	(53,571,643)
Increase in financial assets at fair value through other comprehensive income	(49,565,209)	(4,622,339)
Increase in investments in debt instruments at amortized cost	(59,972,853)	(69,224,374)
Decrease in other financial assets	21,830,480	14,640,464
Decrease (increase) in other assets	1,281,191	(1,683,039)
(Decrease) increase in deposits from the Central Bank and banks	(58,641)	5,322
Increase in deposits and remittances	249,454,083	152,038,946
Increase in payables	14,909,065	1,240,429
Increase in financial liabilities at fair value through profit or loss	312,195	1,994,790
Decrease in reserve for liabilities	(127,003)	(300,653)
Decrease in other financial liabilities	(947,247)	(2,325,751)
Increase (decrease) in other liabilities	661,567	(67,253)
Cash flows generated from operations	32,500,411	4,805,642
Interest received	27,785,977	31,625,078
Dividends received	1,068,888	631,458
Interest paid	(7,401,446)	(11,527,086)
Income taxes paid	(1,392,924)	(645,261)
Net cash flows generated from operating activities	52,560,906	24,889,831

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CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

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

	2021	2020
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	$ (574,604)	$ (676,695)
Acquisition of intangible assets	(153,424)	(191,808)
Acquisition of investment properties	(91)	(580)
Proceeds from disposal of investment properties	-	17,218
Net cash flows used in investing activities	(728,119)	(851,865)
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease) increase in due to the Central Bank and banks	(18,102,668)	15,739,729
Proceeds from issuing bank notes	-	10,840,000
Repayments of bank notes	(10,000,000)	(5,000,000)
Repayment of the principal portion of lease liabilities	(568,858)	(639,992)
Cash dividends paid	(3,738,501)	(3,994,124)
Increase (decrease) in securities sold under repurchase agreement	146,227	(320,658)
Net cash flows (used in) generated from financing activities	(32,263,800)	16,624,955
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(516,997)	(1,118,627)
NET INCREASE IN CASH AND CASH EQUIVALENTS	19,051,990	39,544,294
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	175,454,685	135,910,391
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 194,506,675	$ 175,454,685

	December 31	
	2021	2020
Reconciliation of cash and cash equivalents		
Cash and cash equivalents in the consolidated balance sheets	$ 41,507,576	$ 26,452,525
Call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	152,999,099	149,002,160
Cash and cash equivalents at end of year	$ 194,506,675	$ 175,454,685

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

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 February 22, 2022.

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 IFRSs endorsed and issued into effect by the FSC did not have material impact on the Group's accounting policies:

   1) Amendments to IFRS 9, IAS 39, 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”

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 Note 4 for the relevant accounting policies of the practical expedient.

The Group applies the amendment from January 1, 2021 and recognizes the cumulative effect of retrospective application in retained earnings on January 1, 2021.

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

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

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

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

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

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

As of the date the 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.

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

New IFRSs	Effective Date Announced by IASB (Note 1)
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 IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information"	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 for deferred taxes that will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

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

Basis of Preparation

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

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

a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

b. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

c. Level 3 inputs are unobservable inputs for an asset or liability.

Current/Noncurrent Assets and Liabilities

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

Basis of Consolidation

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

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

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

Foreign Currencies

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

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

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

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

Property and Equipment

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

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

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

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

Investment Properties

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

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

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

Intangible Assets

a. Intangible assets acquired separately

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

b. Derecognition of intangible assets

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

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

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

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

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

Financial Instruments

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

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

a. Financial assets

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

   1) Measurement categories

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

      a) Financial assets at FVTPL

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

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

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

      b) Financial assets at amortized cost

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

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

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

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

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

i. Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and

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

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

i. Significant financial difficulty of the issuer or the borrower;

ii. Breach of contract, such as a default;

iii. It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or

iv. The disappearance of an active market for that financial asset because of financial difficulties.

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

c) Investments in debt instruments designated at FVTOCI

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

i. The financial asset is held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of such financial assets; and

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

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

d) Investments in equity instruments designated at FVTOCI

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

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

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

2) Impairment of financial assets

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

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

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

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

3) Derecognition of financial assets

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

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

b. Equity instruments

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

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

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

c. Financial liabilities

1) Subsequent measurement

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

a) Financial liabilities at FVTPL

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

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

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

i. Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

ii. The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and has performance evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

iii. The contract contains one or more embedded derivatives so that the entire combined contract (asset or liability) can be designated as at FVTPL.

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

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

b) Financial guarantee contracts

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

i. The amount of the loss allowance reflecting expected credit losses; and

ii. The amount initially recognized less, where appropriate, the cumulative amount of income recognized in accordance with the revenue recognition policies.

2) Derecognition of financial liabilities

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

d. Derivative financial instruments

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

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

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

Bonds or Securities Purchased/Sold under Specific Agreements

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

Hedge Accounting

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

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

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

Reserve for Liabilities

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

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

Revenue Recognition

a. Dividend and interest income

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

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

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

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

b. Service fee

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

Leases

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

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

a. The Group as lessor

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

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

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

b. The Group as lessee

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

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

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

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

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, a change in the amounts expected to be payable under a residual value guarantee, a change in the assessment of an option to purchase an underlying asset, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

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

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

Employee Benefits

a. Short-term employee benefits

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

b. Retirement benefits

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

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

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

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

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

Taxation

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

a. Current tax

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

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

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

b. Deferred tax

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

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

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

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

c. Current and deferred taxes

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Key Sources of Estimation Uncertainty

Estimated impairment of financial assets

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

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

a. Cash and cash equivalents

	December 31	
	2021	**2020**
Cash on hand	$ 11,986,278	$ 12,204,073
Checks for clearing	14,552,468	4,251,010
Due from banks	13,433,148	8,266,344
Foreign currencies on hand	1,535,682	1,731,098
	$ 41,507,576	$ 26,452,525

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

	December 31	
	2021	2020
Call loans to banks	$ 152,999,099	$ 149,002,160
Reserve for checking accounts	24,508,522	26,392,663
Reserve for demand accounts	54,264,266	49,651,547
Reserve for foreign deposits	598,428	531,980
Others	16,824,048	10,161,081
	$ 249,194,363	$ 235,739,431

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

c. Due to the Central Bank and banks

	December 31	
	2021	2020
Other dues to the Central Bank	$ 27,667,470	$ 14,829,050

The Group has set aside $35,000,000 thousand and $30,000,000 thousand in 2021 and 2020 in the Central Bank as reserve for demand accounts in accordance with the Central Bank's regulations on capital requirements as a response to the COVID-19.

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

	December 31	
	2021	2020
Financial assets mandatorily classified at FVTPL		
Derivative financial assets (not under hedge accounting)		
Futures	$ 159,609	$ 120,403
Forward exchange contracts	86,476	124,452
Interest rate swaps	128,448	394,122
Currency swaps	1,728,652	4,915,742
Currency call option premiums	32,426	105,119
Non-derivative financial assets		
Investment in bills	50,539,806	7,042,832
Domestic listed stock	23,166	-
Domestic unquoted stock	331,681	117,616
Funds	12,000	-
Bank notes	858,997	-
Government bonds	440,518	5,716
Corporate bonds	2,269,950	1,755,472
	$ 56,611,729	$ 14,581,474

The par values of notes provided for transactions with repurchase agreements were $433,500 thousand and $387,600 thousand as of December 31, 2021 and 2020, respectively.

Financial Liabilities at FVTPL

	December 31	
	2021	**2020**
Financial liabilities held for trading		
Derivative financial liabilities (not applying hedge accounting)		
Forward exchange contracts	28,402	71,115
Interest rate swaps	128,981	390,853
Cross-currency swaps	-	211,325
Currency swaps	2,960,496	6,515,131
Currency put option premiums	32,430	105,141
	$ 3,150,309	$ 7,293,565

The Group entered into derivative contracts during the years ended December 31, 2021 and 2020 to manage exposures due to exchange rate and interest rate fluctuations. The financial risk management objective of the Group is to minimize risks due to changes in fair value and cash flows.

The nominal principal amounts of outstanding derivative contracts as of December 31, 2021 and 2020 were as follows:

	December 31	
	2021	**2020**
Currency swaps	$ 671,334,286	$ 460,858,070
Currency options	14,821,235	15,472,077
Forward exchange contracts	14,430,824	17,924,875
Interest rate swaps	107,323,685	191,201,583
Cross-currency swaps	-	3,091,000

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2021	**2020**
Investments in equity instruments at FVTOCI		
Domestic listed stocks	$ 15,814,451	$ 7,362,952
Domestic unquoted stocks	11,494,597	8,861,275
Beneficiary and asset-based securities	233,100	-
	27,542,148	16,224,227
Investments in debt instruments at FVTOCI		
Government bonds	27,322,940	26,568,737
Corporate bonds	51,529,797	31,986,914
Bank notes	61,181,463	42,184,984
Bonds issued by international organizations	850,502	2,154,265
Beneficiary and asset-based securities	4,651,193	2,669,006
Investments in bills	1,116,960	907,688
	146,652,855	106,471,594
	$ 174,195,003	$ 122,695,821

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

a. Refer to Note 10 for information relating to their credit risk management and impairment.

b. The par values of bonds provided for transactions with repurchase agreement were $852,600 thousand and $762,200 thousand as of December 31, 2021 and 2020, respectively.

c. Government bonds placed as deposits in courts amounted to $249,300 thousand and $295,900 thousand as of December 31, 2021 and 2020, respectively. Government bonds placed as operating deposits amounted to $330,000 thousand; government bonds placed as a reserve fund for trust compensation amounted to $220,000 thousand; overseas branches' bonds provided as collateral for operations were $217,887 thousand and $281,069 thousand as of December 31, 2021 and 2020, respectively. On December 31, 2021, the amount of government bonds provided by the Central Bank as collateral for treasury business was $5,600,000 thousand. Refer to Note 37 for information relating to investments in debt instruments at FVTOCI pledged as security.

9. INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST

	December 31	
	2021	**2020**
Investments in bills	$ 360,215,104	$ 338,044,687
Bank notes	11,339,437	2,822,380
Corporate bonds	3,652,914	-
Government bonds	11,243,118	4,416,380
Bonds issued by international organization	5,323,099	-
Beneficiary and asset-based securities	13,482,657	-
	$ 405,256,329	$ 345,283,447

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 $138,275 thousand and $140,500 thousand as of December 31, 2021 and 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 December 31, 2021 and 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 as at amortized cost.

December 31, 2021

	At FVTOCI	At Amortized Cost	Total
Gross carrying amount	$ 147,412,633	$ 405,260,925	$ 552,673,558
Less: Allowance for impairment loss	(53,656)	(4,596)	(58,252)
Amortized cost	147,358,977	$ 405,256,329	552,615,306
Adjustment to fair value	(706,122)		(706,122)
	$ 146,652,855		$ 551,909,184

December 31, 2020

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

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

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

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

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

December 31, 2021

Category	Expected Loss Rate	At FVTOCI	At Amortized Cost
Performing	0%-0.3396%	$ 147,412,633	$ 405,260,925

December 31, 2020

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

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	32,996	-	-	32,996
Derecognition	(15,201)	-	-	(15,201)
Change in exchange rates or others	(3,513)	-	-	(3,513)
Balance at December 31, 2021	$ 53,656	$ -	$ -	$ 53,656
Balance at January 1, 2020	$ 33,713	$ 26,651	$ -	$ 60,364
Transfers from doubtful to performing	96	(26,651)	-	(26,555)
Purchase of investments in debt instruments	13,984	-	-	13,984
Derecognition	(10,556)	-	-	(10,556)
Change in exchange rates or others	2,137	-	-	2,137
Balance at December 31, 2020	$ 39,374	$ -	$ -	$ 39,374

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	4,402	-	-	4,402
Derecognition	(1,785)	-	-	(1,785)
Change in exchange rates or others	192	-	-	192
Balance at December 31, 2021	$ 4,596	$ -	$ -	$ 4,596

(Continued)

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

(Concluded)

11. RECEIVABLES, NET

a. Details of receivables

	December 31 2021	December 31 2020
Accounts receivable	$ 9,987,264	$ 9,266,689
Accrued incomes	11,666	4,501
Interests receivable	2,987,905	3,137,784
Acceptances receivable	5,033,937	4,518,519
Credit cards accounts receivable	3,565,790	2,306,682
Settlement price	790,929	856,397
Accounts receivable for settlement	606,377	648,785
Other receivables	252,121	1,042,568
	23,235,989	21,781,925
Less: Allowance for bad debts, receivables	(307,253)	(300,587)
	$ 22,928,736	$ 21,481,338

b. Allowance for receivables

1) Movements in the allowance for receivables

	For the Year Ended December 31, 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	(8)	130	(122)	-	-	-
Transfers to credit-impaired financial assets	(1)	(437)	438	-	-	-
Transfers to 12-months expected credit losses	446	(437)	(9)	-	-	-
Financial assets derecognized for the period	(20,131)	(3,258)	(5,316)	(28,705)	-	(28,705)
Purchased or originated financial assets	9,740	992	149,890	160,622	-	160,622
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	-	-	-	-	(105,758)	(105,758)
Doubtful debts written off	-	-	(19,453)	(19,453)	-	(19,453)
Changes in exchange rates or others	(8)	(1)	(31)	(40)	-	(40)
Ending balance	$ 10,978	$ 2,223	$ 153,817	$ 167,018	$ 140,235	$ 307,253

	For the Year Ended December 31, 2020					
	12-Month Expected Credit Losses	Lifetime Expected Credit Losses	Realized Credit Impairment	Loss Recognized Based on IFRS 9	Recognized Impairment Difference Based on Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing Loans and Bad Debts	Total
Receivables						
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	(81)	153	(20)	52	-	52
Transfers to credit-impaired financial assets	(12)	(6)	694	676	-	676
Transfers to 12-months expected credit losses	741	(88)	(249)	404	-	404
Financial assets derecognized for the period	(21,910)	(1,732)	(23,829)	(47,471)	-	(47,471)
Purchased or originated financial assets	19,298	3,385	24,361	47,044	-	47,044
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	-	-	-	-	(122,118)	(122,118)
Doubtful debts written off	-	-	(17,420)	(17,420)	-	(17,420)
Changes in exchange rates or others	(37)	(13)	(12)	(62)	-	(62)
Ending balance	$ 20,940	$ 5,234	$ 28,420	$ 54,594	$ 245,993	$ 300,587

2) Movements in the total carrying amount of receivables

	For the Year Ended December 31, 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	(6,800)	7,064	(264)	-
Transfers to credit-impaired financial assets	(1,210)	(4,102)	5,312	-
Transfers to 12-month expected credit losses	15,522	(15,413)	(109)	-
Purchased or originated financial assets	13,232,477	142,671	403,213	13,778,361
Derecognized	(12,012,670)	(210,958)	(77,429)	(12,301,057)
Doubtful debts written off	-	-	(19,453)	(19,453)
Changes in exchange rates or others	(3,502)	(235)	(50)	(3,787)
Ending balance	$ 22,630,646	$ 172,155	$ 433,188	$ 23,235,989

	For the Year Ended December 31, 2020			
	12-Month Expected Credit Losses	Significant Increase in Risk Due to Lifetime Expected Credit Losses	Credit Impairment Due to Lifetime Expected Credit Losses	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	(54,232)	55,164	(333)	599
Transfers to credit-impaired financial assets	(12,931)	(674)	9,058	(4,547)
Transfers to 12-month expected credit losses	39,587	(11,941)	(627)	27,019
Purchased or originated financial assets	12,289,767	184,223	82,339	12,556,329
Derecognized	(14,055,133)	(132,514)	(219,186)	(14,406,833)
Doubtful debts written off	-	-	(17,420)	(17,420)
Changes in exchange rates or others	(9,525)	(3,919)	(297)	(13,741)
Ending balance	$ 21,406,829	$ 253,128	$ 121,968	$ 21,781,925

12. DISCOUNTS AND LOANS, NET

a. Details of discounts and loans

	December 31	
	2021	2020
Negotiated and discounted	$ 3,844,746	$ 3,425,322
Overdrafts	1,239,708	1,297,092
Short-term loans	364,723,764	385,124,720
Margin loans receivable	400,141	353,805
Medium-term loans	461,290,174	435,044,534
Long-term loans	739,420,363	666,647,255
Overdue loans	4,152,236	4,942,391
	1,575,071,132	1,496,835,119
Less: Allowance for loan losses	(20,296,045)	(18,948,274)
	$ 1,554,775,087	$ 1,477,886,845

Loans of which the accrual of interest income had ceased internally as of December 31, 2021 and 2020 were $4,152,236 thousand and $4,942,391 thousand, respectively. The amounts of interest income that would have been accrued on these loans for the years ended December 31, 2021 and 2020 were $106,712 thousand and $127,019 thousand, respectively.

