FIRST COMMERCIAL BANK
AND ITS SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
FOR THE YEARS ENDED
DECEMBER 31, 2020 AND 2019

For the convenience of readers and for information purpose only, the auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and consolidated financial statements shall prevail.

PWCR20000401

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders of First Commercial Bank

Opinion

We have audited the accompanying consolidated balance sheets of First Commercial Bank, Ltd. (the "Bank") and its subsidiaries as at December 31, 2020 and 2019, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Bank and its subsidiaries as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, Jin-Guan-Yin-Fa-Zi Letter No.10802731571 and generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Bank and its subsidiaries in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

The Bank and its subsidiaries' key audit matters for the year ended December 31, 2020 are stated as follows:

Recognition and measurement of expected credit losses on discounts and loans

Description

The recognition and measurement of expected credit losses on discounts and loans complies with the regulations under IFRS 9 "Financial Instruments" and relevant regulations issued by the competent authority. For the accounting policy of recognition and measurement of expected credit losses on discounts and loans, please refer to Note 4(9); for critical accounting judgements, estimates, and assumption uncertainty of the recognition and measurement of expected credit losses on discounts and loans, please refer to Note 5(3). For information on discounts and loans allowance for bad debts, which amounted to $23,931,115 thousand, as at December 31, 2020, please refer to Note 6(8); for disclosures of related credit risks, please refer to Note 12(2)C(C).

As stated in Note 5(3), impairment assessment of discounts and loans is based on the expected credit loss model. At each financial reporting date, financial instruments are categorised into three stages based on the degree of change in its credit risk since initial recognition. Provision for impairment loss is measured either using 12-month expected credit losses (stage 1, there has been no significant increase in credit risk since initial recognition) or lifetime expected credit losses (stage 2, there has been a significant increase in credit risk since initial recognition; or stage 3, the credit has been impaired). The measurement of expected credit losses is based on a complex model, which includes various parameters and assumptions and reflects reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. For example, the probability of default and loss given default are estimated using grouping and historical data and subsequently calibrated according to forward-looking information. Major exposure at default of on-balance sheet items is the outstanding loan balance.

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

How our audit addressed the matter

The procedures that we have conducted in response to specific aspects of the above-mentioned key audit matter are summarized as follows:

1. Understood and assessed the related written policies, internal control system, the expected credit loss impairment model and methodology (including various parameters and assumptions, reasonableness of the measurement criteria for the three stages of credit risk, and the relevancy of future economic condition criteria in forward-looking information), and the assessment and approval process.
2. Sampled and tested the implementation effectiveness of internal controls related to the recognition and measurement of expected credit losses, including management of collateral and its value assessment, controls for changes in parameters, and approval for provisioning of expected credit losses.
3. Sampled and tested the consistency of measurement criteria for the samples in the three stages of expected credit loss with the judgement results of the system.
4. Sampled and tested assumptions for the parameters of the expected credit loss model, including the reasonableness of historical data on probability of default, loss given default, and exposure at default.
5. Sampled and tested forward-looking information.
   (1) Sampled and tested the reliability of data on historical economic conditions (economic growth rate, annual inflation rate, etc.) adopted by management to determine whether there is significant increase in credit risk when measuring expected credit losses under IFRS 9 "Financial Instruments".
   (2) Assessed the reasonableness of the forward-looking scenarios and their respective weights adopted by the management.
6. Assessed cases in stage 3 (credit impaired) with material amounts that were previously assessed individually.

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

Fair value measurement of unlisted stocks without an active market

Description

For the accounting policy for unlisted stocks without an active market (included financial assets at fair value through other comprehensive income), please refer to Note 4(7); for critical accounting judgements, estimates, and assumption uncertainty of unlisted stocks without an active market, please refer to Note 5(2). For information on unlisted stocks of financial assets at fair value through other comprehensive income (Level 3), which amounted to $7,952,897 thousand, as at December 31, 2020, please refer to Notes 6(4) and 12(1)E.

The fair value of unlisted stocks is determined by valuation methods since these financial instruments have no quoted prices from active market. Management primarily relies on valuation reports prepared by management's expert for the fair value measurement of these financial instruments. These measurements are largely based on comparable listed companies in similar industries or recently published market multiples and subsequently discounted according to market liquidity or specified risk.

The aforementioned fair value measurement of unlisted stocks includes the determination of assumptions and parameters adopted in valuation models and methods. Because this involves subjective judgement and various assumptions and estimates, the measurement result of using these assumptions and estimates will directly affect the related recognised amounts. Thus, we have included the fair value measurement of stocks of unlisted companies with no active market as one of the key audit matters in our audit.

How our audit addressed the matter

The procedures that we have conducted in response to specific aspects of the above-mentioned key audit matter are summarised as follows:

1. Understood and assessed the related written policies, internal control system, fair value measurement models and methodologies, and approval process of the fair value measurement of unlisted stocks.
2. Understood and assessed the independence, professionalism, and competency of management's expert.
3. Assessed whether the valuation models and methodologies used by management's expert are widely adopted in the applicable industries.
4. Inspected whether the management's report had been assessed and approved by management and assessed the reasonableness of the results of valuation.

Other matter – Parent company only financial reports

We have audited and expressed an unmodified opinion on the parent company only financial statements of First Commercial Bank, Ltd. as at and for the years ended December 31, 2020 and 2019.

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 the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

As part of an audit in accordance with the generally accepted auditing standards in the Republic of China, we exercise professional 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 Bank and its subsidiaries' internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank and its subsidiaries' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related

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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 auditor's report. However, future events or conditions may cause the Bank and its subsidiaries to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Bank and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Chou, Chien-Hung   Chi, Shu-Mei

Chou, Chien-Hung   Chi, Shu-Mei

For and on behalf of PricewaterhouseCoopers, Taiwan
March 19, 2021

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

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

FIRST COMMERCIAL BANK AND ITS SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

	ASSETS	Notes	December 31, 2020 AMOUNT	%	December 31, 2019 AMOUNT	%
11000	Cash and cash equivalents	6(1) and 7	$ 43,691,443	1	$ 46,335,994	1
11500	Due from the central bank and call loans to banks	6(2) and 7	260,267,537	8	279,960,707	9
12000	Financial assets at fair value through profit or loss	6(3) and 7	170,912,960	5	156,410,445	5
12100	Financial assets at fair value through other comprehensive income	6(4) and 8	269,253,959	8	278,096,776	9
12200	Investments in debt instruments at amortised cost	6(5) and 8	657,391,632	19	483,204,788	16
12500	Securities purchased under resell agreements	6(6)	-	-	500,000	-
13000	Receivables	6(7)	85,547,098	3	59,351,274	2
13200	Current tax assets	7	1,347,752	-	1,304,013	-
13500	Discounts and loans, net	6(8) and 7	1,905,692,247	55	1,764,670,377	57
15000	Investments measured by equity method, net	6(9)	2,603,205	-	2,453,113	-
15500	Other financial assets	6(10)	147,803	-	149,465	-
18500	Property and equipment, net	6(11)	26,636,726	1	25,937,524	1
18600	Right-of-use assets, net	6(12) and 7	2,654,118	-	2,845,773	-
18700	Investment property, net	6(14)	7,308,423	-	7,551,986	-
19000	Intangible assets, net		830,408	-	617,101	-
19300	Deferred tax assets	6(37)	2,854,320	-	2,852,871	-
19500	Other assets, net	6(15) and 8	7,178,644	-	4,719,506	-
	Total assets		$ 3,444,318,275	100	$ 3,116,961,713	100

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FIRST COMMERCIAL BANK AND ITS SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