The Group did not write off any loans without legal claims process during the years ended December 31, 2021 and 2020.

b. Allowance for discounts and loans

1) Movements in the allowance for discounts and loans

	For the Year Ended December 31, 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	(13,898)	568,231	(554,333)	-	-	-
Transfers to credit-impaired financial assets	(1,407)	(34,807)	36,214	-	-	-
Transfers to 12-month expected credit losses	566,543	(560,298)	(6,245)	-	-	-
Financial assets derecognized for the period	(1,345,827)	(1,411,713)	(1,253,309)	(4,010,849)	-	(4,010,849)
Purchased or originated financial assets	1,306,292	1,458,307	3,175,878	5,940,477	-	5,940,477

(Continued)

	For the Year Ended December 31, 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
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	$ -	$ -	$ -	$ -	$ 1,269,554	$ 1,269,554
Doubtful debts written off	-	-	(1,812,505)	(1,812,505)	-	(1,812,505)
Changes in exchange rates or others	(2,674)	(2,437)	(33,795)	(38,906)	-	(38,906)
Ending balance	$ 2,104,357	$ 2,116,708	$ 5,294,105	$ 9,515,170	$ 10,780,875	$ 20,296,045

(Concluded)

	For the Year Ended December 31, 2020					
	12-Month Expected Credit Losses	Lifetime Expected Credit Losses	Realized Credit Impairment	Loss Recognized Based on IFRS 9	Recognized Impairment Difference Based on Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing Loans and Bad Debts	Total
Loans						
Beginning balance	$ 1,772,566	$ 1,920,375	$ 5,033,684	$ 8,726,625	$ 8,810,639	$ 17,537,264
Changes from financial instruments recognized at the beginning of the period:						
Transfers to lifetime expected credit losses	(35,269)	51,942	(8,316)	8,357	-	8,357
Transfers to credit-impaired financial assets	(6,826)	(27,546)	41,740	7,368	-	7,368
Transfers to 12-month expected credit losses	303,588	(239,026)	(51,484)	13,078	-	13,078
Financial assets derecognized for the period	(1,348,295)	(1,086,371)	(1,655,220)	(4,089,886)	-	(4,089,886)
Purchased or originated financial assets	922,641	1,488,407	4,915,425	7,326,473	-	7,326,473
Recognized impairment difference based on the Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing Loans and Bad Debts	-	-	-	-	700,682	700,682
Doubtful debts written off	-	-	(2,526,259)	(2,526,259)	-	(2,526,259)
Changes in exchange rates or others	(13,077)	(8,356)	(7,370)	(28,803)	-	(28,803)
Ending balance	$ 1,595,328	$ 2,099,425	$ 5,742,200	$ 9,436,953	$ 9,511,321	$ 18,948,274

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

	For the Year Ended December 31, 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	$ 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	(10,506,051)	11,320,539	(814,488)	-
Transfers to credit-impaired financial assets	(620,585)	(1,837,171)	2,457,756	-
Transfers to 12-month expected credit losses	12,010,460	(11,959,454)	(51,006)	-
Financial assets derecognized for the period	(665,823,567)	(40,775,425)	(6,275,637)	(712,874,629)
Purchased or originated financial assets	754,895,995	34,188,405	6,343,716	795,428,116
Doubtful debts written off	-	-	(1,812,505)	(1,812,505)
Changes in exchange rates or others	(2,297,523)	(152,335)	(55,111)	(2,504,969)
Ending balance	$ 1,500,208,565	$ 60,475,732	$ 14,386,835	$ 1,575,071,132

	For the Year Ended December 31, 2020			
	12-Month Expected Credit Losses	Significant Increase in Risk Due to Lifetime Expected Credit Losses	Credit Impairment Due to Lifetime Expected Credit Losses	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	(19,925,226)	21,036,209	(46,077)	1,064,906
Transfers to credit-impaired financial assets	(3,324,603)	(1,512,509)	5,063,043	225,931
Transfers to 12-month expected credit losses	11,824,244	(7,673,506)	(108,803)	4,041,935
Financial assets derecognized for the period	(684,687,601)	(41,429,854)	(9,161,100)	(735,278,555)
Purchased or originated financial assets	746,376,742	35,928,671	7,446,309	789,751,722
Doubtful debts written off	-		(2,526,259)	(2,526,259)
Changes in exchange rates or others	(4,041,935)	(1,064,905)	(225,932)	(5,332,772)
Ending balance	$ 1,412,549,836	$ 69,691,173	$ 14,594,110	$ 1,496,835,119

c. Details of provision for bad debts expense, commitment and guarantee for the years ended December 31, 2021 and 2020

	For the Year Ended December 31	
	2021	2020
Provision for receivable and loan (including overdue loan) losses	$ 1,963,267	$ 2,819,737
Reversal for loan commitment	(158,654)	(41,688)
(Reversal) provision for guarantee liability	(20,428)	52,383
Provision for others	9,660	5,767
	$ 1,793,845	$ 2,836,199

13. FINANCIAL ASSETS FOR HEDGING

	December 31	
	2021	2020
Financial assets for hedging		
Fair value hedges - interest rate swaps	$ 147,321	$ 231,693

The Group used interest rate swaps to minimize its exposure to the fair value fluctuations of its fixed-rate borrowings by entering into fixed-to-floating interest rate swap contracts. The interest swaps and the corresponding borrowings have the same terms, and management believes that the interest rate swaps are highly effective hedging instruments. The respective, nominal principal amount of the Group's outstanding interest rate swaps as of December 31, 2021 and 2020 were $6,000,000 thousand and $8,200,000 thousand, respectively. The maturity period is from September 27, 2023 to September 27, 2026.

The fixed-to-floating interest swaps were designated and effective fair value hedging instruments. During the years ended December 31, 2021 and 2020, the swaps were effective in hedging the fair value exposure to interest rate movements, and as a result, the carrying amounts of the fixed-rate borrowings were adjusted by $178,335 thousand and $251,032 thousand as of December 31, 2021 and 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: 0.4801%-0.4803%) 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.

	December 31	
	2021	2020
Hedging instrument (loss) profit	$ (12,097)	$ 61,269
Fair-value hedging profit	$ 72,698	$ 9,981

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

	December 31	
	2021	**2020**
Time deposits with original maturities of more than 3 months	$ 3,689,850	$ 25,400,000
Exchange bills negotiated	21,242	14,941
Overdue receivables	12,557	170,486
Call loan to security brokers	138,275	140,500
Less: Allowance for bad debts	(4,249)	(135,141)
	$ 3,857,675	$ 25,590,786

The market rates of time deposits with original maturities of more than 3 months were ranging from 2.65%-3.00% and 0.70%-3.10% for the years ended December 31, 2021 and 2020, respectively.

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

15. SUBSIDIARIES

Subsidiaries Included in Consolidated Financial Statements

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

16. PROPERTY AND EQUIPMENT

	December 31	
	2021	**2020**
Assets used by the Group	$ 20,769,319	$ 20,715,951
Assets leased under operating leases	210,061	192,652
	$ 20,979,380	$ 20,908,603

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
Cost								
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	3,300	20,286	175,561	30,896	35,511	6,546	302,504	574,604
Disposals	-	-	(100,003)	(8,204)	(17,210)	(22,681)	-	(148,098)
Transfers to assets leased under operating leases	-	(41,295)	-	-	-	-	-	(41,295)
Reclassification	-	-	10,245	-	2,524	35,231	(62,716)	(14,716)
Effect of foreign currency exchange differences	-	2,656	(10,109)	(564)	(750)	(1,646)	(113)	(1,436)
Balance at December 31, 2021	$ 14,817,873	$ 9,335,623	$ 4,810,890	$ 738,067	$ 1,521,271	$ 991,535	$ 349,782	$ 32,565,041

(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, 2021	$ -	$ 4,595,870	$ 4,011,555	$ 633,634	$ 1,347,551	$ 891,421	$ -	$ 11,480,031
Disposals	-	-	(99,735)	(8,098)	(16,447)	(22,676)		(146,956)
Depreciation expense	-	188,714	198,054	23,727	44,531	26,077	-	481,103
Transfers to assets leased under operating leases	-	(15,954)	-	-	-	-	-	(15,954)
Effect of foreign currency exchange differences	-	310	(706)	(372)	(660)	(1,074)	-	(2,502)
Balance at December 31, 2021	$ -	$ 4,768,940	$ 4,109,168	$ 648,891	$ 1,374,975	$ 893,748	$ -	$ 11,795,722
Carrying amount at December 31, 2021	$ 14,817,873	$ 4,566,683	$ 701,722	$ 89,176	$ 146,296	$ 97,787	$ 349,782	$ 20,769,319
Cost								
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	152,460	33,511	252,196	16,588	46,534	17,314	158,092	676,695
Disposals	-	-	(135,958)	(33,185)	(33,025)	(9,754)		(211,922)
Transfers to assets leased under operating leases	-	(33,758)	-	-	-	-	-	(33,758)
Reclassification	14,967	242,193	3,154	-	1,588	395	(281,177)	(18,880)
Effect of foreign currency exchange differences	-	3,468	(315)	(335)	(1,187)	(2,413)	1,478	696
Balance at December 31, 2020	$ 14,814,573	$ 9,353,976	$ 4,726,106	$ 715,939	$ 1,501,196	$ 974,085	$ 110,107	$ 32,195,982
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	-	-	(135,837)	(33,146)	(32,964)	(9,754)	-	(211,701)
Depreciation expense	-	182,409	198,600	30,731	45,123	28,101	-	484,964
Transfers to assets leased under operating leases	-	(10,660)	-	-	-	-	-	(10,660)
Effect of foreign currency exchange differences	-	537	(179)	(247)	(1,100)	(2,311)	-	(3,300)
Balance at December 31, 2020	$ -	$ 4,595,870	$ 4,011,555	$ 633,634	$ 1,347,551	$ 891,421	$ -	$ 11,480,031
Carrying amount at December 31, 2020	$ 14,814,573	$ 4,758,106	$ 714,551	$ 82,305	$ 153,645	$ 82,664	$ 110,107	$ 20,715,951

(Concluded)

b. Assets leased under operating leases

	Buildings
Cost	
Balance at January 1, 2021	$ 385,210
Transfers from assets used by the Group	41,295
Balance at December 31, 2021	$ 426,505
Accumulated depreciation and impairment	
Balance at January 1, 2021	$ 192,558
Depreciation expense	7,932
Transfers from assets used by the Group	15,954
Balance at December 31, 2021	$ 216,444
Carrying amount at December 31, 2021	$ 210,061
Cost	
Balance at January 1, 2020	$ 351,452
Transfers from assets used by the Group	33,758
Balance at December 31, 2020	$ 385,210

(Continued)

	Buildings
Accumulated depreciation and impairment	
Balance at January 1, 2020	$ 174,839
Depreciation expense	7,059
Transfers from assets used by the Group	10,660
Balance at December 31, 2020	$ 192,558
Carrying amount at December 31, 2020	$ 192,652

(Concluded)

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:

	December 31	
	2021	2020
Year 1	$ 58,417	$ 68,737
Year 2	52,096	67,682
Year 3	15,014	47,269
Year 4	8,060	16,435
Year 5	6,405	6,671
Year 6 onwards	13,878	20,330
	$ 153,870	$ 227,124

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

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

17. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2021	2020
Carrying amounts		
Land	$ 2,045	$ 846
Buildings	1,854,103	1,443,000
Machinery equipment	-	34
Transportation equipment	71,645	61,170
Miscellaneous equipment	13,717	14,197
	$ 1,941,510	$ 1,519,247

	For the Year Ended December 31	
	2021	2020
Additions to right-of-use assets	$ 586,849	$ 558,907
Depreciation charge for right-of-use assets		
Land	$ 933	$ 1,023
Buildings	615,417	611,752
Machinery equipment	35	115
Transportation equipment	38,620	36,993
Miscellaneous equipment	8,785	9,525
	$ 663,790	$ 659,408

b. Lease liabilities

	December 31	
	2021	2020
Carrying amount	$ 1,770,490	$ 1,343,548

Range of discount rate for lease liabilities was as follows:

	December 31	
	2021	2020
Land	0.30%-0.91%	0.91%
Buildings	0.20%-3.53%	0.20%-3.53%
Machinery equipment	0.31%-2.89%	0.20%-2.89%
Transportation equipment	0.34%-3.53%	0.53%-3.53%
Miscellaneous equipment	0.26%-2.89%	0.67%-3.40%

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 was $47,509 thousand and lease payments will be adjusted each year. In addition, the Group was prohibited from subleasing all or any portion of the underlying assets.

The Group did not have significant acquisition of lease contracts for the years ended December 31, 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.

	For the Year Ended December 31	
	2021	**2020**
Expenses relating to short-term leases	$ 44,797	$ 34,711
Expenses relating to low-value asset leases	$ 27,683	$ 21,977
Expenses relating to variable lease payments not included in the measurement of lease liabilities	$ 171,831	$ 221,007
Total cash outflow for leases	$ (244,311)	$ (277,695)

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:

	December 31	
	2021	**2020**
Lease commitments	$ 28,083	$ 6,929

18. INVESTMENT PROPERTY

	Completed Investment Property
Cost	
Balance at January 1, 2021	$ 14,233,513
Additions	91
Balance at December 31, 2021	$ 14,233,604

(Continued)

	Completed Investment Property
Accumulated depreciation and impairment	
Balance at January 1, 2021	$ 374,603
Depreciation expense	6,905
Balance at December 31, 2021	$ 381,508
Carrying amount at December 31, 2021	$ 13,852,096
Cost	
Balance at January 1, 2020	$ 14,247,470
Additions	580
Disposals	(14,537)
Balance at December 31, 2020	$ 14,233,513
Accumulated depreciation and impairment	
Balance at January 1, 2020	$ 374,680
Depreciation expense	6,920
Disposals	(6,997)
Balance at December 31, 2020	$ 374,603
Carrying amount at December 31, 2020	$ 13,858,910

(Concluded)

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

The maturity analysis of lease payments receivable under operating leases of investment properties as of December 31, 2021 and 2020 was as follows:

	December 31	
	2021	**2020**
Year 1	$ 183,334	$ 178,492
Year 2	175,262	166,276
Year 3	129,046	132,429
Year 4	103,365	106,753
Year 5	97,836	97,436
Year 6 onwards	140,988	212,725
	$ 829,831	$ 894,111

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 and $27,303,772 thousand as of December 31, 2021 and 2020, respectively.

All investment properties are own right and interest.

Rental income and direct operating expenses generated by the investment property for the years ended December 31, 2021 and 2020 were as follows:

	For the Year Ended December 31	
	2021	**2020**
Rental incomes	$ 175,393	$ 178,816
Direct operating expenses	$ 98,955	$ 97,966

19. INTANGIBLE ASSETS

	Computer Software
Cost	
Balance at January 1, 2021	$ 687,613
Additions	153,424
Amortization expense	(260,211)
Reclassification	14,716
Effect of foreign currency exchange differences and others	97
Balance at December 31, 2021	$ 595,639
Cost	
Balance at January 1, 2020	$ 720,656
Additions	191,808
Amortization expense	(243,893)
Reclassification	18,880
Effect of foreign currency exchange differences and others	162
Balance at December 31, 2020	$ 687,613

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

20. OTHER ASSETS

	December 31	
	2021	2020
Refundable deposits	$ 1,325,277	$ 2,601,890
Assumed collateral and residuals	23,418	23,418
Less: Accumulated impairment	(23,418)	(23,418)
Prepayments	138,022	143,871
Others	754	1,110
	$ 1,464,053	$ 2,746,871

21. DEPOSITS FROM THE CENTRAL BANK AND BANKS

	December 31	
	2021	2020
Deposits from the Central Bank	$ 27,112	$ 24,625
Deposits from banks	335,965	322,959
Overdrafts on banks	19,725	306,954
Call loans from banks	71,587,355	102,241,214
Deposits transferred from Chunghwa Post Co., Ltd.	251,741	325,875
	$ 72,221,898	$ 103,221,627

22. PAYABLES

	December 31	
	2021	2020
Checks issued to payees for clearing	$ 15,243,021	$ 7,626,187
Accounts payable	3,721,750	1,668,091
Accrued expenses	2,402,083	1,988,061
Accrued interests	1,416,572	1,792,978
Acceptances	5,248,034	4,807,972
Others	8,738,608	4,354,120
	$ 36,770,068	$ 22,237,409

23. DEPOSITS AND REMITTANCES

	December 31	
	2021	2020
Checking account deposits	$ 48,561,432	$ 41,220,029
Demand deposits	601,485,748	527,167,570
Time deposits	488,772,705	401,002,085
Negotiable certificates of deposit	2,793,315	2,853,940
Savings account deposits	1,024,182,439	944,530,955
Remittances	1,645,593	1,212,570
	$ 2,167,441,232	$ 1,917,987,149

24. BANK NOTES PAYABLE

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

The Group issued $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. Callable 5 years and 1 month after issue date.

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

Bank Note, Interest Rate and Maturity Date	December 31 2021	2020
Hedged financial liabilities at fair value		
103-1 Note A, 7-year term, interest payable annually, interest rate 1.70%, maturity date: April 16, 2021	$ -	$ 2,200,000
103-1 Note B, 10-year term, interest payable annually, interest rate 1.85%, maturity date: April 16, 2024	3,000,000	3,000,000
105-1 Note A, 7-year term, interest payable annually, interest rate 1.09%, maturity date: September 27, 2023	1,000,000	1,000,000
105-1 Note B, 10-year term, interest payable annually, interest rate 1.20%, maturity date: September 27, 2026	2,000,000	2,000,000
Valuation adjustment	178,335	251,032
	6,178,335	8,451,032
Non-hedged bank notes payable		
100-1 Note B, 10-year term, interest payable annually, interest rate 1.72%, maturity date: March 11, 2021	-	1,100,000
100-2, 10-year term, interest payable annually, floating rate, maturity date: April 18, 2021	-	6,700,000
103-1 Note B, 10-year term, interest payable annually, interest rate 1.85%, maturity date: April 16, 2024	2,300,000	2,300,000
103-1 Note C, 10-year term, interest payable annually, floating rate, maturity date: April 16, 2024	2,500,000	2,500,000
105-1 Note A, 7-year term, interest payable annually, interest rate 1.09%, maturity date: September 27, 2023	2,000,000	2,000,000
105-1 Note B, 10-year term, interest payable annually, interest rate 1.20%, maturity date: September 27, 2026	1,300,000	1,300,000
106-1 Note A, 7-year term, interest payable annually, interest rate 1.50%, maturity date: March 29, 2024	1,530,000	1,530,000
106-1 Note B, 10-year term, interest payable annually, interest rate 1.85%, maturity date: March 29, 2027	8,670,000	8,670,000
107-1, no maturity date, interest payable annually, interest rate 2.66%	7,000,000	7,000,000
107-2, no maturity date, interest payable annually, interest rate 2.30%	3,000,000	3,000,000
108-1, no maturity date, interest payable annually, interest rate 1.90%	5,960,000	5,960,000
109-1, no maturity date, interest payable annually, interest rate 1.40%	4,040,000	4,040,000
109-2, no maturity date, interest payable annually, interest rate 1.25%	6,800,000	6,800,000
	45,100,000	52,900,000
	$ 51,278,335	$ 61,351,032

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

25. OTHER FINANCIAL LIABILITIES

	December 31	
	2021	2020
Principal received on structured notes	$ 576,199	$ 1,325,070
Appropriations for loans	425,703	624,079
	$ 1,001,902	$ 1,949,149

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

	December 31	
	2021	2020
Advance receipts	$ 634,407	$ 612,599
Guarantee deposits	2,504,955	1,865,559
Deferred revenue	9,218	9,774
	$ 3,148,580	$ 2,487,932

27. RESERVE FOR LIABILITIES

	December 31	
	2021	2020
Reserve for employee benefits (Note 28)	$ 3,769,721	$ 4,208,987
Reserve for guarantee liabilities	657,449	678,588
Reserve for loan commitments	156,217	314,368
Reserve for decommissioning restoration and rehabilitation costs	49,959	57,009
Others	60,780	57,086
	$ 4,694,126	$ 5,316,038

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

	For the Year Ended December 31, 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	(1,635)	1,635	-	-	-	-
Transfers to 12-month expected credit losses	13,303	(13,303)	-	-	-	-
Financial assets derecognize for the period	(257,647)	(63,595)	(11,265)	(332,507)	-	(332,507)

(Continued)

	For the Year Ended December 31, 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
Purchased or originated financial assets	$ 191,063	$ 6,578	$ 1,340	$ 198,981	$ -	$ 198,981
Recognized impairment difference based on the Laws	-	-	-	-	(41,871)	(41,871)
Changes in exchange rates or others	(193)	(5)	(1)	(199)	-	(199)
Ending balance	$ 361,875	$ 13,495	$ 23,531	$ 398,901	$ 475,545	$ 874,446

(Concluded)

	For the Year Ended December 31, 2020					
	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Realized Credit Impairment	Loss Recognized Based on IFRS 9	Recognized Impairment Difference Based on the Laws	Total
Beginning balance	$ 459,939	$ 52,207	$ 28,131	$ 540,277	$ 496,421	$ 1,036,698
Changes from financial instruments recognized at the beginning of the period:						
Transfers to lifetime expected credit losses	(4,211)	4,990	-	779	-	779
Transfers to credit-impaired financial assets	(4)	(179)	195	12	-	12
Transfers to 12-month expected credit losses	22,348	(21,455)	-	893	-	893
Financial assets derecognize for the period	(343,766)	(11,592)	(6,321)	(361,679)	-	(361,679)
Purchased or originated financial assets	283,567	58,997	11,463	354,027	-	354,027
Recognized impairment difference based on the Laws	-	-	-	-	20,995	20,995
Changes in exchange rates or others	(889)	(783)	(11)	(1,683)	-	(1,683)
Ending balance	$ 416,984	$ 82,185	$ 33,457	$ 532,626	$ 517,416	$ 1,050,042

28. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

b. Defined benefit plans

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

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

	December 31	
	2021	2020
Present value of defined benefit obligation	$ 9,383,544	$ 9,980,084
Fair value of plan assets	(7,260,262)	(7,231,186)
Deficit	2,123,282	2,748,898
Others	14,098	14,644
Net defined benefit liability	$ 2,137,380	$ 2,763,542

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

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
Balance at January 1, 2021	$ 9,980,084	$ 7,231,186	$ 2,748,898
Service cost			
Current service cost	229,160	-	229,160
Net interest cost	29,720	21,928	7,792
Recognized in profit or loss	258,880	21,928	236,952
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	107,799	(107,799)
Actuarial loss - population changes assumption	15,719	-	15,719
Actuarial gain - changes in financial assumptions	(180,914)	-	(180,914)
Actuarial gain - experience adjustments	(52,014)	-	(52,014)
Recognized in other comprehensive income	(217,209)	107,799	(325,008)
Contributions from the employer	-	537,560	(537,560)
Benefits paid	(638,211)	(638,201)	-
Balance at December 31, 2021	$ 9,383,544	$ 7,260,262	$ 2,123,282
Balance at January 1, 2020	$ 9,979,092	$ 7,152,662	$ 2,826,430
Service cost			
Current service cost	239,179	-	239,179
Net interest cost	69,159	50,430	18,729
Recognized in profit or loss	308,338	50,430	257,908
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	239,332	(239,332)
Actuarial loss - changes in financial assumptions	385,440	-	385,440
Actuarial loss - experience adjustments	113,545	-	113,545
Recognized in other comprehensive income	498,985	239,332	259,653

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
Contributions from the employer	$ -	$ 595,093	$ (595,093)
Benefits paid	(806,331)	(806,331)	-
Balance at December 31, 2020	$ 9,980,084	$ 7,231,186	$ 2,748,898

(Concluded)

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

1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk: A decrease in the government and corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

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

	December 31	
	2021	2020
Discount rate(s)	0.50%	0.30%
Expected rate(s) of salary increase	2.05%	2.05%

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

	December 31	
	2021	2020
Discount rate(s)		
0.25% increase	$ (219,177)	$ (243,495)
0.25% decrease	$ 226,939	$ 252,484
Expected rate(s) of salary increase		
0.25% increase	$ 222,877	$ 247,459
0.25% decrease	$ (216,425)	$ (239,970)

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

	December 31	
	2021	**2020**
The expected contributions to the plan for the next year	$ 281,664	$ 302,772
The average duration of the defined benefit obligation	10 years	10 years

c. Plan of high-yield savings account for employee

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

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

	December 31	
	2021	**2020**
Present value of defined benefit obligation	$ 1,632,342	$ 1,445,445
Less: Fair value of defined benefit plan assets	-	-
Assets and liabilities at the end of the reporting period	$ 1,632,342	$ 1,445,445

2) Analysis of defined benefit obligation

	December 31	
	2021	**2020**
All or part of defined benefit obligation contributed	$ -	$ -
Defined benefit obligation not contributed	1,632,342	1,445,445
	$ 1,632,342	$ 1,445,445

3) Movements of the present value of defined benefit obligation

	For the Year Ended December 31	
	2021	**2020**
Balance, January 1	$ 1,445,445	$ 1,408,473
Interest cost	54,787	53,377
Actuarial gains and losses	428,724	276,830
Benefits paid	(296,614)	(293,235)
Balance, December 31	$ 1,632,342	$ 1,445,445

4) Movements of the fair value of plan assets

	For the Year Ended December 31	
	2021	2020
Balance, January 1	$ -	$ -
Contribution by employers	296,614	293,235
Benefits paid	(296,614)	(293,235)
Balance, December 31	$ -	$ -

5) Details of gains and losses recognized in expenses

	For the Year Ended December 31	
	2021	2020
Interest cost	$ 54,787	$ 53,377
Actuarial gains and losses	272,048	276,830
Actuarial gain or loss recognized in other comprehensive profit or loss	156,676	-
	$ 483,511	$ 330,207

6) Main actuarial assumptions

	For the Year Ended December 31	
	2021	2020
Discount rate of high-yield savings account for employee	4.00%	4.00%
Return rate of funds deposited	2.00%	2.00%
Account balance decrease rate per year	1.00%	1.00%
Probability of future high-yield savings account system change	50.00%	50.00%
Mortality rate	Based on Taiwan Life Insurance Industry Mortality Tables	Based on Taiwan Life Insurance Industry Mortality Tables
Rate provided to ordinary clients for similar deposit	0.84%-1.05%	1.09%-1.14%

29. EQUITY

a. Capital

Common stock

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

Fully paid common stocks, which have a par value of $10, carry one vote per stock and carry a right to dividends.

As of January 1, 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. The Bank's authorized capital was increased by $10,000,000 thousand in August 2021. In September 2021 and August 2020, the paid-in capital was increased by $1,038,472 thousand and $3,994,125 thousand, respectively. As of December 31, 2021 and 2020, the Bank's authorized capital was $120,000,000 thousand and $110,000,000 thousand; the number of authorized shares was 12,000,000 thousand shares and 11,000,000 thousand shares, and the paid-in capital was $104,885,708 thousand and $103,847,236 thousand, representing 10,488,571 thousand shares and 10,384,724 thousand shares, respectively, both of which are ordinary shares with a par value of $10 per share.

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 compensation of employees and remuneration of directors after amendment, refer to Note 30 (g) "compensation of employees and remuneration of directors".

To ensure the Bank has sufficient cash for present and future expansion plans and to enhance the profitability, the Bank prefers to distribute more stock dividends, but cash dividends shall not be less than 10% of total dividends distributed. If the cash dividends are less than $0.1 per share, the Bank will not distribute any cash dividends, unless otherwise adopted in the stockholders' meeting.

Appropriation of earnings to legal reserve shall be made until the balance of legal reserve reaches the Bank's paid-in capital. Legal reserve may be used to offset deficit. If the Bank has no deficit and the legal reserve has exceeded 25% of the Bank's paid-in capital, the excess may be transferred to capital or distributed in cash.

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 stocks if the Bank has any of the situations cited in Item 1, Section 1, Article 44 of the Banking Law.

The maximum amount of cash dividends cannot exceed 15% of the Bank's total capital if the Bank's capital surplus is less than the capital based on Section 1.

The restriction of the cash dividends stated above does not apply if the Bank's capital surplus exceeds the capital or the Bank's financial position satisfied the criteria from the authority and also the Bank appropriates the legal reserve based on the Banking Law.

The appropriations of earnings for 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:

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

The appropriation of earnings for 2021 is subject to the resolution of shareholders in the shareholders' meeting to be held in June 2022.

c. Special reserve

	December 31	
	2021	**2020**
Balance at January 1		
Initial application of IFRSs	$ 12,201,590	$ 11,778,829
Reversals		
Disposal of investment properties	-	(3,058)
Others	-	425,819
	$ 12,201,590	$ 12,201,590

The special reserve relating to land may be reversed on the disposal or reclassification of the related assets. Additional special reserve should be appropriated for the amount equal to the difference between net debit balance reserves and the special reserve appropriated on the first-time adoption of IFRSs. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses and is thereafter distributed.

30. NET INCOME

a. Net interest income

	For the Year Ended December 31	
	2021	**2020**
Interest income		
Loans	$ 23,219,870	$ 24,427,538
Due from and call loans to banks	750,633	1,778,288
Investments in marketable securities	3,411,553	3,470,860
Others	109,960	139,473
	27,492,016	29,816,159
Interest expense		
Deposits	(5,876,038)	(8,769,548)
Due to Central Bank and call loans from banks	(175,225)	(854,438)
Others	(975,048)	(1,051,921)
	(7,026,311)	(10,675,907)
Net interest income	$ 20,465,705	$ 19,140,252

b. Net service fee income

	For the Year Ended December 31	
	2021	2020
Service fee income		
Fees from import and export	$ 281,533	$ 251,461
Remittance fees	358,763	376,966
Loan fees	631,400	623,804
Fees from trust	1,128,765	1,057,414
Fees from trust business	451,485	394,890
Fees from insurance agency	1,532,489	1,633,445
Others (1) (2)	1,266,154	1,281,681
	5,650,589	5,619,661
Service charge		
Interbank charges	(150,261)	(158,421)
Charges from trust	(11,584)	(18,673)
Custodian fees	(125,890)	(113,728)
Charges from insurance agency	(146,321)	(184,233)
Others	(662,265)	(617,038)
	(1,096,321)	(1,092,093)
Net service fee income	$ 4,554,268	$ 4,527,568

1) The service fee income from electronic payment business was $673 thousand and $1,071 thousand for the years ended December 31, 2021 and 2020, respectively.

2) In accordance with "Regulation Governing the Organization and Administration of Sinking Fund Established by Electronic Payment Institutions", the yield income from electronic payment business was $0.1 thousand and $0.3 thousand for the years ended December 31, 2021 and 2020, respectively.

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

	For the Year Ended December 31	
	2021	2020
Realized gain (loss) on financial assets or liabilities measured at FVTPL		
Stock and mutual funds	$ 25,231	$ (25,842)
Bonds	3,070	14,782
Bills	(70)	653
Derivative financial instruments	774,158	1,924,002
Net interest gain	145,000	87,036
Stock dividends and bonus	2,069	-
	949,458	2,000,631
Valuation gain (loss) on financial assets or liabilities measured at FVTPL		
Stock	46,233	2,618
Bonds	161,120	(73,579)
Bills	(8,211)	(2,604)
Derivative financial instruments	95,108	(278,996)
	288,250	(352,561)
	$ 1,237,708	$ 1,648,070

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

	For the Year Ended December 31	
	2021	**2020**
Stock dividends and bonus	$ 1,067,069	$ 633,958
Disposal gains		
Beneficiary securities	9,077	52,266
Bonds	602,940	605,800
Disposal losses		
Beneficiary securities	(3,861)	(7,178)
Bonds	(192,005)	(65,770)
	$ 1,483,220	$ 1,219,076

e. Depreciation and amortization expense

	For the Year Ended December 31	
	2021	**2020**
Property and equipment	$ 489,035	$ 492,023
Investment property	6,905	6,920
Right-of-use assets	663,790	659,408
Intangible assets and other deferred assets	260,567	244,268
	$ 1,420,297	$ 1,402,619

f. Employee benefits expenses

	For the Year Ended December 31	
	2021	**2020**
Short-term employee benefits	$ 10,065,678	$ 9,616,925
Post-employment benefits		
Defined contribution plans	224,886	215,672
Defined benefit plans	236,952	257,908
High-yield savings account for employees	483,511	330,207
Other post-employment benefits	383,559	375,279
Termination benefits	13,958	11,716
	$ 11,408,544	$ 10,807,707

Salary adjustments for 2021:

1) As recognition of the employees' dedication and hard work and to boost employee morale, the Bank made an adjustment to annual salary in 2021 and implemented overall evaluation on April 1, 2021.