	LIABILITIES AND EQUITY	Notes	December 31, 2020 AMOUNT	%	December 31, 2019 AMOUNT	%
21000	Deposits from the central bank and banks	6(16) and 7	$ 259,115,895	8	$ 285,023,923	9
21500	Due to the central bank and banks		16,531,702	1	263,595	-
22000	Financial liabilities at fair value through profit or loss	6(17) and 7	20,975,490	1	34,446,111	1
22500	Notes and bonds issued under repurchase agreement	6(18)	26,919,014	1	17,894,625	1
23000	Payables	6(19)	83,969,651	2	61,585,435	2
23200	Current tax liabilities	7	3,251,122	-	2,978,144	-
23500	Deposits and remittances	6(20) and 7	2,712,299,855	79	2,404,323,978	77
24000	Bank notes payable	6(21)	38,950,000	1	27,950,000	1
25500	Other financial liabilities	6(22)	43,271,498	1	43,120,508	2
25600	Provisions	6(23)	5,879,307	-	5,850,378	-
26000	Lease liabilities	7	2,467,323	-	2,633,825	-
29300	Deferred income tax liabilities	6(37)	6,677,528	-	7,011,095	-
29500	Other liabilities	6(24)	4,697,209	-	4,955,810	-
	Total Liabilities		3,225,005,594	94	2,898,037,427	93
	Equity					
31101	Common stock	6(25)	89,064,000	3	89,064,000	3
31500	Capital surplus	6(25)	34,470,351	1	34,470,351	1
32000	**Retained earnings**					
32001	Legal reserve	6(25)	56,684,162	2	50,995,215	2
32003	Special reserve	6(25)	4,258,203	-	4,317,308	-
32011	Unappropriated earnings	6(26)	17,842,325	-	21,420,868	1
32500	**Other equity interest**	6(27)	16,993,640	-	18,656,544	-
	Total Equity		219,312,681	6	218,924,286	7
	Total Liabilities and Equity		$ 3,444,318,275	100	$ 3,116,961,713	100

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

FIRST COMMERCIAL BANK AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except earnings per share amount)

	Items	Notes	For the years ended December 31, 2020 AMOUNT	2020 %	2019 AMOUNT	2019 %	Changes Percentage (%)
41000	Interest income		$ 44,704,048	100	$ 52,462,227	109	(15)
51000	Interest expense		(15,368,160)	(34)	(23,771,254)	(49)	(35)
	Net interest revenue	6(28) and 7	29,335,888	66	28,690,973	60	2
	Net revenue other than interest						
49100	Net service fee revenue	6(29) and 7	7,358,635	16	7,880,379	17	(7)
49200	Gain on financial assets or liabilities measured at fair value through profit or loss	6(3)(30) and 7	4,554,905	10	8,348,618	17	(45)
43100	Realized gains on financial assets at fair value through other comprehensive income	6(4)(31)	2,134,034	5	1,158,260	2	84
43600	Gains arising from derecognition of financial assets measured at amortised cost	6(5)	2,723	-	-	-	-
45000	Impairment losses on assets	6(32)	(32,291)	-	(11,575)	-	179
49750	Share of profit of associates accounted for using equity method	6(9)	127,154	-	121,056	-	5
49600	Foreign exchange gain		1,191,827	3	1,518,538	3	(22)
49800	Net other revenue other than interest income	6(33) and 7	83,195	-	255,093	1	(67)
	Net revenue		44,756,070	100	47,961,342	100	(7)
58200	Bad debts expense, commitment and guarantee liability provision	6(8)(23)	(4,514,174)	(10)	(3,860,597)	(8)	17
	Operating expense						
58500	Employee benefits expenses	6(34) and 7	(14,167,000)	(32)	(13,812,334)	(29)	3
59000	Depreciation and amortization expense	6(35) and 7	(1,830,749)	(4)	(1,642,184)	(3)	11
59500	Other general and administrative expense	6(36) and 7	(5,771,758)	(13)	(5,798,050)	(12)	-
61001	**Profit from continuing operations before tax**		18,472,389	41	22,848,177	48	(19)
61003	Income tax expense	6(37)	(2,789,538)	(6)	(3,813,406)	(8)	(27)
64000	**Profit**		15,682,851	35	19,034,771	40	(18)

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FIRST COMMERCIAL BANK AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except earnings per share amount)

	Items	Notes	For the years ended December 31, 2020 AMOUNT	2020 %	2019 AMOUNT	2019 %	Changes Percentage (%)
	Other comprehensive income, net of tax						
	Components of other comprehensive income that will not be reclassified to profit or loss, net of tax						
65201	Losses on remeasurements of defined benefit plans	6(23)	($ 388,338)	(1)	($ 117,162)	-	231
65204	Revaluation (losses) gains on investments in equity instruments measured at fair value through other comprehensive income	6(4)(27)	(1,989,232)	(4)	4,615,466	9	(143)
65220	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(37)	77,667	-	23,433	-	231
	Components of other comprehensive income that will be reclassified to profit or loss, net of tax						
65301	Exchange differences on translation	6(27)	(3,110,836)	(7)	(1,756,350)	(4)	77
65306	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	6(9)(27)	144,368	-	(18,517)	-	(880)
65308	Gains from investments in debt instruments measured at fair value through other comprehensive income	6(4)(27)	3,280,914	8	3,755,037	8	(13)
65320	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	6(27)(37)	11,861	-	(51,334)	-	(123)
	Other comprehensive income, net of tax		(1,973,596)	(4)	6,450,573	13	(131)
	Total comprehensive income, net of tax		$ 13,709,255	31	$ 25,485,344	53	(46)
	Profit, attributable to:	6(38)					
67101	Owners of parent		$ 15,682,851	35	$ 19,018,140	40	(18)
67105	Former owner of business combination under common control		-	-	16,631	-	(100)
			$ 15,682,851	35	$ 19,034,771	40	(18)

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

FIRST COMMERCIAL BANK AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except earnings per share amount)

	Items	Notes	For the years ended December 31, 2020 AMOUNT	2020 %	2019 AMOUNT	2019 %	Changes Percentage (%)
	Comprehensive income, attributable to :						
67301	Owners of parent		$ 13,709,255	31	$ 25,455,609	53	(46)
67305	Former owner of business combination under common control		-	-	29,735	-	(100)
			$ 13,709,255	31	$ 25,485,344	53	(46)
	Basic and diluted earnings per share (In New Taiwan dollars)	6(38)					
	Owners of parent		$ 1.76		$ 2.14		
	Former owner of business combination under common control		$ -		$ -		
	Basic and diluted earnings per share		$ 1.76		$ 2.14		

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

FIRST COMMERCIAL BANK AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of New Taiwan dollars)

	Equity attributable to owners of the parent								
			Retained earnings			Other equity interest			
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Exchange differences on translation of foreign financial statements	Gain or loss on financial assets at fair value through other comprehensive income	Former owner of business combination under common control	Total equity
Year 2019									
Equity at beginning of period	$ 89,064,000	$ 34,462,221	$ 45,735,991	$ 4,229,939	$ 19,497,140	($ 1,070,015)	$ 13,240,727	$ 553,949	$ 205,713,952
Profit	-	-	-	-	19,018,140	-	-	16,631	19,034,771
Other comprehensive income	-	-	-	-	(93,729)	(1,787,971)	8,319,169	13,104	6,450,573
Total comprehensive income	-	-	-	-	18,924,411	(1,787,971)	8,319,169	29,735	25,485,344
Appropriation and distribution of retained earnings									
Legal reserve appropriated	-	-	5,259,224	-	(5,259,224)	-	-	-	-
Special reserve appropriated	-	-	-	87,654	(87,654)	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(11,692,550)	-	-	-	(11,692,550)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	38,460	-	(38,460)	-	-
Effect of reorganization	-	8,130	-	-	-	(6,906)	-	(583,684)	(582,460)
Reversal of special reserve	-	-	-	(285)	285	-	-	-	-
Equity at end of period	$ 89,064,000	$ 34,470,351	$ 50,995,215	$ 4,317,308	$ 21,420,868	($ 2,864,892)	$ 21,521,436	$ -	$ 218,924,286