2) In order to continuously implement the differentiated salary adjustment based on performance and take care of the basic living expenses of grass-roots employees, the Bank's 2021 annual salary adjustment method is a combination of "performance salary adjustment" and "fixed salary adjustment":

   a.) Performance salary adjustment: Based on the employee's personal annual performance appraisal rating in 2020 as the standard, the performance appraisal rating of 6 will add 3.3% of the monthly salary, the 5A and 5B rating will add 2.4% of the monthly salary, the 4A, 4B and 4C ratings will be added 1.6% of the monthly basic salary, 1% of the monthly basic salary for those rated 3.

   b) Fixed salary adjustment : NT$360 per person per month.

3) The annual salary adjustment in 2021 was implemented on April 1, 2021. The average salary increase of all employees was 1.87%, and the maximum salary increase can reach 4.02%. In spite of the environment affected by COVID-19 and the low profit, the salary adjustments show the determination of the Bank to fulfill the duty of care towards its employees and implement corporate social responsibility.

Level / Rating	2021	
	All Members Salary Adjustment	
	Fixed Salary Adjustment	Performance Salary Adjustment
6 (premium)	360	3.3%
5A (excellent)	360	2.4%
5B (excellent)		
4A (good)	360	1.6%
4B (well)		
4C (normal)		
3 (qualified)	360	1%
2 (unqualified)	-	-
1 (unqualified)	-	-
Average	1.87%	

g. Compensation of employees and remuneration of directors

The Bank accrued compensation of employees and remuneration of directors at the rates of 1%-6% and no higher than 0.8%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors. The compensation of employees and the remuneration of directors for the years ended December 31, 2021 and 2020, which were approved by the Group's board of directors on March 2022 and March 26, 2021, respectively, are as follows:

Accrual rate

	For the Year Ended December 31	
	2021 (Expected)	**2020**
Compensation of employees	5.00%	5.00%
Remuneration of directors	0.40%	0.40%

Amount

	For the Year Ended December 31	
	2021 (Expected)	2020
Compensation of employees	$ 537,415	$ 447,199
Remuneration of directors	42,707	35,200

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.

Due to changes in accounting estimates, the actual amount of compensation of employees 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 consolidated financial statements for 2020. The difference was then adjusted to profit and loss for 2021.

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

There was no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the year ended December 31, 2019.

Information on the compensation of employees and remuneration of directors resolved by the Group's board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

31. INCOME TAX

a. Major components of tax expense recognized in profit or loss

	For the Year Ended December 31	
	2021	2020
Current income tax		
In respect of the current period	$ 883,993	$ 1,007,506
Income tax on unappropriated earnings	280	1,186
Deferred income tax		
In respect of the current period	432,363	260,947
Income tax expense recognized in profit or loss	$ 1,316,636	$ 1,269,639

A reconciliation of accounting profit and income tax expenses is as follows:

	For the Year Ended December 31	
	2021	**2020**
Profit before tax	$ 10,120,439	$ 8,310,566
Income tax expense calculated at the statutory rate	$ 2,024,088	$ 1,662,113
Non-deductible expenses in determining taxable income	4,122	3,320
Income tax on unappropriated earning	280	1,186
Land value increment tax	-	(2,476)
Overseas branch's additional income of deferred tax effect	85,837	(13,221)
Tax-exempt income	(740,396)	(680,953)
Non-deductible tax of overseas branches	-	285,437
Adjustments for prior years' tax	(211,396)	11,864
Others	154,101	2,369
Income tax expense recognized in profit or loss	$ 1,316,636	$ 1,269,639

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2021	**2020**
Deferred tax		
In respect of the current year:		
Exchange differences on translation	$ (74,327)	$ 109,766
Unrealized gains (losses) on financial assets at FVTOCI	2,151	(13,700)
Actuarial gains (losses) on defined benefit plan	65,126	(51,935)
Total income tax benefit recognized in other comprehensive income	$ (7,050)	$ 44,131

c. Current tax assets and liabilities

	December 31	
	2021	**2020**
Current tax assets		
Tax refund receivable	$ -	$ 164,394
Others	344,089	232,122
	$ 344,089	$ 396,516
Current tax liabilities		
Income tax payable	$ 318,060	$ 841,436

d. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2021

	Beginning Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Ending Balance
Deferred tax assets				
Temporary differences				
Doubtful debts	$ 1,242,885	$ (272,835)	$ -	$ 970,050
Others	2,136,214	356,697	(7,050)	2,485,861
	$ 3,379,099	$ 83,862	$ (7,050)	$ 3,455,911
Deferred tax liabilities				
Land value increment tax	$ 6,154,216	$ -	$ -	$ 6,154,216
Temporary differences	2,147,645	516,851	-	2,664,496
	$ 8,301,861	$ 516,851	$ -	$ 8,818,712

For the year ended December 31, 2020

	Beginning Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Ending Balance
Deferred tax assets				
Temporary differences				
Doubtful debts	$ 1,521,899	$ (279,014)	$ -	$ 1,242,885
Others	1,790,426	403,619	(57,831)	2,136,214
	$ 3,312,325	$ 124,605	$ (57,831)	$ 3,379,099
Deferred tax liabilities				
Land value increment tax	$ 6,156,692	$ (2,476)	$ -	$ 6,154,216
Temporary differences	1,745,917	388,028	13,700	2,147,645
	$ 7,902,609	$ 385,552	$ 13,700	$ 8,301,861

e. 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 issues on September 6, 2021. The basic and diluted after-tax earnings per stock of 2020 were adjusted retrospectively as follows:

Unit: NT$ Per Share

	Before Adjusted Retrospectively	After Adjusted Retrospectively
Basic earnings per stock	$ 0.68	$ 0.67
Diluted earnings per stock	$ 0.68	$ 0.67

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

	For the Year Ended December 31	
	2021	2020
Net profit for the year	$ 8,803,803	$ 7,040,927

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

	For the Year Ended December 31	
	2021	2020
Weighted average number of common stock used in the computation of basic earnings per stock	10,488,571	10,488,571
Effect of potentially dilutive common stock:		
Compensation of employees issued	35,946	31,277
Weighted average number of common stock used in the computation of diluted earnings per stock	10,524,517	10,519,848

If the Group offered to settle compensation or bonuses paid to employees in cash or stock, the Group assumed the entire amount of the compensation or bonus would be settled in stock and the resulting potential stock were included in the weighted average number of stock outstanding used in the computation of diluted earnings per stock, as the effect is dilutive. Such dilutive effect of the potential stock is included in the computation of diluted earnings per stock until the number of stock to be distributed to employees is resolved in the following year.

33. CAPITAL RISK MANAGEMENT

a. Summary

The Group’s goals in capital management are as follows:

1) The Group’s qualified regulatory capital should meet the requirement of capital adequacy regulations, and reached the minimum capital adequacy ratio.

2) To ensure the Group is able to meet the capital heeds, it should be evaluated periodicity and observed the variation between regulatory capital and risk assets to keep common equity ratio in the interval approved by the board of directors.

3) Related to the calculation of qualified regulatory capital and legal capital were according to the regulation of administration.

b. Capital management procedures

The Group kept capital adequacy ratio completely to meet the requirement of the administration, and declared to the administration quarterly.

In addition, the capital management procedures for the overseas subsidiaries of the Group were carried out according to the regulation of local administrations.

The Group’s capital adequacy performance, which was calculated based on Regulations Governing the Capital Adequacy and Capital Category of Banks, was reported to the Asset and Liability Management Committee of the Group periodically. The regulatory capital was classified into Tier 1 Capital, other Tier 1 Capital and Tier 2 Capital.

1) Tier 1 Capital: Include Common Equity and other Tier 1 Capital

Common Equity: Include common stock (include capital collected in advance), Capital reserves (exclude additional paid-in capital in excess of par - preferred stock), accumulated profit, reserve and adjusted equity. Deduct: Legal adjustments.

2) Other Tier 1 Capital: Include noncumulative perpetual preferred stock, noncumulative perpetual subordinated debts. Deduct: Legal adjustments.

3) Tier 2 Capital: Include cumulative perpetual preferred stock, cumulative perpetual subordinated debts, revaluation reserve, long-term subordinated debt, non-perpetual preferred stock include stock issue price 45% of financial assets at fair value through other comprehensive income convertible bonds, operating reserves and allowance for doubtful accounts. Deduct: Legal adjustments.

c. Capital adequacy

Item / **Period**			**December 31, 2021**	**December 31, 2020**
Self-owned capital	Common equity Tier I		$ 150,992,088	$ 145,659,743
	Other Tier I capital		26,415,100	26,422,600
	Tier II capital		47,630,296	48,629,424
	Self-owned capital		225,037,484	220,711,767
Risk-weighted assets	Credit risk	Standardized approach	1,356,082,940	1,390,652,840
		IRB	-	-
		Securitization	3,727,948	533,801
	Operation risk	Basic indicator approach	-	-
		Standardized approach/ optional standard	51,808,367	55,422,259
		Advanced internal rating based approach	-	-
	Market price risk	Standardized approach	22,422,633	14,806,764
		Internal model approach	-	-
	Total		1,434,041,888	1,461,415,664
Capital adequacy ratio			15.69%	15.10%
Common equity Tier I to risk-weighted assets ratio			10.53%	9.97%
Tier I capital to risk-weighted assets ratio			12.37%	11.78%
Leverage ratio			6.51%	6.94%

Note 1: The ratios are calculated in accordance with the Regulations Governing the Capital Adequacy and Capital category of Banks.

Note 2: Annual financial report should include the capital adequacy ratio in current and previous period. Besides semiannual report should disclose the ratio the end of last year.

Note 3: Formula:

a. Self-owned capital = Common equity Tier I + Other Tier I capital + Tier II capital

b. Risk-weighted assets = Credit risk-weighted assets + (Operation risk capital + Market price risk capital) x 12.5

c. Capital adequacy = Self-owned capital ÷ Risk-weighted assets

d. Common equity Tier I capital to risk-weighted assets ratio = Common equity Tier I capital ÷ Risk-weighted assets

e. Tier I capital to risk-weighted assets ratio = (Common equity Tier I + Other Tier I capital) ÷ Risk-weighted assets

f. Leverage ratio = Tier I capital ÷ Adjusted average assets

34. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments that are not measured at fair value

Fair value of financial instruments not measured at fair value

December 31, 2021

	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets					
Financial assets at amortized cost	$ 405,256,329	$ 38,553,326	$ 366,213,556	$ -	$ 404,766,882
Financial liabilities					
Bank notes payable	51,278,335	-	6,178,335	46,595,019	52,773,354

December 31, 2020

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

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

1) Fair value hierarchy

December 31, 2021

Fair Value Measurement of Financial Instruments	Level 1	Level 2	Level 3	Total
Non-derivative financial products				
Assets				
Financial assets at FVTPL	$ 1,416,228	$ 52,828,375	$ 231,515	$ 54,476,118
Financial assets mandatorily measured at FVTPL				
Stock and fund investments	122,247	13,085	231,515	366,847
Bond investments	1,293,981	2,275,484	-	3,569,465
Others	-	50,539,806	-	50,539,806
Financial assets at FVTOCI	101,558,129	61,184,018	11,452,856	174,195,003
Stock investments	15,856,192	-	11,452,856	27,309,048
Bond investments	79,700,684	61,184,018	-	140,884,702
Others	6,001,253	-	-	6,001,253
Derivative financial products				
Assets				
Financial assets at FVTPL	159,609	1,976,002	-	2,135,611
Other financial assets				
Financial assets for hedging	-	147,321	-	147,321
Liabilities				
Financial liabilities at FVTPL	-	3,150,309	-	3,150,309

December 31, 2020

Fair Value Measurement of Financial Instruments	Level 1	Level 2	Level 3	Total
Non-derivative financial products				
Assets				
Financial assets at FVTPL	$ -	$ 8,811,111	$ 110,525	$ 8,921,636
Financial assets mandatorily measured at FVTPL				
Stock investments	-	7,091	110,525	117,616
Bond investments	-	1,761,188	-	1,761,188
Others	-	7,042,832	-	7,042,832
Financial assets at FVTOCI	70,546,949	43,318,147	8,830,725	122,695,821
Stock investments	7,362,952	30,550	8,830,725	16,224,227
Bond investments	59,607,303	43,287,597	-	102,894,900
Others	3,576,694	-	-	3,576,694
Derivative financial products				
Assets				
Financial assets at FVTPL	120,403	5,539,435	-	5,659,838
Other financial assets				
Financial assets for hedging	-	231,693	-	231,693
Liabilities				
Financial liabilities at FVTPL	-	7,293,565	-	7,293,565

There were no transfers between Levels 1 and 2 in the current and prior periods.

2) Reconciliation of Level 3 fair value measurements of financial instruments

For the year ended December 31, 2021

Financial Assets	Financial Assets at FVTPL Equity Instrument	Financial Assets at FVTOCI Equity Instrument
Beginning balance	$ 110,525	$ 8,830,725
Recognized in profit or loss (loss on financial assets or liabilities at FVTPL)	(28,380)	-
Recognized in other comprehensive income (unrealized gain on financial assets at FVTOCI)	-	2,572,387
Purchase	179,320	49,744
Transfer out of Level 3	(29,950)	-
Ending balance	$ 231,515	$ 11,452,856

For the year ended December 31, 2020

Financial Assets	Financial Assets at FVTPL Equity Instrument	Financial Assets at FVTOCI Equity Instrument
Beginning balance	$ -	$ 8,000,918
Recognized in other comprehensive income (unrealized gain on financial assets at FVTOCI)	-	811,080
Purchase	110,525	18,727
Ending balance	$ 110,525	$ 8,830,725

3) Definition for the hierarchy classifications of fair value measurements

a) Level 1

Level 1 inputs are quoted prices unadjusted in active markets for identical financial instruments. An active market indicates the market that is in conformity with all of the following conditions: The products in the market are identical; it is easy to find a knowledgeable and willing transaction counterparty; and price information is available to the public.

The fair values of the Group investments in listed stocks, beneficiary certificates, on-the-run Taiwan central government bonds and derivative instruments with quoted market prices are included in Level 1.

b) Level 2

Level 2 inputs are inputs other than quoted prices with reference to an active market that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). The fair values of the Group's investments in off-the-run government bonds, corporate bonds, bank debentures, convertible bonds and most derivative bank debentures issued by the Group are included in Level 2.

c) Level 3

The input parameters used are not based on observable market data (unobservable input parameters are those such as option pricing models using historical volatility which cannot represent the expected value of all market participants). The fair values of the Group's investments in derivatives and equity investments without an active market are included in Level 3.

4) Valuation techniques and assumptions applied for the purpose of measuring fair value

a) Determination of fair value

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

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

In addition to the above financial instruments with an active market, other financial instruments at fair value are assessed by valuation techniques or by referencing counterparties with other financial instruments at fair value with similar conditions and characteristics in actual practice, including market information obtained by exercising valuation models at the balance sheet date (such as yield curves used by TPEx and TAIBIR (page 02) secondary market fixing rates used by the Taiwan Depository & Clearing Corporation).

When a financial instrument has no standardized valuation and has a greater level of complexity, such as interest rate swaps, currency swaps and options, the Group usually adopts the valuation generally accepted by market users. The inputs used for these financial instruments' valuations are usually observable information in the market.

For financial instruments with greater complexity, the fair value is assessed through the valuation model developed by valuation methods and techniques generally accepted by competitors. These kinds of valuation models are usually applicable for derivative instruments, debt instruments without quoted market price (including debt instruments of embedded derivatives) or other debt instruments with low market liquidity. Certain inputs used in these valuation models are not observable in the market, and the Group need to make appropriate estimates based on assumptions.

b) The types and nature of the valuation methods for financial instruments used by the Bank and its subsidiaries are as follows:

i. NTD central government bonds: The bond market rate and theoretical interest rate are price-per-hundred conversions announced by TPEx.

ii. NTD corporate bonds and bank notes: The corporate bond reference rate is announced by TPEx, and the Group uses the appropriate credit rate and the remaining period to calculate the yield rate and convert it to price-per-hundred.

iii. NTD convertible corporate bonds: The closing prices of outright purchase/sale trading are listed on TPEx on the valuation day. If the price is not available, the price is referenced from the outright purchase/sale trading information listed on TPEx.

iv. Securitization instruments: Prices are those quoted from Bloomberg.

v. NTD short-term bills: The TAIBIR (page 02) secondary market fixing rates used by the Taiwan Depository & Clearing Corporation are discounted from future cash flows.

vi. Foreign securities: The latest prices quoted from Bloomberg, Reuters or other systems on the valuation day are used, if there is no available price or valuation, then the price used is that which is quoted from counterparties.

vii. Listed stock, call/put warrants and 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 and parameters of listed companies which have similar service attributes.

ix. Beneficiary certificates: Closed-end funds use the closing price in an active market as the fair value and open-end funds use the net asset value of the fund as the fair value.

x. Derivatives:

i) Call/put warrants and stock index futures: Prices quoted from an active market are deemed the fair values.

ii) Foreign currency forward contracts, currency swaps, interest rate swaps, cross currency swaps and operating deposits of transactions: Discounted future cash flows are adopted.

iii) Options: The Black-Scholes model, binomial tree model and Monte Carlo method are mainly adopted for valuation.

iv) Certain derivatives use the quoted price from counterparties.

xi. Mixing Tools: The price from the active market, deal brokers and valuation models is used.

c) Adjustments for credit risks and the definitions are as follows:

Credit valuation adjustment (CVA) is a measurement for derivatives which are not transacted through the stock market, or for over-the-counter derivatives. CVA reflects the fair value should a counterparty default and the possibility of not collecting the derivative’s full market value.

CVA is calculated by applying the loss given default (LGD) to the exposure at default (EAD), along with the consideration of the counterparty’s probability of default (PD), assuming the condition that the Group does not default.

c. 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.

December 31, 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	$ 223,412,336	308	$ 900,906	1	$ -	-	$ -	-
Loans - other loans	15,173,857	45	-	-	53,872	1	6,553	1
Holding bonds	13,166,077	62	-	-	-	-	-	-
Derivative financial assets								
ECB asset exchange and structured products	2,212,400	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 instrument related regulations to manage the market risk of overall foreign exchange position, normal position, interest rate position of trading book and equity security position. The overall interest rate risk management of banking book belongs to assets and liabilities management committee.

The market risk management regulations are as follows:

i. Establish the market risk management process to ensure the risk would be identified, measured, monitored and reported.

ii. Measure and monitor the market risk and keep it under the risk limit and minimize unexpected loss from market risk.

iii. Follow the regulations of Basel Accord.

iv. Establish the market risk management system and economic capital allocation process.

v. Monitor the credit line management of financial instrument, sensitivity analysis, stress testing and the calculation of VaR, and report the result of market risk monitoring to risk management committee periodically and board of director quarterly.

c) Market risk management procedures

According to “Whole Risk Management Policy”, risk management department is the second line of defense against the market risk. Risk management department performs the market risk management, establishes related management process, and reports to the appropriate level of the management. Besides, risk management department establishes independent risk management process and ensures its effectiveness.

i. Identifying and measuring

The effective market risk management process begins with identifying the inherent risk of operating activities and financial instruments. The Group reviews the risk identifying method timely when the market environment changes and makes necessary adjustment to ensure the effective operation of the market risk management process. The Group’s risk management department identifies market risk factors and measures the market risk. The market risk factors refer to the factors which affect the interest rate, exchange rate or the fair value of equity instruments. The market risk factors include the position, profits and loss, loss from stress testing, 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 instrument related regulations as the important management rules of trading book.

iii. Valuation policy

The trading positions are valued on a real time or daily basis. The hedging derivatives are valued at least twice a month. The resources of fair value of financial instruments are categorized as: (1) those derived from quoted prices in active markets; (2) the latest price without active market; (3) valuation without active market.

iv. Risk measuring methods

i) The sensitivity of the interest rate changes of investment portfolio is measured by 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, 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

Every financial derivative listed in the trading book is affected by changes in exchange rate risk factors that affect the profit and loss of the commodity, and all foreign exchange positions of the Bank must be included in the measurement. The exchange rate risk of the Bank is mainly due to the derivatives business as spot and forward foreign exchange and exchange rate options. Most of the foreign exchange transactions that the Bank engages in are based on the principle of leveling customer positions on the same day. The exchange rate option is based on back-to-back transactions, so the exchange rate risk assumed is relatively small.

ii. Exchange rate risk management policy, procedures and measuring methods

To control exchange rate risk, the Bank has set operating limits and stop-loss limits for the trading rooms and traders of each unit, and keep losses within an acceptable range.

Exchange rate derivatives use Delta, Gamma, Vega, and other sensitivity factors to measure the sensitivity of such commodities to exchange rates and their volatility.

The exchange rate risk is mainly based on the risk value control basis, 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

Avoid drastic fluctuations in the price of equity securities, which may adversely affect the Bank's financial position or suffer loss of earnings. Hoping to improve the efficiency of capital utilization, and improve business operations.

iii. Equity security price risk management procedures

The Group sets restrictions on credit extensions with the same person, the same concerned party or the same affiliate to control the risk concentration. Risk management department monitors unrealized gain or loss of the holding position daily. If unrealized loss is over the stop-loss threshold, risk management department would notice the department which holds the position to subject to the related regulations. The department which holds the position should report to risk management committee if unrealized loss is over the stop-loss threshold but the department still holds the position.

iv. Measuring methods

The equity security price risk of trading book is monitored and controlled by VaR, please refer to item i.

The Group would perform stress testing for the equity security price risk of non-trading position and report the result to risk management committee.

i) Market risk measuring method

i. Value at Risk, "VaR"

The Group uses VaR model and stress testing to evaluate the risk of trading portfolio the market risk and the maximum expected loss of positions held through assumptions of changing market situation. VaR is the statistical estimation of potential losses of existing positions arising from unfavorable market changes. VaR refers to the maximum potential loss that Chang Hwa Bank might be exposed to within the confidence interval (99%), which means there is a certain probability (1%) that the actual loss would exceed VaR. Significant loss caused by excessive market volatility could not be avoided by using VaR.

The Group has been using historical simulation method to calculate VaR since January 27, 2014. The historical simulation method is based on historical data to estimate the future cash flow and assess the market risk of financial instrument. There are more and more financial institutions using the historical simulation method. However, there are some limitations for using the method. One of the limitations is that the assumption used in the method may not reflect the real situation. Besides, the simulation result may not be representative if the historical data used are too small. The Group would use proxy to respond to the limitations mentioned above.

According to the Group's "Risk Management Committee Establishment Points", the risk appetite of trading book market risk, operating limits and VaR limits should be approved by the risk management committee. VaR is an important internal risk control in the Group. The VaR limits of investment portfolio are approved annually by the risk management committee and reported to the board of directors. In addition, the daily actual VaR is monitored by the Group's risk management department.

ii. As of December 31, 2021 and 2020, the Bank's VaR factors based on historical simulation method were as follows:

	For the Year Ended December 31, 2021			
	Average	Highest	Lowest	Ending Balance
Exchange VaR	$ 156,023	$ 204,762	$ 102,778	$ 123,113
Interest rate VaR	6,382	16,927	982	12,458
Equity securities VaR	1,899	8,165	-	991
Value at risk	$ 164,304	$ 229,854	$ 103,760	$ 136,562

	For the Year Ended December 31, 2020			
	Average	Highest	Lowest	Ending Balance
Exchange VaR	$ 207,143	$ 306,766	$ 132,496	$ 181,156
Interest rate VaR	12,499	18,690	5,214	7,296
Equity securities VaR	7,485	13,951	-	-
Value at risk	$ 227,127	$ 339,407	$ 137,710	$ 188,452

2) Primary foreign currencies

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

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	December 31, 2021		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
Financial assets			
Monetary items			
USD	$ 8,390,390	27.6550	$ 232,036,235
GBP	59,616	37.3600	2,227,254
AUD	1,732,166	20.0900	34,799,215
HKD	962,619	3.5460	3,413,447
CAD	107,092	21.6600	2,319,613
ZAR	4,358,966	1.7340	7,558,447
JPY	101,770,867	0.2405	24,475,894
EUR	776,810	31.3800	24,376,298
RMB	10,750,297	4.3410	46,667,039
Financial liabilities			
Monetary items			
USD	14,943,696	27.6550	413,267,913
GBP	61,173	37.3600	2,285,423
AUD	1,147,194	20.0900	23,047,127
HKD	755,514	3.5460	2,679,053
CAD	105,834	21.6600	2,292,364
ZAR	4,139,630	1.7340	7,178,118
JPY	96,515,340	0.2405	23,211,939
EUR	805,792	31.3800	25,285,753
RMB	11,735,341	4.3410	50,943,115

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	December 31, 2020		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
Financial assets			
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

For the years ended December 31, 2021 and 2020, net foreign exchange gains were $494,694 thousand and $339,421 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. New "Changhua Bank Customer Credit Define Notice and Control Index Notice" has been developed. In addition to the relevant provisions of the "Customer Credit Define Notice System", the "control indicators", improve the operation of the work and implement the first line function and responsibilities.

iv. 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.

v. The Group implements strict and forward-looking credit risk stress testing to respond to the events or changes which may be unfavorable to the Group and in compliance with the requirements of the competent authority supervising risk management and improves the effectiveness of the Group's risk management.

vi. The Group is holding sessions and training in risk management to strengthen risk management intelligence and increase the Group's financial institution of loan.

vii. Information on credit risk would be presented to the high-level management periodically.

The Group's expected credit loss and measuring methods for major business operations are described as follows:

i. Credit business (including loan commitments and guarantees)

i) A determined signification increase in credit risk since initial recognition.

At the end of every reporting period, the Group evaluates the risk of default on credit assets occurring over their expected lifetime to determine whether the credit risk has increased significantly since their initial recognition.

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

<u>A change in internal credit rating</u>

A financial instrument is determined as having a significant increase in credit risk since initial recognition if its internal credit rating is at the level of 16-18 or if the scoring of a housing loan debtor is lower than 340.

- Qualitative indicators

  A credit account is rated as ordinary-overdue in accordance with the Group's "Detailed Rules for the Processing of Ordinary-overdue Accounts".

  The result of the credit review shows that the credit application and the loan application are inconsistent.

ii) Definition of the credit-impaired financial assets

A credit account that meets one of the following conditions is classified under Stage 3 (Credit impaired):

- The debtor's payment of the principal or interest is past due for more than 3 months from the end of the credit term; or the Bank has already petitioned or withdrawn the debtor's collateral.

- The case has been agreed to be repaid in installments and is exempt from being listed as an overdue loan.

- The case was negotiated and adopted in accordance with the debt negotiation mechanism set by the Association of Banks in 2006.

- The case has been negotiated and agreed upon in accordance with "The Statute for Consumer Debt Clearance" (excluding secured debt fulfilled under the original contractual conditions).

- The case is ruled to undergo restructuring or liquidation by the court.

- The case is ruled to be restricted by the court.

- The case is declared bankrupt by the court.

- The case involves credit accounts of a debtor, excluding credit card accounts, which is partly transferred to class A and B non-performing loans (excluding the sixth item of class B: The credit account is totally guaranteed and the interest payment is not past due during the inheritance period after the death of the debtor and the collateral provider), as well as overdue loans or bad debt loans.

- The case is an enterprise account which has applied for relief from the Ministry of Economic Affairs.

- The case involves a credit account which has an internal credit rating at the level of 19-21.

- The case is a mortgage loan credit account of the Group which has no rating score.

- The case is a credit account which is determined as Stage 3 by the internal or external auditors, or the risk management department of the Group.

iii) Expected credit loss measurement

The Group classifies credit assets into the following nine categories by the credit risk characteristics of the debtor's industry and organization size:

Business	Combination
Corporate banking loans	Government
	Large enterprise
	Small enterprise
	Legal person/group
	Overseas credit account
	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 ECLs based on past loss experience. The ECLs is the difference between the respective asset's EAD carrying amount and the present value of its estimated future cash flows, estimated at the forward-looking adjusted PD and discounted at the effective interest rate.

- Stage 2, significant increase in credit risk

  The Group measures the loss allowance for Stage 2 financial instruments at an amount equal to the lifetime ECLs. The ECLs is the difference between the respective asset's EAD carrying amount and the present value of its computed outcome which is discounted at the effective interest rate. The computed outcome is the product of the unpaid principal for each year end over instruments expected lifetime, the forward-looking adjusted PD, and the LGD.

- Stage 3, credit impairment

  The Group measures the loss allowance for Stage 3 financial instruments at an amount equal to the lifetime ECLs. The ECLs is the difference between the asset's EAD carrying amount and the present value of its estimated future cash flows, estimated assuming the credit impairment situation is given and discounted at effective interest rate.

The PD and EAD and LGD are used to measure the impairment loss for financial assets in the credit business:

- PD is meaning of using past credit-impaired situations to predict the probability of credit impairment in normal situation in a year. The PD for Stage 3 financial instruments is determined as 100%. The PD for Stages 1 and 2 are based on the categories and the remaining lifetime for each credit account. The credit accounts are divided into groups by remaining lifetimes. The PD of each group is determined as the PD of each credit quality stage. The Group shall update the probability of default at least once a year.

- The EAD is the total expected exposure amount of default which includes the unsecured line of credit.

- The exposure amount of impairment-tested off-balance sheet assets (i.e. guarantees, letters of credit issued yet unused, irrevocable loan commitments issued, and revocable loan commitments issued) is converted into the equivalent exposure amount of on-balance sheet assets through a credit conversion factor (CCF). The CCF is determined according to the standardized approach of the Capital Adequacy Ratio as either 0%, 20%, 50% or 100% by referring to the respective off-balance sheet item's characteristics.

- The LGD is one minus the present value of the annual recovery rate. The annual recovery rate refers to the annual recovery amount of principal (including litigation expenses) and interest over non-performing loans plus accrued interest and litigation expenses.

iv) Forward-looking information

The Group classifies credit assets as either corporate banking - domestic, corporate banking - overseas, corporate banking - Singapore branch or individual banking business. Macroeconomic indicators for each 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:

	December 31	
	2021	**2020**
Discounts and Loans	$ 6,343,716	$ 7,446,309

ii. Call loans to banks

The Group evaluates the credit status of counterparties before deals are closed. The Group grants different limits to counterparties based on their respective credit ratings as suggested by domestic and foreign credit rating agencies. The Group assesses the credit limits of counterparties by level and financial status; the Group efficiently manages counterparties' credit risks through regular and special reviews, monitoring and reporting. Additionally, in accordance with the application of IFRS 9, the Group performs credit impairment assessments for call loans to banks, transfers the related credit losses to each of the three stages of credit impairment, and measures the related expected credit loss, so as to ensure adequate allowance for losses, in accordance with regulations.

iii. Debt instruments and derivative financial instruments

The Group identifies and manages the credit risks from debt instruments through the use of external credit ratings of the debt instruments along with the evaluation of credit qualities of bonds, regional conditions and counterparty risks.

The other banks with which the Group conducts derivative transactions are mostly considered investment grade. The Group monitors the credit limits (including lending limits) by counterparties. The credits extended to counterparties who are general customers are monitored in accordance with the related contract terms and conditions and the credit limits for derivatives established in normal credit granting processes.