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FIRST COMMERCIAL BANK AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of New Taiwan dollars)

	Equity attributable to owners of the parent								
			Retained earnings			Other equity interest			
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Exchange differences on translation of foreign financial statements	Gain or loss on financial assets at fair value through other comprehensive income	Former owner of business combination under common control	Total equity
Year 2020									
Equity at beginning of period	$ 89,064,000	$ 34,470,351	$ 50,995,215	$ 4,317,308	$ 21,420,868	($ 2,864,892)	$ 21,521,436	$ -	$218,924,286
Profit	-	-	-	-	15,682,851	-		-	15,682,851
Other comprehensive income	-	-	-	-	(310,671)	(2,966,468)	$ 1,303,543	-	(1,973,596)
Total comprehensive income	-	-	-	-	15,372,180	(2,966,468)	1,303,543	-	13,709,255
Appropriation and distribution of retained earnings									
Legal reserve appropriated	-	-	5,688,947	-	(5,688,947)	-	-	-	-
Special reserve appropriated	-	-	-	(46,647)	46,647	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(13,320,860)	-	-	-	(13,320,860)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(21)	-	21	-	-
Reversal of special reserve	-	-	-	(12,458)	12,458	-	-	-	-
Equity at end of period	$ 89,064,000	$ 34,470,351	$ 56,684,162	$ 4,258,203	$ 17,842,325	($ 5,831,360)	$ 22,825,000	$ -	$219,312,681

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

FIRST COMMERCIAL BANK AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

	For the years ended December 31, 2020	For the years ended December 31, 2019
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Profit from continuing operations before tax	$ 18,472,389	$ 22,848,177
Adjustments		
Adjustments to reconcile profit		
Provision for bad debt expense, commitment and guarantee liability	7,985,590	6,758,105
Depreciation expense of property and equipment	774,501	756,856
Depreciation expense of investment property	9,036	8,719
Depreciation expense of right-of-use assets	734,674	637,783
Amortization expense	312,538	238,826
Interest income	(44,704,048)	(52,462,227)
Interest expense	15,368,160	23,771,254
Dividend income	(1,101,198)	(1,009,979)
Impairment loss on assets	32,291	11,575
Share of profit of associates accounted for using equity method	(127,154)	(121,056)
Loss on retired property and equipment	2,006	3,099
Gain on sale of investment property	(75,840)	(1,624)
Gain on lease modification	(665)	-
Changes in operating assets and liabilities		
Changes in operating assets		
Increase in due from the central bank	(9,041,498)	(6,855,323)
Increase in financial assets at fair value through profit or loss	(14,502,515)	(17,410,935)
Decrease (increase) in financial assets at fair value through other comprehensive income	10,122,115	(47,551,692)
Increase in investments in debt instruments measured at amortised cost	(174,204,973)	(67,603,512)
(Increase) decrease in receivables	(26,909,230)	18,239,373
Increase in discounts and loans	(148,501,252)	(75,402,851)
Decrease (increase) in other financial assets	7,178	(100,724)
Changes in operating liabilities		
(Decrease) increase in deposits from the central bank and banks	(25,908,028)	44,280,594
(Decrease) increase in financial liabilities at fair value through profit or loss	(13,470,621)	1,292,966
Increase (decrease) in payable	24,072,264	(31,609,418)
Increase in deposits and remittances	307,975,877	224,232,193
Increase (decrease) in other financial liabilities	150,990	(429,334)
Decrease in provisions	(452,884)	(687,071)
(Decrease) increase in other liabilities	(258,601)	62,650
Cash (outflow) inflow generated from operations	(73,238,898)	41,896,424
Interest received	45,387,241	52,092,840
Interest paid	(17,056,201)	(16,097,491)
Dividends received	1,105,461	1,006,061
Income taxes paid	(2,805,786)	(2,543,364)
Net cash flows (used in) from operating activities	(46,608,183)	76,354,470

(Continued)

FIRST COMMERCIAL BANK AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

	For the years ended December 31, 2020	2019
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		
Acquisition of investments accounted for using equity method	$ -	($ 582,460)
Acquisition of property and equipment	(1,290,022)	(1,018,131)
Proceeds from disposal of property and equipment	-	43
Acquisition of intangible assets	(526,352)	(401,357)
Acquisition of investment properties	(2,815)	(726)
Proceeds from disposal of investment properties	109,182	2,494
Increase in other assets	(2,457,933)	(2,117,351)
Net cash flows used in investing activities	(4,167,940)	(4,117,488)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		
Increase (decrease) in due to the central bank and banks	16,268,107	(70,356)
Increase in notes and bonds issued under repurchase agreement	9,024,389	2,054,035
Proceeds from issuing (repayments of) bank notes payable	11,000,000	(9,200,000)
Payments of lease liabilities	(705,832)	(643,411)
Cash dividends paid	(13,320,860)	(11,692,550)
Net cash flows from (used in) financing activities	22,265,804	(19,552,282)
Effect of exchange rate changes on cash and cash equivalents	(3,365,073)	(1,756,517)
Net (decrease) increase in cash and cash equivalents	(31,875,392)	50,928,183
Cash and cash equivalents at beginning of peried	262,176,338	211,248,155
Cash and cash equivalents at end of peried	$ 230,300,946	$ 262,176,338
The components of cash and cash equivalents		
Cash and cash equivalents reported in the balance sheet	$ 43,705,897	$ 46,342,056
Due from the central bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	186,595,049	215,334,282
Securities purchased under resell agreements qualifying for cash and cash equivalents under the definition of IAS 7	-	500,000
Cash and cash equivalents at end of period	$ 230,300,946	$ 262,176,338

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

FIRST COMMERCIAL BANK AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Indicated)

1. Organization and business

(1) The Bank was incorporated in 1899 as a company limited by shares and had been a listed company since February 9, 1962. The Bank was privatized on January 22, 1998. On January 2, 2003, the Bank became a subsidiary of First Financial Holding Co., Ltd. ("FFHC") through an exchange of shares. After the exchange of shares, the Bank ceased from being listed on the Taiwan Stock Exchange ("TSE") but remains as a public company. As of December 31, 2020, the Bank's operating units consist of Business Division, Trust Division, Offshore Banking Branch, as well as domestic and overseas branches.

(2) The Bank's primary services are as follows:

A. Engaging in business as prescribed under the Banking Law;

B. Conducting trust business as authorized by the competent authorities;

C. Concurrently engaging in insurance agency related businesses as a commercial bank pursuant to the Insurance Act;

D. Establishing overseas branches to operate business approved by the local government; and

E. Engaging in other businesses approved by the competent authorities.

(3) The Bank's parent company is First Financial Holding Co., Ltd., which holds 100% of the Bank's shares as of December 31, 2020.

2. The date of authorization for issuance of the consolidated financial statements and procedures for authorization

These consolidated financial statements were authorized for issuance by the Board of Directors on March 19, 2021.

3. Application of new standards, amendments, and interpretations

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

New standards, interpretations and amendments endorsed by FSC effective from 2020 are as follows:

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

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

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

(2)<u>Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Bank and its subsidiaries</u>

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

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Amendments to IFRS 4, 'Extension of the temporary exemption from applying IFRS 9'	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, ' Interest Rate Benchmark Reform— Phase 2'	January 1, 2021

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

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

The amendments address issues that arise during the reform of an interest rate benchmark, including the replacement of one benchmark with an alternative one. Given the pervasive nature of interbank offered rate (IBOR) based contracts, the amendments provide accounting for changes in the basis for determining contractual cash flows as a result of IBOR reform and additional IFRS 7 disclosures related to IBOR reform.