A change in an external credit rating announced by international credit rating institutions (e.g. S&P and Moody's) is one of the quantitative indicators for judging a significant increase in the credit risk of financial assets at amortized cost and investments in debt instruments at FVTOCI. The measurement of ECLs is calculated using the PD and LGD announced periodically by international credit rating institutions. The international credit rating institutions consider forward-looking information when establishing credit ratings. Thus, when the Group measures ECLs using such credit ratings it holds that an adequate evaluation of the forward-looking information, which was used by the institutions for establishing such credit rating, is inherent therein.

c) Credit risk hedging or mitigation policies

i. Collateral

The Group has a series of measures for credit granting to reduce credit risks. One of the procedures is asking for collateral from the borrowers. To secure the loans, the Group manages and assesses the collateral following the procedures that suggest the scope of collateralization and valuation of collateral and the process of disposition. In credit contracts, the Group stipulates the security mechanism for loans and the conditions and terms for collateral offsetting to state clearly that the Group reserves the right to reduce granted limit, to reduce repayment period, to demand immediate settlement or to offset the debts of the borrowers with their deposits in the Group in order to reduce the Group's credit risks.

ii. Credit line credit risks and control over concentration of credit risks

To avoid the concentration of credit risks, the Group has included credit limits for 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, real estate loan, 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:

December 31, 2021

	Carrying Amount	Maximum Exposure to Credit Risk Mitigated by: Collateral	Master Netting Arrangement	Other Credit Enhancements	Total
Discounts and loans	$ 1,575,071,132	$ 1,147,138,609	$ -	$ -	$ 1,147,138,609
Financial assets at FVTPL	56,611,729	5,463,610	-	-	5,463,610
Investments in debt instruments at FVTOCI	146,652,855	5,673,099	-	-	5,673,099
Investments in debt instruments at amortized cost	405,256,329	-	-	-	-

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	-	-	-	-

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

	Discounts and Loans December 31, 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	$ 859,314,140	$ 1,400,133	$ 7,218	$ 860,721,491
Levels 16-18	-	55,738,866	2,358,013	58,096,879
Levels 19-21	-	-	9,938,976	9,938,976
No rating	640,894,425	3,336,733	2,082,628	646,313,786
Total carrying amount	$ 1,500,208,565	$ 60,475,732	$ 14,386,835	$ 1,575,071,132
Expected credit losses	$ 2,104,357	$ 2,116,708	$ 5,294,105	$ 9,515,170
Recognized impairment based on the Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing Loans and Bad Debts				10,780,875
				$ 20,296,045

	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	612,823,835	1,734,511	1,471,121	616,029,467
Total carrying amount	$ 1,412,549,836	$ 69,691,173	$ 14,594,110	$ 1,496,835,119
Expected credit losses	$ 1,595,328	$ 2,099,425	$ 5,742,200	$ 9,436,953
Recognized impairment based on the Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing Loans and Bad Debts				9,511,321
				$ 18,948,274

	Guarantees issued in guarantee business			
	December 31, 2021			
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Total
Carrying amount	$ 57,101,978	$ 209,997	$ 96,777	$ 57,408,752
Expected credit losses	210,090	2,198	22,221	234,509

	Guarantees issued in guarantee business			
	December 31, 2020			
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Total
Carrying amount	$ 57,805,189	$ 859,186	$ 100,842	$ 58,765,217
Expected credit losses	161,107	17,485	22,605	201,197

	Loan Commitments			
	December 31, 2021			
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Total
Carry amount - non-cancellable	$ 86,074,519	$ 1,837,912	$ -	$ 87,912,431
Carry amount - cancellable	625,444,091	9,699,276	697,165	635,840,532
	$ 711,518,610	$ 11,537,188	$ 697,165	$ 723,752,963
Expected credit losses - non-cancellable	$ 48,862	$ 10,757	$ -	$ 59,619
Expected credit losses - cancellable	94,487	121	136	94,744
	$ 143,349	$ 10,878	$ 136	$ 154,363

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

d) Maximum exposure to credit risk

The maximum credit risk exposures of various financial instruments held by the Group are the same as per book amounts. Refer to the notes to the consolidated financial statements.

As of December 31, 2021 and 2020, the maximum exposure to credit risk (before deducting the guarantees or other credit enhancement instruments and the irrepealably maximum amount of exposure) were as follows:

Financial Instrument Type	December 31 2021	December 31 2020
Unused loan commitments (excluding credit card)	$ 87,912,431	$ 69,752,198
Credit card commitments	206,280	348,160
Unused issued letters of credit	27,312,727	22,504,168
Guarantees issued in guarantee business	57,408,752	58,765,217

e) Situation of credit risk concentration

Prominent concentration of credit risks occurs when transaction parties for financial instruments prominently concentrate on one party, or on a few that are in similar business lines or exhibit similar economic characteristics. The characteristics of concentration of credit risks include the nature of business activities engaged by debtors. The Group has not engaged in transactions that involved a prominent concentration to one client or one transaction party, but has engaged in transaction parties of similar industry type or from similar region.

The Group's information on prominent concentration of credit risk was as follows:

Industry Type	December 31, 2021	
	Carrying Amount	Percentage of Item (%)
Financial and insurance	$ 68,761,893	4
Manufacturing	396,095,884	25
Wholesale and retail	146,156,913	9
Real estate and leasing	116,101,807	8
Service	36,760,527	2
Individuals	614,841,150	39
Others	196,352,958	13
	$ 1,575,071,132	

Industry Type	December 31, 2020	
	Carrying Amount	Percentage of Item (%)
Financial and insurance	$ 52,359,578	4
Manufacturing	366,004,508	24
Wholesale and retail	127,318,600	9
Real estate and leasing	108,559,295	7
Service	46,200,706	3
Individuals	551,058,152	37
Others	245,334,280	16
	$ 1,496,835,119	

Geographic Location	December 31, 2021 Carrying Amount	Percentage of Item (%)
Asia	$ 1,487,827,087	94
America	59,710,639	4
Europe	15,729,593	1
Others	11,803,813	1
	$ 1,575,071,132	

Geographic Location	December 31, 2020 Carrying Amount	Percentage of Item (%)
Asia	$ 1,405,012,433	94
America	63,855,369	4
Europe	18,232,567	1
Others	9,734,750	1
	$ 1,496,835,119	

Securities Type	December 31, 2021 Carrying Amount	Percentage of Item (%)
Unsecured	$ 427,932,523	27
Secured		
Properties	976,753,243	62
Others	170,385,366	11
	$ 1,575,071,132	

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

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 December 31, 2021 and 2020, the ratios of the liquidity reserve were 26.00% and 23.56%, 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 do maturity analysis in order to assess liquidity. The maturity analysis is presented as follows:

(In Thousands of New Taiwan Dollars)

Item	December 31, 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	$ 26,699,287	$ -	$ -	$ -	$ -	$ 26,699,287
Due from the Central Bank and call loans to banks	75,976,832	5,901,721	4,675,895	8,091,754	30,672,032	125,318,234
Financial assets at FVTPL	51,347,171	-	-	-	-	51,347,171
Receivables	25,145,289	905,208	500,264	196,204	87,743	26,834,708
Discounts and loans	76,529,787	108,388,729	139,624,212	212,658,856	822,413,018	1,359,614,602
Investments in equity instruments designated at FVTOCI	-	-	-	-	27,542,148	27,542,148
Investments in debt instruments at FVTOCI	-	-	-	728,190	69,964,173	70,692,363
Investments in debt instruments at amortized cost	235,800,000	22,710,509	7,441,118	30,844,596	30,988,164	327,784,387
Other maturity funds inflow items	-	-	-	-	14,131,062	14,131,062
	491,498,366	137,906,167	152,241,489	252,519,600	995,798,340	2,029,963,962
Major maturity fund outflows						
Deposits from the Central Bank and banks	254,509	82,463	8,527	174,145	-	519,644
Due to the Central Bank and banks	10,000	20,000	-	27,667,470	-	27,697,470
Securities sold under repurchase agreements	641,099	731,761	-	-	-	1,372,860
Payables	29,998,625	701,412	1,568,020	1,218,942	822,588	34,309,587
Deposits and remittances	157,824,466	167,767,198	140,541,223	243,210,099	921,455,085	1,630,798,071
Bank notes payable	-	-	-	-	51,100,000	51,100,000
Other maturity fund outflow items	15,723	70,013	100,269	341,186	5,205,669	5,732,860
	188,744,422	169,372,847	142,218,039	272,611,842	978,583,342	1,751,530,492
Gap	$ 302,753,944	$ (31,466,680)	$ 10,023,450	$ (20,092,242)	$ 17,214,998	$ 278,433,470

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
	428,100,100	142,901,070	165,171,278	252,967,458	841,630,121	1,830,770,027
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	699,539	-	-	-	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
	163,121,507	141,455,892	142,104,127	199,953,599	959,198,910	1,605,834,035
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 United States Dollars)

Item	December 31, 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	$ 189,655	$ -	$ -	$ -	$ -	$ 189,655
Due from the Central Bank and call loans to banks	3,190,050	511,972	22,785	118,873	14,937	3,858,617
Financial assets at FVTPL	82,081	-	-	-	-	82,081
Receivables	495,116	139,575	127,593	35,442	3,172	800,898
Discounts and loans	940,466	728,238	616,712	439,866	3,203,118	5,928,400
Investments in debt instruments at FVTOCI	-	26,038	34,043	87,208	1,375,585	1,522,874
Investments in debt instruments at amortized cost	-	-	-	-	1,006,044	1,006,044
Other maturity fund inflow items	5,000	-	-	-	33,391	38,391
	4,902,368	1,405,823	801,133	681,389	5,636,247	13,426,960
Major maturity fund outflows						
Deposits from the Central Bank and banks	8,169	502	753	1,506	340	11,270
Due to the Central Bank and banks	2,050,652	170,000	10,000	-	-	2,230,652
Financial liabilities at FVTPL	826,434	73,019	3,515	820	1	903,789
Payables	3,548,363	2,533,875	2,362,091	2,457,608	5,034,632	15,936,569
Deposits and remittances	63,949	2,169	581	189	10,210	77,098
Other maturity fund outflow items	6,497,567	2,779,565	2,376,940	2,460,123	5,045,183	19,159,378
Gap	$ (1,595,199)	$ (1,373,742)	$ (1,575,807)	$ (1,778,734)	$ 591,064	$ (5,732,418)

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
	4,175,776	2,128,499	1,083,437	1,184,691	4,118,952	12,691,355
Major maturity fund outflows						
Deposits from the Central Bank and banks	13,524	611	917	1,834	784	17,670
Due to the Central Bank and banks	2,639,237	355,000	-	-	-	2,994,237
Financial liabilities at FVTPL	1,169,585	47,281	8,659	5,728	1,254	1,232,507
Payables	2,179,972	2,246,177	1,817,550	2,141,938	4,156,206	12,541,843
Deposits and remittances	51,872	15,776	617	38	10,120	78,423
Other maturity fund outflow items	6,054,190	2,664,845	1,827,743	2,149,538	4,168,364	16,864,680
Gap	$ (1,878,414)	$ (536,346)	$ (744,306)	$ (964,847)	$ (49,412)	$ (4,173,325)

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

d) Maturity analysis of derivative financial assets and liabilities

The derivative instruments held by the Group, except for interest rate swaps with leveraging effects, have very little probabilities of failing to be sold with reasonable prices in the market, and thus have very low liquidity risks.

(In Thousands of New Taiwan Dollars and Foreign Currencies)

Item	December 31, 2021					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Foreign currency derivative instruments						
Outflows	$ 183,810,946	$ 228,568,500	$ 138,358,458	$ 131,047,484	$ 1,382,750	$ 683,168,138
Inflows	183,006,206	228,316,604	138,273,044	131,266,791	1,376,650	682,239,295
Interest rate derivative instruments						
Outflows	413	-	-	-	30,762	31,175
Inflows	116,609	-	-	-	-	116,609
Others						
Outflows	-	-	-	-	-	-
Inflows	18,843	-	-	-	-	18,843
Total outflows	$ 183,311,359	$ 228,568,500	$ 138,358,458	$ 131,047,484	$ 1,413,512	$ 683,199,313
Total inflows	$ 183,141,658	$ 228,316,604	$ 138,273,044	$ 131,266,791	$ 1,376,650	$ 682,374,747

(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

e) Maturity analysis of off-balance sheet items

The Group's off-balance sheet items - irrevocable loans, guarantees, and letters of credit presented based on the residual time from the balance sheet date to the maturity date were as follows:

(In Thousands of New Taiwan Dollars)

Item	December 31, 2021					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Unused loan commitments (excluding credit cards)	$ 74,143,110	$ 1,193,361	$ 2,275,181	$ 2,774,392	$ 7,526,387	$ 87,912,431
Credit card commitments	12	154	129	687	205,298	206,280
Unused issued letters of credit	27,144,214	168,513	-	-	-	27,312,727
Guarantees issued in guarantee business	57,044,232	60,495	79,816	149,765	74,444	57,408,752
	$ 158,331,568	$ 1,422,523	$ 2,355,126	$ 2,924,844	$ 7,806,129	$ 172,840,190

(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
Unused loan commitments (excluding credit cards)	$ 58,422,232	$ 17,300	$ 924,910	$ 2,747,143	$ 7,640,613	$ 69,752,198
Credit card commitments	17	281	609	18,210	329,043	348,160
Unused issued letters of credit	22,360,834	143,334	-	-	-	22,504,168
Guarantees issued in guarantee business	58,134,932	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

35. OTHER DISCLOSURES OF FINANCIAL INSTITUTION

a. Asset quality

Business Type \ Item			December 31, 2021 Non-performing Loans (Note a)	Loans	Non-performing Loans Ratio (Note b)	Allowance for Loan Losses	Coverage Ratio (Note c)	December 31, 2020 Non-performing Loans (Note a)	Loans	Non-performing Loans Ratio (Note b)	Allowance for Loan Losses	Coverage Ratio (Note c)
Corporate finance	Secured		$ 3,566,751	$ 533,356,439	0.67%	$ 6,718,066	188.35%	$ 3,835,867	$ 506,445,342	0.76%	$ 6,170,676	160.87%
	Unsecured		590,183	409,849,957	0.14%	5,149,362	872.50%	700,201	424,224,391	0.17%	5,248,328	749.55%
Consumer finance	Mortgage loans (Note d)		319,492	386,469,129	0.08%	5,827,803	1,824.08%	402,317	335,241,097	0.12%	5,060,884	1,257.93%
	Cash cards (Note h)		-	-	-	-	-	-	-	-	-	-
	Credit loans (Note e)		2,522	2,750,615	0.09%	33,714	1,336.80%	5,983	2,270,417	0.26%	26,948	450.41%
	Others (Note f)	Secured	700,731	223,977,709	0.31%	2,293,008	327.23%	592,701	212,226,466	0.28%	2,178,685	367.59%
		Unsecured	113	1,643,696	0.01%	18,738	16,582.30%	51,704	1,320,172	3.92%	17,771	34.37%
Total			5,179,792	1,558,047,545	0.33%	20,040,691	386.90%	5,588,773	1,481,727,885	0.38%	18,703,292	334.66%

Business Type \ Item	December 31, 2021 Non-performing Loans (Note a)	Loans	Non-performing Loans Ratio (Note b)	Allowance for Loan Losses	Coverage Ratio (Note c)	December 31, 2020 Non-performing Loans (Note a)	Loans	Non-performing Loans Ratio (Note b)	Allowance for Loan Losses	Coverage Ratio (Note c)
Credit card	$ 3,863	$ 2,395,976	0.16%	$ 21,557	558.04%	$ 4,812	$ 2,106,627	0.23%	$ 20,905	434.43%
No recourse receivable factoring (Note g)	-	8,262,760	-	132,628	-	-	8,396,414	-	134,015	-

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 cards business.

Business Type \ Item	December 31, 2021		December 31, 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)	$ -	$ 483	$ -	$ 650
Negotiated accounts receivable transacted in accordance with the agreement and exempted from reporting as non-performing receivables (Note b)	379	18,973	419	20,531
Total	379	19,456	419	21,181

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

December 31, 2021			
Rank (Note a)	**Transaction Party (Note b)**	**Loans (Note c)**	**As Proportion of Net Equity (%) (Note d)**
1	A Corporation (railway transportation industry)	$ 22,877,522	13.34
2	B Group (airline industry)	21,367,459	12.46
3	C Group (steel smelting industry)	17,094,552	9.97
4	D Group (uncategorized other financial services)	15,640,000	9.12
5	E Group (other holdings industry)	13,987,639	8.16
6	F Group (uncategorized other electronic components manufacturing)	8,866,543	5.17
7	G Group (steel manufacturing industry)	8,407,940	4.90
8	H Group (chemical material manufacturing)	6,437,970	3.75
9	I Group (financial leasing industry)	6,314,622	3.68
10	J Group (integrated circuit manufacturing)	6,066,755	3.54

December 31, 2020			
Rank (Note a)	**Transaction Party (Note b)**	**Loans (Note c)**	**As Proportion of Net Equity (%) (Note d)**
1	B Group (airline industry)	$ 28,268,528	17.13
2	A Corporation (railway transportation industry)	24,048,482	14.57
3	D Group (construction industry)	13,787,561	8.35
4	E Group (enterprise general management agency)	10,835,606	6.56
5	H Group (concrete manufacturing industry)	9,331,292	5.65
6	C Group (steel smelting industry)	8,945,697	5.42
7	G Group (steel manufacturing industry)	7,091,890	4.30
8	K Group (liquid crystal panel and components manufacturing industry)	6,409,996	3.88
9	L Group (computer manufacturing industry)	6,331,866	3.84
10	M Group (vessel carriers industry)	5,788,390	3.51

Note a: Sorted by the balance of loans on December 31, 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, accounts receivable financing, medium-term loan, medium-term secured loan, long-term loan, long-term secured loan, delinquent loans, inward remittances, factoring without recourse, acceptance, and guarantee.

Note d: The percentage of loans to equity for the period: Domestic banks should use bank equity to calculate; the Taiwan branch of foreign banks should use branch's equity to calculate.

c. Interest rate sensitivity

(In Thousands of New Taiwan Dollars; %)

Item	December 31, 2021				
	1-90 Days	**91-180 Days**	**181 Days-1 Year**	**More Than 1 Year**	**Total**
Interest-sensitive assets	$ 1,672,672,463	$ 43,876,223	$ 49,178,969	$ 171,185,747	$ 1,936,913,402
Interest-sensitive liabilities	378,882,176	1,105,812,367	118,959,750	60,709,834	1,664,364,127
Interest sensitivity gap	1,293,790,287	(1,061,936,144)	(69,780,781)	110,475,913	272,549,275
Net equity					148,085,043
Ratio of interest-sensitive assets to liabilities					116.38%
Ratio of interest sensitivity gap to net equity					184.05%

(In Thousands of New Taiwan Dollars; %)

Item	December 31, 2020				
	1-90 Days	**91-180 Days**	**181 Days-1 Year**	**More Than 1 Year**	**Total**
Interest-sensitive assets	$ 1,533,388,887	$ 38,679,450	$ 53,467,034	$ 127,311,205	$ 1,752,846,576
Interest-sensitive liabilities	334,937,053	1,030,158,641	102,284,728	57,144,447	1,524,524,869
Interest sensitivity gap	1,198,451,834	(991,479,191)	(48,817,694)	70,166,758	228,321,707
Net equity					143,844,100
Ratio of interest-sensitive assets to liabilities					114.98%
Ratio of interest sensitivity gap to net equity					158.73%

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	December 31, 2021				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	$ 14,561,894	$ 694,462	$ 144,977	$ 1,863,808	$ 17,265,141
Interest-sensitive liabilities	19,175,855	1,969,321	1,739,879	-	22,885,055
Interest sensitivity gap	(4,613,961)	(1,274,859)	(1,594,902)	1,863,808	(5,619,914)
Net equity					649,452
Ratio of interest-sensitive assets to liabilities					75.44%
Ratio of interest sensitivity gap to net equity					(865.33%)

(In Thousands of U.S. Dollars; %)

Item	December 31, 2020				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	$ 12,129,741	$ 926,807	$ 785,097	$ 361,925	$ 14,203,570
Interest-sensitive liabilities	15,038,000	1,581,428	1,704,086	29	18,323,543
Interest sensitivity gap	(2,908,259)	(654,621)	(918,989)	361,896	(4,119,973)
Net equity					565,221
Ratio of interest-sensitive assets to liabilities					77.52%
Ratio of interest sensitivity gap to net equity					(728.91%)

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		December 31, 2021	December 31, 2020
Return on total assets	Pretax	0.42%	0.37%
	After tax	0.36%	0.32%
Return on net equity	Pretax	6.02%	5.08%
	After tax	5.23%	4.30%
Profit margin		30.69%	25.77%

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 = $\dfrac{\text{Income after tax}}{\text{Net revenue and gains}}$

Note d: Profitability presented above is cumulative from January 1 to December 31 of 2021 and 2020, respectively.

e. Maturity analysis of assets and liabilities

(In Thousands of New Taiwan Dollars)

	Total	December 31, 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	$ 2,315,889,039	$ 251,993,312	$ 278,639,240	$ 248,859,098	$ 195,039,004	$ 310,008,280	$ 1,031,350,105
Major maturity cash outflows	2,914,907,121	137,695,915	230,111,918	422,515,450	360,554,220	621,619,719	1,142,409,899
Gap	(599,018,082)	114,297,397	48,527,322	(173,656,352)	(165,512,216)	(311,611,439)	(111,059,794)

(In Thousands of New Taiwan Dollars)

	Total	December 31, 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	$ 2,043,718,393	$ 206,410,869	$ 238,252,522	$ 244,296,420	$ 186,734,547	$ 291,756,596	$ 876,267,439
Major maturity cash outflows	2,698,346,676	123,495,015	188,831,338	390,474,668	332,690,341	529,248,705	1,133,606,609
Gap	(654,628,283)	82,915,854	49,421,184	(146,178,248)	(145,955,794)	(237,492,109)	(257,339,170)

Note: The amounts listed above include accounts in N.T. dollars only (i.e. excluding foreign currency) for both head office and domestic branches.

(In Thousands of U.S. Dollars)

	Total	December 31, 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	$ 32,636,693	$ 14,105,738	$ 5,594,662	$ 3,802,090	$ 3,142,718	$ 5,991,485
Major maturity cash outflows	37,258,437	12,393,915	5,928,287	5,147,960	6,365,736	7,422,539
Gap	(4,621,744)	1,711,823	(333,625)	(1,345,870)	(3,223,018)	(1,431,054)

(In Thousands of U.S. Dollars)

	Total	December 31, 2020				
		Period Remaining until Due Date and Amount Due				
		1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year
Major maturity cash inflows	$ 25,351,004	$ 10,393,875	$ 5,501,311	$ 2,645,232	$ 2,323,036	$ 4,487,550
Major maturity cash outflows	29,733,667	9,480,010	4,917,244	3,518,461	5,344,146	6,473,806
Gap	(4,382,663)	913,865	584,067	(873,229)	(3,021,110)	(1,986,256)

Note: The amounts listed above include accounts in U.S. dollars for head office, domestic branches, and OBU.

f. Non-performing loan selling information

December 31, 2021							
Transaction Date	Trading Partners	Non-Perform Loan Composition	Book Value	Price	Distribution Profit	Accompanying	Relationship
2021.10.21	FitzWalter Capital Partners (Financial Trading) Limited	International lending	$ 543,227	$ 554,313	$ 11,086	None	None

g. Trust accounts

Under article 3 of the Trust Law, the Group can offer trust services. The items and amounts of trust accounts as of December 31, 2021 and 2020 were as follows:

	December 31	
	2021	**2020**
Special purpose trust accounts - domestic	$ 35,332,088	$ 30,786,243
Special purpose trust accounts - foreign	69,433,968	71,425,270
Insurance trust	9,792	10,805
Retirement and breeds trust	469,848	950,331
Umbilical cord blood trust	13,398,917	12,574,377
Money claim and guarantee trust	53,800	54,800
Marketable securities trust	1,599,911	956,540
Real estate trust	17,611,862	19,219,168
Securities under custody	269,259,270	237,662,053
Other money trust	2,965,986	3,950,133
	$ 410,135,442	$ 377,589,720

h. Disclosures on trust assets and liabilities and assets register as required by Enforcement Rules of ROC Trust Law Article 17 were as follows:

Balance Sheet of Trust

	December 31			December 31	
Trust Assets	**2021**	**2020**	**Trust Liabilities**	**2021**	**2020**
Bank deposits	$ 5,001,811	$ 6,122,855	Trust capital		
Insurance claims	53,800	54,800	Money trust	$ 121,240,527	$ 119,348,535
Financial assets			Insurance claims	53,800	54,800
Common stock	4,489,515	3,076,953	Marketable securities trust	1,596,332	954,239
Mutual funds	112,146,085	109,891,141	Real estate trust	17,612,800	19,220,047
Bonds	2,168,259	2,665,273	Securities under custody payable	269,259,270	237,662,053
Interest receivable	-	298	Profit and loss	94,093	81,628
Land	12,993,462	13,139,955			
Buildings	543,815	562,688			
Construction in progress	3,479,425	4,413,704			
Securities under custody	269,259,270	237,662,053	Unappropriated retained earnings - realized capital gain/loss	1,783	57,791
			Unappropriated retained earnings - gain on revenue/expense investment	1,216,709	1,094,422
			Unappropriated retained earning	(939,872)	(883,795)
Total trust assets	$ 410,135,442	$ 377,589,720	Total trust liabilities	$ 410,135,442	$ 377,589,720

Trust Assets Register

Investments	December 31 2021	December 31 2020
Bank deposits	$ 5,001,811	$ 6,122,855
Insurance claims	53,800	54,800
Financial assets		
Common stock	4,489,515	3,076,953
Mutual funds	112,146,085	109,891,141
Bonds	2,168,259	2,665,273
Land	12,993,462	13,139,955
Buildings	543,815	562,688
Construction in progress	3,479,425	4,413,704
Others	-	298
Securities under custody	269,259,270	237,662,053
Total trust assets	$ 410,135,442	$ 377,589,720

Income Statement of Trust

Investments	For the Year Ended December 31 2021	For the Year Ended December 31 2020
Revenue		
Interest income	$ 56,687	$ 77,687
Dividends	76,737	73,987
Gain on mutual funds	20,801	17,954
Foreign exchange gains	848,921	914,811
Realized capital gain - mutual funds	5,456	4,048
Realized capital gain - bonds	6,091	22,971
Realized capital gain - quoted stock	208	188,025
	1,014,901	1,299,483
Expense		
Maintenance	(3,813)	(4,714)
Tax expense	(3,899)	(4,190)
Others	(832)	(706)
Foreign exchange losses	(882,843)	(938,240)
Realized capital loss - bonds	(13,386)	(13,620)
Realized capital loss - mutual funds	(4,381)	(2,313)
Realized capital loss - quoted stock	(11,654)	(254,072)
	(920,808)	(1,217,855)
	$ 94,093	$ 81,628

36. RELATED-PARTY TRANSACTIONS

a. Related parties and their relationships with the Bank

Name	Relationship
Director and managers	The Bank's director and managers
Taishin Financial Holding	The Bank's related party in substance (as the Bank's corporate director before June 19, 2020)
Taishin International Bank	The subsidiary of Bank's related party in substance (owned by the same parent company before June 19, 2020)
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
Taichung Commercial Bank Co., Ltd.	Its director is the spouse of the Bank's manager
Taiwan High Speed Rail Corporation	Its director is the Bank's corporate director
Yang Ming Marine Transport Corporation	Its director is the Bank's corporate director
China Airlines, Ltd.	Its director is the Bank's corporate director
Unity OPTO Technology Co., Ltd.	Its director is the Bank's corporate director
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
Kaohsiung Rapid Transit Corporation	Its director is the Bank's corporate director
Lungteh Shipbuilding Co., Ltd.	Its director is the Bank's corporate director
EirGenix, Inc.	Its director is the Bank's corporate director
Others	Other related parties (IAS 24 "Related Party Disclosures)

b. Significant transactions with related parties

1) Loans

	Balance	Percentage of Loans (%)
Balance as of December 31, 2021	$ 26,534,553	1.71
Balance as of December 31, 2020	32,684,371	2.21

For the years ended December 31, 2021 and 2020, interest rates ranged from 0.89% to 3.57% and from 0.00% to 3.57%, respectively, and interest income amounted to $477,003 thousand and $518,118 thousand, respectively.

	December 31, 2021					
	Ending Balance	**Highest Amount**	**Normal Loans**	**Non-performing Loans**	**Collateral**	**Difference in Terms Between Related Parties and Non-related Parties**
Consumer loans						
48 accounts	$ 26,060	$ 26,998	$ 26,060	$ -	Credit	None
Self-use residential mortgage loans						
253 accounts	1,606,401	1,646,420	1,606,401	-	Real estate	None
Others						
Taiwan High Speed Rail Corporation	22,559,661	23,962,050	22,559,661	-	Credit and station equipment	None
China Airlines, Ltd.	1,000,000	1,000,000	1,000,000	-	Credit and fund guarantee	None
Unity Opto Technology Co., Ltd.	628,471	629,593	628,471	-	Credit and land and plant	None
Powertec Electronical Corporation	266,512	466,027	-	266,512	Plant	None
Lungteh Shipbuilding Co., Ltd.	108,899	168,705	108,899	-	Credit and land and plant	None
Other - 11 corporation accounts (Note 1)	338,342	1,765,235	338,342	-	Credit and fund guarantee and real estate	None
Other - 5 individual accounts (Note 2)	207	414	207	-	Deposit	None

	December 31, 2020					
	Ending Balance	**Highest Amount**	**Normal Loans**	**Non-performing Loans**	**Collateral**	**Difference in Terms Between Related Parties and Non-related Parties**
Consumer loans						
48 accounts	$ 28,650	$ 30,104	$ 28,650	$ -	Credit	None
Self-use residential mortgage loans						
251 accounts	1,587,334	1,640,520	1,587,334	-	Real estate	None
Others						
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
Powertec Electronical 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

Note 1: The balance of each corporate entity does not exceed $1 billion.

Note 2: The balance of each single entity does not exceed 1% of the total ending balance.

Mortgage loans to managers within $8,000 thousand and credit loans within $800 thousand per person all bore interests were both 1.01% in December 31, 2021 and 2020. The interest rates and other terms provided to the other related parties are the same as those offered to the public.

2) Guaranteed loans

	December 31, 2021				
	Ending Balance	**Highest Amount**	**Reserve for Guarantee Liabilities**	**Interest Rate (Per Annum %)**	**Collateral**
CSBC Corporation	$ 2,116,261	$ 2,136,516	$ 21,163	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.	128,642	131,447	1,286	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

3) Deposits

	Balance	**Percentage of Loans (%)**
Balance as of December 31, 2021	$ 52,360,143	2.42
Balance as of December 31, 2020	7,384,898	0.39

For the years ended December 31, 2021 and 2020, the interest rates intervals were both between 0.00% to 13.00%; the interest expense was $74,026 thousand and $97,510 thousand, respectively.

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

4) Transactions of derivative financial products

(In Thousands of New Taiwan Dollars)

	December 31, 2021					
					Balance Sheet	
Name	**Contract**	**Duration**	**Nominal Principle Amount**	**Current Valuation Gain (Loss)**	**Subject**	**Amount**
Chunghwa Post Co., Ltd	Currency swaps	2021.7.22-2022.7.22	$ 13,274,400	$ (88,984)	Financial liabilities at fair value through profit or loss	$ 88,984

Name	Contract	Duration	December 31, 2020 Nominal Principle Amount	Current Valuation Gain (Loss)	Balance Sheet Subject	Amount
Chunghwa Post Co., Ltd	Currency swaps	2020.8.10-2021.6.15	$ 11,942,500	$ (371,770)	Financial liabilities at fair value through profit or loss	$ 371,770

5) Call loans to banks and call loans from banks

Call loans to banks

(In Thousands of Original Currencies)

Name	Department	Currency	December 31, 2021 Ending Balance	Interest Rate (Per Annum %)	Interest Income
Chunghwa Post Co., Ltd	DBU	NTD	$ 15,000	0.08-0.62	$ 89
Land Bank	DBU	NTD	10,000	0.08-0.47	1,583
	OBU	USD	116,000	0.06-0.33	203
	London Branch	USD	20,000	0.18-0.29	19
	Hong Kong Branch	USD	25,000	0.08-0.48	214
Taiwan Business Bank	OBU	USD	30,000	0.06-0.32	22
	Tokyo Branch	USD	15,000	0.13-0.53	29
Taichung Commercial Bank	DBU	NTD	900,000	0.15-0.31	1,787

Name	Department	Currency	December 31, 2020 Ending Balance	Interest Rate (Per Annum %)	Interest Income
Chunghwa Post Co., Ltd	DBU	NTD	$ 15,000	0.08-0.77	$ 445
Land Bank	DBU	NTD	2,005,000	0.07-0.67	3,201
	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	DBU	NTD	500,000	0.20-0.43	1,030
Bank	OBU	JPY	1,500,000	0.02	3

Call loans from banks

(In Thousands of Original Currencies)

Name	Department	Currency	December 31, 2021 Ending Balance	Interest Rate (Per Annum %)	Interest Expense
Land Bank	DBU	NTD	$ 5,000	0.08-0.48	$ 136
	OBU	ZAR	20,000	4.30-5.45	2,133
Taiwan Business Bank	Singapore Branch	SGD	8,000	0.19-0.35	12
Taichung Commercial Bank	OBU	ZAR	30,000	3.70-6.00	558

Name	Department	Currency	December 31, 2020 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

6) Due from banks and deposits from banks

Due from banks

(In Thousands of New Taiwan Dollars)

Name	Department	Currency	December 31 2021 Ending Balance	December 31 2020 Ending Balance
Land Bank	DBU	NTD	$ 4	$ 4
Taiwan Business Bank	DBU	NTD	11	4
Chunghwa Post Co., Ltd	DBU	NTD	227	121

Deposits from banks

(In Thousands of Original Currencies)

Name	Department	Currency	December 31 2021 Ending Balance	December 31 2020 Ending Balance
Land Bank	DBU	NTD	$ 277	$ 277
The Export-Import Bank	DBU	NTD	1,972	2,205
Chunghwa Post Co., Ltd	DBU	NTD	312,843	355,766
Taishin International Bank	New York Branch	USD	68	68

c. Compensation of directors and management personnel

	For the Year Ended December 31 2021	2020
Short-term employee benefits	$ 98,771	$ 86,980
Post-employment benefits	11,707	21,291
	$ 110,478	$ 108,271

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

d. Others

The Bank signed two-year information system service contracts in the amounts of $2,000 thousand and $46 thousand each on April 8, 2020 and April 30, 2020, with its subsidiaries Chang Hua Commercial Bank, Ltd. and Chang Hwa Bank Venture Capital Co., Ltd., respectively and in 2021, recognized other income in the amounts of $1,659 thousand $22 thousand.