(3)<u>Effect of new issuances of IFRSs by IASB but not yet endorsed by the FSC</u>
New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Amendments to IFRS 3, ‘Reference to the conceptual framework’	January 1, 2022
Amendments to IFRS 10 and IAS 28, ‘Sale or contribution of assets between an investor and its associate or joint venture’	To be determined by International Accounting Standards Board
IFRS 17, ‘Insurance contracts’	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IAS 1, ‘Classification of liabilities as current or non-current’	January 1, 2023
Amendments to IAS 1, ‘Disclosure of accounting policies’	January 1, 2023
Amendments to IAS 8, ‘Definition of accounting estimates’	January 1, 2023
Amendments to IAS 16, ‘Property, plant and equipment: proceeds before intended use’	January 1, 2022
Amendments to IAS 37, ‘Onerous contracts—cost of fulfilling a contract’	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022

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

4. Summary of significant accounting policies

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

(1) Compliance statement

The consolidated financial statements of the Bank and its subsidiaries have been prepared 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 the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”).

(2) Basis of preparation

A. Except for the financial assets or financial liabilities (including derivative instruments) at fair value through profit or loss, defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation and foreclosed asset (which are stated at the lower of its carrying amount or fair value less costs to sell at the end of period) these consolidated financial statements have been prepared under the historical cost convention.

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

C. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank and its subsidiaries' accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Principles for preparation of consolidated financial statements

(A) The Bank and its subsidiaries prepare the consolidated financial statements by aggregating the Bank's and its subsidiaries assets, liabilities, revenues and expenses, which have been eliminated versus owners' equity during the consolidation. In addition, the financial statements of the Bank and its subsidiaries are made in the same reporting period. (Item included in the consolidated financial statements are not classified as current and non-current items.) Relevant items are arranged in order based on current and non-current nature.

(B) A subsidiary refers to an investee that the Bank and its subsidiaries have controlling power over. The Bank and its subsidiaries have control over an investee if the following elements are met:

a. power over the relevant activities of the investee, i.e. the investor has voting rights or other existing rights that give it the ability to direct the relevant activities;
b. exposure, or rights, to variable returns from its involvement with the investee;
c. the ability to use its power over the investee to affect the amount of the investor's returns.

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

B. The consolidated financial statements include the following directly owned subsidiaries:

			Percentage of holding shares (%)	
Investor	Subsidiary	Business activities	December 31, 2020	December 31, 2019
FCB	First Commercial Bank (USA)	Banking services	100	100
FCB	FCB Leasing Co. Ltd. (FCBL)	Leasing(Note)	100	100

Note： FCBL was approved for establishment in May 1998. Its main business includes chattel guarantees and related repo trades, lease businesses, and receivable factoring.

C. Unconsolidated entities：None.

D. Adjustment on different accounting periods of the subsidiaries: None.

E. Information with respect to the subsidiaries' significant restriction to transfer its funds to the parent company: None.

F. Specific operation risks of the foreign subsidiaries: None.

G. Restrictions on earnings distribution of subsidiaries: None.

(4) Foreign currency translation

A. Functional and presentation currency

Financial statements of the entities in the Bank and its subsidiaries are presented by the currency of the primary economic environment in which the entities operate (that is the “functional currency”). The consolidated financial statements are presented in New Taiwan Dollars.

B. Transactions and balances

Foreign currency transactions denominated in a foreign currency or required to settle in a foreign currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

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

Exchange differences arising when foreign currency transactions are settled or when monetary items are translated at rates different from those at which they were translated when initially recognized or in previous financial statements are reported in profit or loss in the period, with one exception. The exception is that exchange differences associated with the gains or losses of the parts of effective hedges of cash flow hedges or hedges of net investments in foreign operations are recognized in other comprehensive income.

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

C. Translation of foreign operations

If the Bank and its subsidiaries have a functional currency (not in an economy with high inflation) that is different from their presentation currency in the consolidated financial statements, its operating results and financial position are translated into the presentation currency using the following procedures:

(A) Assets and liabilities presented are translated using the Bank’s and its subsidiaries’ closing exchange rate at the balance sheet date;

(B) Profit or loss presented is translated using the current average exchange rate (if exchanges rates in the period fluctuate rapidly, then translations use the exchange rates of the dates of transaction); and

(C) All exchange differences arising from translation are recognized in other comprehensive income.

Exchange differences arising from the above-mentioned procedures are recognized as “Exchange differences on translation of foreign financial statements” under equity.

When preparing consolidated financial statements, exchange differences arising from the translation of the net investment in foreign operations and monetary hedges considered a part of those net investments are recognized in other comprehensive income. When a foreign operation is partially disposed of or sold, related exchange differences that were originally recorded in other comprehensive income are reclassified to profit or loss.

(5) Cash and cash equivalents

“Cash and cash equivalents” in the consolidated balance sheet includes cash on hand, due from other banks, short-term highly liquid time deposits and investments that are readily convertible to known amount of cash and subject to an insignificant risk of changes in value. For the consolidated statement of cash flows, cash includes cash and cash equivalents, due from central bank and call loans to other banks, securities purchased under resell agreements qualified as cash and cash equivalents as defined by IAS 7.

(6) Securities purchased or sold under resell or repurchase agreements

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

(7) Financial assets and financial liabilities

The financial assets and liabilities of the Bank and its subsidiaries including derivatives are recognized in the consolidated balance sheet and are properly classified in accordance with IFRSs as endorsed by FSC.

A. Financial assets

All financial assets held by the Bank and its subsidiaries are classified according to the business model and characteristics of the contractual cash flows of the underlying asset. The categories are: “discounts and loans”, “receivables”, “financial assets at fair value through profit or loss”, “financial assets at fair value through other comprehensive income”, and “investments in debt instruments at amortised cost”.

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

(A) Regular purchase or sale

Financial assets held by the Bank and its subsidiaries, regardless of type or accounting classification, are all accounted for using trade date accounting by convention at the time of purchase or sale.

(B) Discounts and loans

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

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

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

(C) Receivables

Receivables include those originated and those not originated by the Bank and its subsidiaries. The former originated directly from money, products or services that the Bank and its subsidiaries provided to the debtors, while the latter refers to all other kinds of receivables. Receivables are measured at amortised cost using the effective interest rate method. However, short-term receivables without bearing interest are measured at initial invoice amount if the effect of discounting is material.

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

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

b. At initial recognition, the Bank and its subsidiaries measure the financial assets at fair value and recognise the transaction costs in profit or loss. The Bank and its subsidiaries subsequently measure the financial assets at fair value, and recognise the gain or loss in profit or loss.

c. The Bank and its subsidiaries recognise the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Bank and its subsidiaries and the amount of the dividend can be measured reliably.

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

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

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

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

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

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

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

(F) Investments in debt instruments at amortised cost

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

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

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

b. At initial recognition, the Bank and its subsidiaries measure the financial assets at fair value plus transaction costs. Interest income from these financial assets is amortised to profit or loss over the period of bond circulation using the effective interest method. A gain or loss is recognised in profit or loss when the asset is derecognised.

c. The Bank and its subsidiaries’ time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(G) Reclassification of financial assets

Excluding equity instruments and financial assets designated as at fair value through profit or loss that cannot be reclassified, the Bank and its subsidiaries reclassify certain financial assets when there is a change in the business model used to manage the assets. The reclassification of the asset is applied prospectively beginning on the reclassification date, and previously recognised gains, losses (including impairment or reversal of gains), and interest income cannot be restated.

(H) Derecognition of financial assets

The Bank and its subsidiaries derecognise a financial asset when one of the following conditions is met:

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

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

c. The contractual rights to receive cash flows of the financial asset have been transferred; however, the Bank and its subsidiaries have not retained control of the financial asset.

B. Financial liabilities

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

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

These include financial liabilities held for trading and those designated as financial liabilities at fair value through profit and loss.

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

a. Hybrid (combined) contracts; or

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

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

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

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

(B) Financial liabilities carried at amortised cost

Financial liabilities, which are not classified as financial liabilities at fair value through profit or loss or financial guarantee contract, all belong to financial liabilities at amortised cost.

(C) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(8) <u>Offsetting financial instruments</u>

Financial assets and financial liabilities are offset and reported in the net amount in the balance sheet only when (1) there is a legally enforceable right to offset the recognised amounts; and (2) there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(9) <u>Impairment of financial assets</u>

For discounts and loans, receivables, debt instruments measured at fair value through other comprehensive income, financial assets at amortised cost, other financial assets, loan commitments and financial guarantee contracts, at each reporting date, the Bank and its subsidiaries recognise the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognise the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition or credit that has been impaired after taking into consideration all reasonable and verifiable information that includes forward-looking information. In measuring the expected credit losses of a financial asset, the Bank and its subsidiaries must reflect the following:

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

B. Discounting for the time value of money.

C. Reasonable and supportable information about past events, current conditions, and forecasts of future economic conditions (available at reporting date without undue cost or effort).

At the balance sheet date, allowance for uncollectible accounts of credit assets should be recognised and impairment assessment performed for credit assets in accordance with relevant regulations such as "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans", Jin-Guan-Yin-Guo-Zi No. 10300329440 issued on December 4, 2014 (related to strengthening the ability of domestic banks to bear risks of real estate loans) and Jin-Guan-Yin-Fa-Zi No. 10410001840 issued on April 23, 2015 (related strengthening the management of domestic banks risk exposure in Mainland China and the risk bearing capacity), and the International Financial Reporting Standard 9 ("IFRS 9"). Between the allowance amount required by the relevant regulations and the allowance amount calculated under IFRS 9, the greater amount should be recorded, and the credit asset should be presented net of such allowance amount.

Loss allowance of lease receivables is measured by lifetime expected credit losses.

(10) Non-hedging and embedded derivatives

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

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

C. Under the non-financial assets, whether the hybrid contracts embedded with derivatives are accounted for separately at initial recognition is based on whether the economic characteristics and risks of an embedded derivative are closely related in the host contract. When they are closely related, the entire hybrid instrument is accounted for by its nature in accordance with the applicable standard. When they are not closely related, the derivative is accounted for differently from the host contract as derivative while the host contract is accounted for by its nature in accordance with the applicable standard. Alternatively, the entire hybrid instrument is designated as financial liabilities at fair value through profit or loss upon initial recognition.

(11) Investments measured by equity method

Investments of the Bank and its subsidiaries accounted for using the equity method refers to investments in associates.

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

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

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

(12) Property and equipment

The property and equipment of the Bank and its subsidiaries are recognized on the basis of the historical cost less accumulated depreciation. The historical cost includes any cost directly attributable to the acquisition of the asset.

If the future economic benefit generated from subsequent cost of the asset can be measured reliably and is very likely to flow into the Bank and its subsidiaries, the subsequent cost of property and equipment including the carrying amount may be individually recognized as asset. Additionally, the carrying amounts of a replaced item are derecognized.

Major renewals and improvements incurred to increase the future economic benefits of the assets are capitalized and depreciated. Routine maintenance and repairs are charged to expense as incurred.

Land is not affected by depreciation. Depreciation for other assets is provided on a straight-line basis over the estimated service lives of the assets until salvage value. Service life is as follows:

Land and improvements	3 ~ 30 years
Buildings and structures (including ancilliary equipment)	5 ~ 55 years
Transportation equipment	5 ~ 10 years
Machinery and computer equipment	3 ~ 4 years
Miscellaneous assets	5 ~ 17 years

Leasehold improvements are depreciated over the lease terms of the lease agreements or 5 years.

On balance sheet date, the Bank and its subsidiaries assess or appropriately adjusts the salvage value and service life of the asset. When there is an activity or change in the environment suggesting that the carrying amount may not be recovered, the Bank and its subsidiaries shall evaluate impairment on the asset. If the carrying amount of the asset is higher than the recoverable amount, the carrying amount shall be written off until it is equivalent to the recoverable amount. The recoverable amount is the higher of asset at fair value less disposal expense and value in use. Any gain or loss on disposal is calculated by the difference between the carrying amount and proceeds on disposal, and be recognized in the "Other non-interest income, net" in the statement of comprehensive income.

(13) Investment property

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

Part of the property may be held by the Bank and its subsidiaries and another part generates rental income or capital increase. If the property held by the Bank and its subsidiaries can be sold individually, then the accounting treatment should be made separately. IAS 16 as endorsed by FSC applies to the self-used property, and property used to generate rental income or capital increase or both is applicable for investment property set out in IAS 40 as endorsed by FSC. If each part of the property cannot be sold individually and the self-used proportion is not material, then the property is deemed as investment property in its entirety.

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

Investment property is subsequently measured by cost model. Depreciated cost is used to calculate amortization expense after initial measurement. The depreciation method, remaining useful life and residual value should apply the same rules as applicable to property and equipment. The fair value of investment property is disclosed in the financial statements at the balance sheet date, of which the valuation should be carried out by the appraisal segment of the Bank and its subsidiaries based on the internal appraisal guidelines.

(14) Foreclosed assets

Foreclosed properties are stated at the lower of its carrying amount or fair value less costs to sell at the end of period.

(15) Leasing arrangements (lessor)−lease receivables/operating leases

When the Bank and its subsidiaries are the lessor, please refer to Note 4(13) for the accounting treatment of the leased assets satisfying investment property set out in IAS 40, “Investment Property”.

The lease contract of the Bank’s and its subsidiaries’ subsidiaries includes operating leases and finance leases.

A. Operating lease

Rental receivable from the operating lease is calculated through straight-line method based on the lease term, which are recognized as “net other revenue other than interest income” .

B. Finance lease

The asset is derecognized when the finance lease contract is signed and the present value of lease payment is recognized as lease payable. The difference between the total lease payable and present value is recognized as unrealized interest income, and transferred to interest income as incurred at period end. Rental income is calculated based on remaining lease payment receivable using the embedded interest rate or incremental borrowing interest rate and recognized as current gain and loss.

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

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

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

(A) Fixed payments, less any lease incentives receivable; and

(B) Variable lease payments that depend on an index or a rate.

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

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

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

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

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

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

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

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

(17) Intangible assets

The intangible assets of the Bank and its subsidiaries consist of computer software expenditures, which are recognized by cost and amortized over its economic useful life. The maximum estimated useful life is three years.

Subsequent measurements are based on the cost model.

(18) Impairment of non-financial assets

When there is any evidence indicating a possible impairment, the Bank and its subsidiaries immediately perform impairment tests in relation to the assets applicable for IAS 36, “Impairment of Assets”.

If the testing result of the cash-generating unit of an asset or an individual asset suggests that the recoverable amount is less than the carrying amount, impairment loss is recognized. Recoverable amount refers to the higher of an asset’s fair value less its cost or value in use. Reassess the recoverable amount of an asset when there is an indication that the impairment loss recognized in the prior period decreases or does not exist anymore. If there is any change in the estimated recoverable amount and result in an increase, asset impairment is reversed to the extent that the carrying amounts shall not exceed the amortized cost that would have been determined had no impairment loss been recognized in prior periods.

(19) Provisions, contingent liabilities, and contingent assets

The Bank and its subsidiaries recognize liabilities when all of the following three conditions are met：

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

B. the outflow of economic benefits is highly probable upon settlement; and

C. the amount is reliably measurable.

The outflow of economic benefit as a result of settlement is determined based on the overall obligation when there are several similar obligations. Although the likelihood of outflow for any one item may be small, it may well be probable that some outflow of resources will be needed to settle the class of obligations as a whole. If that is the case, a provision is recognised.