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. In 2021, the Bank recognized other income in the amount of $65 thousand.

37. PLEDGED ASSETS

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

Pledged Assets	Description	December 31 2021	December 31 2020
Investments in debt instruments at FVTOCI	Bonds	$ 6,617,187	$ 1,126,969
Investments in debt instruments at amortized cost	Bonds and certificates of deposit	41,438,275	41,440,500
Time deposits with original maturities of more than 3 months	Time deposits	-	2,811,250
Refundable deposits	Cash	1,325,277	2,601,890
Reserves for demand Account	Cash	35,000,000	30,000,000

38. CONTINGENT LIABILITIES AND COMMITMENTS

a. In addition to those mentioned in Note 7, the Group had the following contingent liabilities and commitments as of December 31, 2021 and 2020:

	December 31 2021	December 31 2020
Trust liabilities	$ 410,135,442	$ 377,589,720
Unused loan commitments (excluding credit cards)	87,912,431	69,752,198
Credit card commitments	206,280	348,160
Unused issued letters of credit	27,312,727	22,504,168
Guarantees issued in guarantee business	57,408,752	58,765,217
Repayment notes and times deposit held for custody	14,130,756	14,530,602
Liabilities on joint loans	434,699	629,849

The unrecognized commitments for the acquisition of equipment and intangible assets, as well as the commitments for construction, appointment and security service as of December 31, 2021 were $1,425,603 thousand, $68,698 thousand, $1,061,129 thousand and $137,070 thousand, respectively.

b. TDK Corporation filed a legal proceeding against the Bank for damages in the amount of $45,794 thousand. On April 19, 2017, the Taiwan Superior Court passed a verdict partially in favor of and partially against the Bank, and the Bank shall compensate the damages in the amount of $11,448 thousand. The Bank had appealed to the Supreme Court. The Supreme Court 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.The Supreme Court convened a mediation court for TDK Corporation on February 8, 2022.

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 year ended December 31, 2021	None
2	Acquisition of fixed assets over NT$300 million or 10% of outstanding capital for the year ended December 31, 2021	None
3	Disposal of fixed assets over NT$300 million or 10% of outstanding capital for the year ended December 31, 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 December 31, 2021	None
6	Sale of NPL	Note 35
7	Securitized instruments and related assets which are in accordance with the Statute for Financial Assets Securitization and the Statute for Real Estate Securitization	None
8	Other significant transactions which may affect decisions of the users of the financial statements	None

b. Information on the Bank's investees

No.	Item	Explanation
1	Investees' names, locations, etc.	Table 1
2	Capital lending to another party	None
3	Endorsement for another party	None
4	Marketable securities held as of December 31,2021	Table 2
5	Accumulated purchases and sales balance of specific marketable security over NT$300 million or 10% of outstanding capital for the year ended December 31, 2021	None
6	Acquisition of property, plant and equipment over NT$300 million or 10% of outstanding capital for the year ended December 31, 2021	None
7	Disposal of property, plant and equipment over NT$300 million or 10% of outstanding capital for the year ended December 31,2021	None
8	Receivables from related parties over NT$300 million or 10% of outstanding capital as of December 31, 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. INFORMATION ON INVESTEES

Investees' Names (Note a)	Investees' Location	Principal Business Activities	Ownership Interest (%) at Ending Balance	Investment Book Value	Recognized Investment Income (Loss) of Current Period	Sum of Ownership (Note a)			
						Current Stock	Imputed Stock (Note b)	Stock	Ownership Interest (%) (Note d)
Shin Kong Financial Holding Co., Ltd.	Taipei City	Financial holding company	0.35	$ 560,745	$ -	$ 50,746,125	$ -	$ 50,746,125	0.35
Asia Pacific Broadband Telecom Co.	Taipei City	Type I & type II telecommunications business	0.23	80,815	-	9,831,471	-	9,831,471	0.23
Taiwan High Speed Rail Corporation	Taipei City	High speed railroad	0.79	1,317,200	-	44,500,000	-	44,500,000	0.79
Taiwan Stock Exchange Co.	Taipei City	Securities brokerage, margin lending, and underwriting financial products	3.00	3,498,102	-	25,216,998	-	25,216,998	3.00
Taiwan Sugar Co.	Tainan City	Manufacture correlative products of sugar and crop	0.41	1,718,124	-	23,246,159	-	23,246,159	0.41
Taiwan Power Co.	Taipei City	Generate electric power, power distribution, and cable assemble	0.71	3,182,308	-	235,726,532	-	235,726,532	0.71
Taipei Foreign Exchange Inc.	Taipei City	Exchange trading, DEPOS, and Swap	3.53	32,270	-	700,000	-	700,000	3.53
Lieu-An Service Co., Ltd.	Taipei City	ATM purchase, rental, and repair or maintenance	5.00	1,654	-	125,000	-	125,000	5.00
CDIB & Partners Investment Holding Co.	Taipei City	Investment	4.95	598,860	-	54,000,000	-	54,000,000	4.95
Nomura Asset Management Taiwan Ltd.	Taipei City	Securities investment trust	4.09	68,962	-	1,413,725	-	1,413,725	4.09
Financial Information Service Co., Ltd.	Taipei City	Type II telecommunications business	1.26	163,479	-	6,589,242	-	6,589,242	1.26
Taiwan Futures Exchange	Taipei City	Futures exchange	1.00	482,550	-	4,198,640	-	4,198,640	1.00
Taiwan Assets Management Co., Ltd.	Taipei City	Acquisition of delinquent loans, evaluation, auction, and management	11.35	1,539,600	-	120,000,000	-	120,000,000	11.35
Taiwan Financial Asset Service Co.	Taipei City	Auction assets of the recognition of an impartial third party	2.94	48,600	-	5,000,000	-	5,000,000	2.94
Financial Evolution Co., Ltd.	Taipei City	Financial information systems development	4.12	8,484	-	905,475	-	905,475	4.12
Taiwan Depository & Clearing Corporation	Taipei City	Provide book-entry of securities transactions	0.08	21,913	-	361,605	-	361,605	0.08
Sunlight Assets Management Co., Ltd.	Taipei City	Acquisition of delinquent loans, evaluation, auction, and management	0.70	504	-	41,768	-	41,768	0.70
Taiwan Mobile Payment Corporation	Taipei City	Electronic Information provider	3.00	9,450	-	1,800,000	-	1,800,000	3.00
Taiwan Urban Regeneration & Financial Services Co., Ltd.	Taipei City	Urban renewal industry	5.00	13,900	-	2,500,000	-	2,500,000	5.00

Note a: The investees' voting shares, and imputed stock were owned by the Bank and related parties.

Note b: 1) Imputed stock refers to the purchase of securities with equity or derivative commodity contracts (not yet converted into equity holding), which is linked to the equity of the reinvestment business according to the agreed transaction conditions and the bank's commitment to be used as Article 74 of The Banking Act of The Republic of China stipulates that for the purpose of reinvestment, under the assumption of conversion, the shares acquired as a result of the conversion.

2) The above-mentioned "securities with equity" refers to the securities stipulated in the first paragraph of Article 11 of the Securities and Exchange Act Enforcement Rules, such as convertible corporate bonds and call warrants.

3) The above-mentioned "derivative commodity contract" refers to those who meet the definition of derivative instruments in IFRS 9, such as stock options.

42. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of services provided.

a. Segment revenue and results

	For the Year Ended December 31, 2021						
	Loans	Deposits and Remittances	Financial Instruments and Investments	Wealth Management	Subsidiaries and Oversea Branch	Others	Total
Net interest income	$ 13,137,637	$ 4,926,470	$ (176,219)	$ -	$ 2,593,296	$ (15,479)	$ 20,465,705
Net service fee income	1,445,622	248,166	(30,445)	2,772,002	118,923	-	4,554,268
Net income on financial instrument	-	-	3,117,576	-	141,129	-	3,258,705
Others	55,978	-	5,511	-	5,607	340,184	407,280
Net revenue and gains	14,639,237	5,174,636	2,916,423	2,772,002	2,858,955	324,705	28,685,958
Bad debts expense, commitment and guarantee liability provision	(1,363,664)	-	230	-	(430,411)	-	(1,793,845)
Operating expenses	-	-	-	-	-	-	(16,771,674)
Income before income tax	$ 13,275,573	$ 5,174,636	$ 2,916,653	$ 2,772,002	$ 2,428,544	$ 324,705	$ 10,120,439

	For the Year Ended December 31, 2020						
	Loans	Deposits and Remittances	Financial Instruments and Investments	Wealth Management	Subsidiaries and Oversea Branch	Others	Total
Net interest income	$ 12,706,058	$ 4,592,420	$ (1,112,831)	$ -	$ 2,980,206	$ (25,601)	$ 19,140,252
Net service fee income	1,485,714	241,694	(29,397)	2,722,469	107,088	-	4,527,568
Net income on financial instrument	-	-	3,191,610	-	108,831	-	3,300,441
Others	12,649	-	4,922	-	47,748	283,512	348,831
Net revenue and gains	14,204,421	4,834,114	2,054,304	2,722,469	3,243,873	257,911	27,317,092
Bad debts expense, commitment and guarantee liability provision	(283,297)	-	171	-	(2,553,073)	-	(2,836,199)
Operating expenses	-	-	-	-	-	-	(16,170,327)
Income before income tax	$ 13,921,124	$ 4,834,114	$ 2,054,475	$ 2,722,469	$ 690,800	$ 257,911	$ 8,310,566

The reported revenue and results on the segment information did not include inter-segment revenue for the years ended December 31, 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

	December 31, 2021						
	Loans	Deposits and Remittances	Financial Instruments and Investments	Wealth Management	Subsidiaries and Oversea Branch	Others	Total
Assets	$ 1,472,353,653	$ -	$ 813,923,901	$ -	$ 171,319,335	$ 93,509,608	$ 2,551,106,497
Liabilities	$ 2,759,647	$ 2,116,226,758	$ 75,078,516	$ -	$ 108,235,008	$ 77,354,113	$ 2,379,654,042

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

TABLE 1

CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEES' NAMES AND LOCATIONS
FOR THE YEAR ENDED DECEMBER 31, 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 December 31, 2021	End of December 31, 2020	Stock	Ownership Interest (%)	Book Value			
Chang Hwa Bank	Chang Hua Commercial Bank, Ltd.	China	Banking	$ 12,117,288	$ 12,117,288	Note	100	$ 13,209,964	$ 150,695	$ 150,695	
	Chang Hwa Bank Venture Capital Co., Ltd.	Taiwan	Venture capital	600,000	600,000	60,000,000	100	658,182	54,145	54,145	

Note: Limited company organization.

CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 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	December 31, 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	$ 41,741	0.3	$ 41,741	
	Cheng Mei Instrument Technology Co., Ltd.	-	Financial assets at fair value through other comprehensive income	790,000	20,540	2.1	20,540	
	Jada International Development Co., Ltd.	-	Financial assets at fair value through other comprehensive income	2,919,378	43,557	8.5	43,557	
	Yuh Shan Environmental Engineering Co., Ltd.	-	Financial assets at fair value through profit or loss	500,000	9,000	2.0	9,000	
	Acer E-enabling Service Business Inc.	-	Financial assets at fair value through profit or loss	405,813	89,279	1.1	89,279	
	Advanced Wireless & Antenna Inc.	-	Financial assets at fair value through profit or loss	250,000	9,803	1.0	9,803	
	Huang Chieh Metal Composite Material Tech. Co., Ltd.	-	Financial assets at fair value through profit or loss	350,000	9,195	0.6	9,195	
	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	13,085	0.9	13,085	
	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	-	12,000	-	12,000	
	Minima Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	570,000	14,820	0.2	14,820	
	Evergreen Aviation Technologies Corporation	-	Financial assets at fair value through profit or loss	500,000	31,500	0.1	31,500	

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. AND SUBSIDIARIES

INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 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 December 31, 2021	Net Income (Loss) of the Investee (Note 2)	% of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2021	Accumulated Repatriation of Investment Income as of December 31, 2021	Note
					Outflow	Inflow							
Chang Hua Commercial Bank, Ltd.	Banking	$ 12,117,288 (US$ 399,558)	Note c	$ 12,117,288 (US$ 399,558)	$ -	$ -	$ 12,117,288 (US$ 399,558)	$ 150,695	100	$ 150,695	$ 13,209,964	$ -	

2.

Accumulated Outward Remittance for Investment in Mainland China December 31, 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)	$ 25,717,868

Note 1: The three methods of investment are as follows:

a. Direct investment in mainland China.
b. Investment in mainland China through reinvestment in existing enterprise in a third area.
c. Others.

Note 2: Equity in the profit (loss):

a. If the entity is still in the preparation stage and there is no equity in profit (loss), the condition should be noted.

b. The basis of recognizing equity in profit (loss) is categorized in the following three types and each entity should be noted according to its condition.

1) Financial statements audited (reviewed) by international accounting firms that cooperate with the accounting firms in the ROC.
2) Financial statements audited (reviewed) by the Taiwan-based parent company’s CPA.
3) Others.

Note 3: In accordance with the “Bank, Financial Holding Corporation and Related Party Invest China Business Rules” announced by the FSC, the accumulated outflow of operating funds and investment from the following parties may not exceed 15% of net assets while they applied:

a. 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.
b. The subsidiaries whose issued stocks with voting rights or more than 50% of capital held by banks in Taiwan that have investments in mainland China.

CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars, Except for Percentage)

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Transactions Details			
				Financial Statement Accounts	Amount	Payment Terms	% to Total Sales or Assets (Note 3)
0	The Bank	Chang Hua Commercial Bank, Ltd.	a.	Due from the Central Bank and call loans to bank	$ 26,915	Same as normal customers	-
		Chang Hua Commercial Bank, Ltd.	a.	Cash and cash equivalents	127,085	Same as normal customers	-
		Chang Hua Commercial Bank, Ltd.	a.	Receivables	262,455	Same as normal customers	0.01
		Chang Hua Commercial Bank, Ltd.	a.	Other financial assets	8,682,000	Same as normal customers	0.34
		Chang Hua Commercial Bank, Ltd.	a.	Interest income	135,823	Same as normal customers	0.47
		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	197,877	Same as normal customers	0.01
		Chang Hwa Bank Venture Capital Co., Ltd.	a.	Payables	7	Same as normal customers	-
		Chang Hwa Bank Venture Capital Co., Ltd.	a.	Other liabilities	5	Same as normal customers	-
		Chang Hwa Bank Venture Capital Co., Ltd.	a.	Interest expense	248	Same as normal customers	-
		Chang Hwa Bank Venture Capital Co., Ltd.	a.	Net non-interest income	2,112	Same as normal customers	0.01

Note 1: Transaction details: Methods of numbering are as follows:

a. 0 for parent company.
b. In accordance with subsidiary number starts from 1.

Note 2: Relationships are as follows:

a. Parent company to subsidiary.
b. Subsidiary to parent company.
c. Subsidiary to subsidiary.

Note 3: Transactions amounts are calculated as percentage of accrued amounts of total income or ending balance of total assets.

TABLE 5

CHANG HWA COMMERCIAL BANK, LTD.

INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 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.