Measurements for provisions are at discounted present value of expenditure for settlement obligation using a pre-tax discount rate with timely adjustment made that reflects the current market assessments of the time value of money and the risks specific to the liabilities.

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

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

(20) Financial guarantee contract and loan commitments

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

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

Subsequently, the Bank and its subsidiaries should measure the contract at the higher of:

A. Loss allowance recognised in accordance with IFRS 9, as endorsed by the FSC; and

B. The amount initially recognised less, when appropriate, cumulative gains recognised in accordance with IFRS 15.

Impairment loss of the aforementioned guarantee policy reserve is assessed in accordance with “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans” and IFRS 9, and the greater of the two amounts is recorded as provision.

Expected credit losses are recognised for loan commitments of the Bank and its subsidiaries, and the measurement of expect credit losses is described in Note 4(9).

Provision for credit losses is recognised for loan commitments and financial guarantee contracts. If a financial instrument includes a loan (financial asset) and undrawn commitment component (loan commitment), and if the Bank and its subsidiaries cannot separate the expected credit losses of the loan from that of the loan commitment, the expected credit loss of the loan commitment is recognised along with that of the financial asset. The amount of the total credit loss in excess of the carrying amount of the financial asset should be recognised as a provision.

The increase in liabilities due to financial guarantee contract and loan commitments is recognised in “bad debt expense, commitment and guarantee liabilities provision”.

(21) Employee benefits

A. Short-term employee benefits

The Bank and its subsidiaries recognize undiscounted short-term employee benefits due in the future as expense during the period that the service is provided.

B. Employee preferential deposit

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

According to Regulations Governing the Preparation of Financial Statements by Public Banks, the preferential interest paid to current employees is calculated based on accrual basis, and the difference between the preferential interest and the market interest is recognized under “employee benefit expense”. According to Article 30 of Regulations Governing the Preparation of Financial Statements by Public Banks, the interest rate upon retirement agreed with the employees which exceeds general market interest rate is actualized in accordance with IAS 19, Defined Benefit Plan, as endorsed by FSC. However, various parameters should be in compliance with competent authorities if indicated otherwise.

C. Termination benefit

Termination benefit is paid to the employee being terminated who is eligible for retirement or as a result of voluntary termination in exchange of termination benefit. The Bank and its subsidiaries have made commitments in the formal detailed employment termination plan which is irrevocable, and recognizes liabilities when providing termination benefit to employees who voluntarily dismiss. Termination benefit paid 12 months after the financial reporting date should be discounted.

D. Post-employment benefit

The Bank and its subsidiaries adopt both defined benefit plan and defined contribution plan. Overseas branches and subsidiaries adopt defined benefit plans based on regulations of the country in which the entities operate.

The pension in each period is recognized as pension cost in the period as incurred. Prepaid pension assets can only be recognized in the range of refundable cash or decrease in future payment.

Defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognized past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have durations that are approximate to the durations of the related pension liability.

Remeasurement of defined benefit plan includes: (1) actuarial gains and losses; (2) return on plan assets, but not including amounts already included in net interest of net defined benefit liabilities (assets); and (3) any changes in effect of asset ceiling, but not including amounts already included in net interest of defined benefit plan. The Bank and its subsidiaries choose to categorise remeasurement of defined benefit plan under retained earnings.

Any actuarial gains and losses on pension of the defined benefit plan are all recognized in other comprehensive income. Past service cost is recognised immediately in profit in the period incurred.

E. Employees’ compensation

Employees’ compensation is recognised as expenses and liabilities, provided that such recognition is required under legal obligation or constructive obligation and those amounts can be reliably estimated. However, if the accrued amounts for employees’ remuneration is different from the actual distributed amounts as resolved, the differences should be recognised based on the accounting for changes in estimates.

(22) Income and expense

Income and expense of the Bank and its subsidiaries are recognized as incurred. Expense consists of employee benefit expense, depreciation and amortization expense and other business and administration expenses. However, interest income is recognized on a cash basis upon receiving the interest when (1) reclassified as non- accrual loans; and (2) interest from restructured loans whose maturities have been extended is not recognized as interest income but recorded in the memo accounts.

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

B. Handling fees and expenses are recognized when cash is received, or the earning process is substantially completed; service fee earned from performing significant items shall be recognized upon the completion of the service, such as syndication loan service fee received from sponsor, handling fees and expenses of subsequent services of loans are amortized or included in the calculation of effective interest rate of loans and receivables during the service period. However, according to the Articles 10.8 and 10.11 of the “Regulation Governing the Preparation of Financial Reports by Public Banks”, the loans and receivables may be measured by the initial amounts if the effects on discount are insignificant.

C. For more details on rental income of operating lease and unrealized interest income of finance lease in relation to lease business, please refer to Note 4(15).

(23) Income tax

A. Current tax

Income tax payable (refundable) is calculated on the basis of the tax laws enacted in the countries where the Bank and its subsidiaries operate and generate taxable income. Except for transactions or other matters that are directly recognized in other comprehensive income or equity, all the other transactions should be recognized as income or expense and recorded as gain and loss in the period. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

B. Deferred tax

Deferred income tax assets and liabilities are measured based on the tax rate of the anticipated period that the future assets realization or the liabilities settlement requires, which is based on the effective or existing tax rate at the consolidated balance sheet date. The carrying amount of assets and liabilities included in the consolidated balance sheet are calculated through liability method and recognized as deferred income tax. The temporary difference of the Bank and its subsidiaries mainly occurs due to the revaluation on the depreciation of property and equipment and certain financial instruments (including derivatives) and provision and transferring of the reserve for pension and other post-employment benefits. Deductible temporary difference within the scope that it is probable to offset taxable income is recognized as deferred income tax.

Temporary difference related to the investees, branches and affiliated entities are recognized as deferred income tax liabilities. However, when the Bank and its subsidiaries are capable of controlling the time length required to reverse the temporary difference and the temporary difference is unlikely to reverse in the foreseeable future, the temporary difference is not recognized.

The land revaluation appraisal occurred due to the revaluation assessment in line with relevant regulations, deemed as taxable temporary difference, and is recognized as deferred income tax liabilities. If the future taxable income is probable to be utilized as unused loss carryforwards or deferred income tax credit which can be realized in the future, the proportion of realization is deemed as deferred income tax assets.

C. Consolidated tax return

Pursuant to the provisions of Tai-Cai-Shui-Zi No. 910458039, 'profit-seeking enterprises shall jointly declare and report profit-seeking enterprise income tax in accordance with Article 49 of the Financial Holding Company Act and Article 40 of the Business Mergers And Acquisitions Act', in which where a financial holding company holds more than 90% of the outstanding issued shares of a domestic subsidiary, such a financial holding company may, for the tax year in which its such shareholding in the subsidiary has existed for the entire twelve months of the tax year, elect to be the tax payer itself, and jointly declare and report profit-seeking enterprise income tax. Thus, in accordance with the aforementioned Letter, the Company along with its parent company, First Financial Holding Co., Ltd. (FFHC), and affiliated companies, First Securities Inc. (FS); First Securities Investment Trust Co., Ltd. (FSIT); First Financial Asset Management Co., Ltd.; First Venture Capital Co., Ltd.; and First Financial Management Consulting Co., Ltd., elect to use a consolidated tax return for the declaration and reporting of their profit-seeking income tax and surplus retained earnings, as well as elect FFHC as the tax payer for the consolidated tax return.

The Bank along with its parent company and affiliates elected the consolidated tax return to jointly declare and report their income tax. Related reimbursements and disbursements are accounted for receivables or payables and are presented in net value when preparing the consolidated as financial statements.

D. Certain transactions of the Bank and its subsidiaries are recognized in other comprehensive income. The tax effects on these kinds of transactions are also recognized in other comprehensive income.

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

(24) Share capital and dividends

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds. Dividends are recorded in the Bank's and its subsidiaries' consolidated financial statements in the period in which they are resolved by the Bank's and its subsidiaries' Board of Directors in substitution for the stockholders. Cash dividends are recorded as liabilities, stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(25) Operating segments

The Bank and its subsidiaries' operating segment reports are consistent with the internal reports provided to the chief operating decision-maker ("CODM"). The CODM is a team that allocates resources to operating segments and evaluates their performance. The Bank and its subsidiaries' CODM is the Bank and its subsidiaries' Board of Director.

5. Critical accounting judgments, estimates and key source of assumption uncertainty

The consolidated financial statements of the Bank and its subsidiaries may be affected by the adoption of accounting policies, accounting estimates and assumptions. Therefore, adoption of the significant accounting policies in Note 4 requires the management's judgment, estimate and assumption, which involves information of significant adjustment made on the carrying amount of assets and liabilities in the next financial statements due to lack of resources. Estimate and assumptions of the Bank and its subsidiaries are the best estimates compliance with IFRS as endorsed by FSC. Estimate and assumptions are made on the basis of past experience and other elements (including the effect of COVID-19) deemed to be relevant. However, the actual results may differ from the estimates. The Bank and its subsidiaries will continually monitor the estimates and assumptions and if the revision of estimate leaves an impact in the current period, the adjustment is recognized in the period. If a revision could affect both current and future periods, then the estimated revision shall be made in current and future periods.

Certain accounting policies and judgments of management could have significantly affected the recognized amounts in the consolidated financial statements. Details are as follows:

(1) Evaluation on financial instruments - debt instruments and derivatives

The Bank and its subsidiaries evaluate the financial instrument at fair value not traded in an active market or with no quoted price. The fair value may be estimated with reference to observable market price in the market if there is observable information of similar instruments. If not, fair value is calculated based on the appropriate evaluation models generally used in the market. The input used in the model should first primarily be based on the observable information in the market. However, in the event that certain information or input cannot be observed directly in the market and/or the model assumption itself is comparatively objective, then the measurement of financial instrument at fair value can be retrieved from historical data or other appropriate assumptions. Every valuation model of the Bank and its subsidiaries are assessed and tested on a regular basis to ensure the output can reflect actual information and the market price. Note 12(1)C provides the main assumptions used in determining the financial instruments at fair value. The competent authorities recognize that the valuation models and assumptions chosen can be appropriately used to determine the fair value of financial instruments.

(2) Evaluation on financial instruments - equity instruments

The fair value of unlisted stocks without active market held by the Bank and its subsidiaries are measured using valuation techniques that involve observable data or models of financial instruments with similar characteristics. If there are no observable inputs from the market, the fair value of the instrument is measured with appropriate assumptions. If fair value is determined by a valuation model, it should be calibrated so that the end result reflects actual data and market prices, and observable data should be used whenever it is possible.

The measurement of fair value is primarily calculated using recently published market multipliers of comparable publicly listed companies in similar industries, and discounted according to market liquidity and particularity of risk. Any changes in these judgements and estimates will impact the fair value measurement of these unlisted stocks. Please refer to Note 12(1)C for the financial instruments fair value information.

(3) Expected credit losses

For debt instruments measured at fair value through other comprehensive income and financial assets measured at amortised cost, the measurement of expected credit losses uses complex models and multiple assumptions. These models and assumptions take into account future macro-economic conditions and credit behaviors of borrowers (e.g. probability of customer default and loss). Please refer to Note 12(2)C for detailed information on parameters, assumptions, and estimation methods used in measuring expected credit losses and disclosure of the sensitivity of credit loss to the aforementioned factors.

The measurement of expected credit losses according to applicable accounting rules involves significant judgement in several areas, for example:

A. The criteria used to judge whether there is significant increase in credit risk.

B. The selection of appropriate models and assumptions for measuring expected credit losses.

C. Determining the forward-looking factors that are necessary for the measurement of expected credit losses for each type of product.

D. For the purpose of measuring expected credit losses, classifying the financial instruments according to similar credit risk characteristics.

Judgements and estimations used in above expected credit losses, please refer to Note 12(2)C.

(4) Post-employment benefit

The present value of post-employment benefit obligation is based on actuarial result of various assumptions, through which any change could affect the carrying amount of post-employment benefit obligation.

Discount rate is included when determining the net pension cost (income), and the Bank and its subsidiaries decide the appropriate discount rate at the end of each year, which is used to calculate the estimated present value of future cash outflow of post-employment benefit obligation needed. The Bank and its subsidiaries should consider interest rate of government bonds of the same currency and maturity in order to determine the appropriate discount rate.

Other significant assumptions on post-employment benefit are made based on the current market situation.

6. Summary of significant accounts

(1) Cash and cash equivalents

	December 31, 2020	December 31, 2019
Cash on hand	$ 14,064,658	$ 22,983,926
Checks for clearance	6,849,823	6,917,507
Due from other banks	22,791,416	16,440,623
Less：Allowance for bad debts- due from other banks	(14,454)	(6,062)
Total	$ 43,691,443	$ 46,335,994

Information relating to credit risk is provide in Note 12(2) C.

(2) Due from the central bank and call loans to banks

	December 31, 2020	December 31, 2019
Reserve for deposits-account A	$ 34,323,637	$ 33,476,652
Reserve for deposits-account B	68,445,437	59,462,268
Inter-Bank clearing fund	12,100,471	8,105,917
Deposits of national treasury account	93,595	75,007
Deposits of overseas branches with foreign Central Banks	13,081,396	12,119,430
Reserve for deposits- foreign currency	589,538	515,228
Call loans and overdrafts to other banks	131,657,661	166,234,968
Subtotal	260,291,735	279,989,470
Less: Allowance for bad debt expense - call loans to banks	(24,198)	(28,763)
Total	$ 260,267,537	$ 279,960,707

A. The Bank and its subsidiaries' reserve for deposits is required by the Banking Law and is determined by applying the reserve ratios set by the Central Bank to the monthly average balance of each type of deposit. The reserve amount is deposited in the reserve deposit account at the Central Bank. According to the regulations, such reserve for deposits - account B cannot be withdrawn except for monthly adjustments of the reserve for deposits.

B. Amounts in conformity and not in conformity with cash and cash equivalents as defined by IAS No.7 were as follows：

	December 31, 2020	December 31, 2019
In conformity with cash and cash equivalents as defined by IAS No.7	$ 186,595,049	$ 215,334,282
Not in conformity with cash and cash equivalents as defined by IAS No.7		
Reserve for deposits-account B	68,445,437	59,462,268
Deposits of overseas branches with foreign Central Banks (Note)	5,251,249	5,192,920
Total	$ 260,291,735	$ 279,989,470

Note: The deposits of overseas branches are reserves required by the respective local central banks. The deposits are restricted from deployment.

C. Information relating to credit risk is provided in Note 12(2)C.

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

	December 31, 2020	December 31, 2019
Financial assets mandatorily measured at fair value through profit or loss		
Short-term bills	$ 86,195,963	$ 70,998,861
Stocks	209,937	270,139
Bonds (government bonds, bank debentures, and corporate bonds)	53,663,227	70,956,807
Others	6,333,800	4,925,000
Derivative financial instruments	10,883,968	4,820,572
Valuation adjustment	616,904	594,184
Subtotal	157,903,799	152,565,563
Financial assets designated as at fair value through profit or loss		
Bonds	12,547,211	3,707,639
Valuation adjustment	461,950	137,243
Subtotal	13,009,161	3,844,882
Total	$ 170,912,960	$ 156,410,445

A. Amounts recognised in profit or loss in relation to financial assets and financial liabilities at fair value through profit or loss are listed below:

	For the year ended December 31, 2020	For the year ended December 31, 2019
Net gains and losses on financial assets mandatorily measured at fair value through profit or loss and financial liabilities held for trading	$ 4,363,444	$ 10,532,324
Net gains and losses on financial assets and financial liabilities designated as at fair value through profit or loss	191,461	(2,183,706)
Total	$ 4,554,905	$ 8,348,618

B. The financial instruments of the Bank and its subsidiaries designated at fair value through profit or loss upon initial recognition were designated to eliminate or reduce recognition inconsistency.

C. As of December 31, 2020 and 2019, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount of debt investments were $159,817,989 and $151,320,086, respectively ; the maximum exposure to credit risk in respect of the amount of derivatives were $10,883,968 and $4,820,572, respectively.

D. As of December 31, 2020 and 2019, the fair value of the bonds designated as financial assets measured at fair value through profits or losses, which were under repurchase and resell agreement, were $281,000 and $299,900, respectively.

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

	December 31, 2020	December 31, 2019
Debt instruments		
Bonds	$ 223,034,893	$ 236,048,456
Other marketable securities	2,657,092	3,896,510
	225,691,985	239,944,966
Valuation adjustment	7,917,044	4,648,512
Subtotal	233,609,029	244,593,478
Equity instruments		
Stocks - listed	16,640,797	12,513,294
Stocks - unlisted	3,722,704	3,718,673
Other marketable securities	419,367	420,057
	20,782,868	16,652,024
Valuation adjustment	14,862,062	16,851,274
Subtotal	35,644,930	33,503,298
Total	$ 269,253,959	$ 278,096,776

A. The Bank and its subsidiaries have selected to classify investments that are considered to be strategic investments or steady dividend income as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to $35,644,930 and $33,503,298 as of December 31, 2020 and 2019, respectively.

B. For the year ended December 31, 2020, the Bank sold beneficiary certificate investments for adjusting its investment position for diversifying risk. The fair value of the beneficiary certificate investments sold was $669, and the cumulative loss was $21. For the year ended December 31, 2019, the Bank sold listed stock and beneficiary certificate investments for adjusting its investment position for diversifying risk . The fair value of the listed stock and beneficiary certificate investments sold was $470,867, and the cumulative gain was $38,460.

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

	For the year ended December 31, 2020	For the year ended December 31, 2019
Equity instruments at fair value through other comprehensive income		
Fair value change recognised in other comprehensive income	($ 1,989,232)	$ 4,615,466
Cumulative gains or losses reclassified to retained earnings due to derecognition	$ 21	($ 38,460)
Dividend income recognised in profit or loss		
Held at the end of the period	$ 1,090,089	$ 975,976
Derecognised during the period	-	20,377
	$ 1,090,089	$ 996,353

	For the year ended December 31, 2020	For the year ended December 31, 2019
Debt instruments at fair value through other comprehensive income		
Fair value change recognised in other comprehensive income	$ 4,322,803	$ 3,857,293
Cumulative other comprehensive income reclassified to profit or loss		
Reclassified due to provision of impairment loss	$ 13,917	$ 8,317
Reclassified due to derecognition	(1,043,945)	(161,907)
	($ 1,030,028)	($ 153,590)
Interest income recognised in profit or loss	$ 3,453,094	$ 5,589,175

D. Please refer to Note 8 for details of the above financial assets at fair value through other comprehensive income pledged as collateral as of December 31, 2020.

E. As of December 31, 2020 and 2019, the fair value of the bonds as financial assets measured at fair value through other comprehensive income, which were under repurchase and resell agreement, amounted to $17,775,926 and $13,580,822, respectively.

F. Information relating to credit risk is provided in Note 12(2)C.

(5) Investments in debt instruments at amortised cost

	December 31, 2020	December 31, 2019
Certificates of deposits purchased	$ 592,062,500	$ 462,126,500
Bonds	65,277,387	21,000,854
Short-term bills	112,400	119,960
Subtotal	657,452,287	483,247,314
Less: Accumulated impairment	(60,655)	(42,526)
Total	$ 657,391,632	$ 483,204,788

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

	For the year ended December 31, 2020	For the year ended December 31, 2019
Interest income	$ 4,143,812	$ 2,900,322
Impairment loss	(18,374)	(3,258)
Gain on disposal	2,723	-
	$ 4,128,161	$ 2,897,064

B. For the year ended December 31, 2020, the Bank and its subsidiaries sold investments in debt instruments for risk management, and the gain on disposal amounted to $2,723.

C. Please refer to Note 8 for details of the above financial assets at amortised cost pledged as collateral as of December 31, 2020.

D. As of December 31, 2020 and 2019, the fair value of the bonds as investments in debt investments at amortised cost, which were under repurchase and resell agreement, amounted to $7,682,400 and $2,352,116, respectively.

E. Information relating to credit risk is provided in Note 12(2)C.

(6) Securities purchased under resell agreements

	December 31, 2020	December 31, 2019
Government bonds	$ -	$ 500,000

The resell agreement amounts for the above bonds were $0 and $500,093 as of December 31, 2020 and 2019, respectively.

(7) Receivables

	December 31, 2020	December 31, 2019
Spot exchange receivable	$ 56,010,666	$ 30,862,093
Factoring receivable	4,544,543	3,225,624
Interest receivable	5,842,494	6,525,687
Acceptances receivable	4,689,787	4,495,562
Credit card accounts receivable	7,482,076	7,345,825
Other receivables	7,590,115	7,689,608
Subtotal	86,159,681	60,144,399
Less: Allowance for bad debts	(612,583)	(793,125)
Net amount	$ 85,547,098	$ 59,351,274

Information relating to credit risk is provided in Note 12(2)C.

(8) Discounts and loans, net

	December 31, 2020	December 31, 2019
Bills and notes discounted	$ 2,259,116	$ 2,923,379
Overdrafts	1,029,049	1,166,717
Short-term loans	524,607,865	534,129,916
Medium-term loans	645,299,267	522,808,341
Long-term loans	750,843,903	720,859,469
Import-export bills negotiations	1,414,618	877,028
Loans transferred to non-accrual loans	4,169,544	4,504,052
Subtotal	1,929,623,362	1,787,268,902
Less: allowance for bad debts	(23,931,115)	(22,598,525)
Net amount	$ 1,905,692,247	$ 1,764,670,377

A. Information relating to credit risk is provided in Note 12(2)C.

B. As of December 31, 2020 and 2019, the recoveries of write-offs, which were accounted as deductions to bad debts expense were $3,471,416 and $2,897,508, respectively.

(9) Investments measured by equity method, net

A. Investments measured by equity method：

Affiliated Companies	December 31, 2020	December 31, 2019
East Asia Real Estate Management Co., Ltd.	$ 16,018	$ 11,784
FCBL Capital International (B.V.I.) Ltd.	1,970,312	1,872,980
First Financial Assets Management (B.V.I.) Ltd.	616,875	568,349
Total	$ 2,603,205	$ 2,453,113

B. The Bank's and its subsidiaries' share of the operating results in all individually immaterial associates are summarised below:

	For the year ended December 31, 2020	For the year ended December 31, 2019
Gain from countinuing operations	$ 127,154	$ 121,056
Other comprehensive loss	144,368	(18,517)
Total comprehensive income	$ 271,522	$ 102,539

C. The affiliated enterprises invested by the Bank and its subsidiaries have no quoted price. The affiliated enterprises' capacity to transfer capital through the distribution of cash dividends, loan repayment or advances is not significantly restricted.

D. The profit or loss of related parties for the years ended December 31, 2020 and 2019, accounted for by the Bank through the equity method are, aside from East Asia Real Estate Management Co., Ltd.'s concurrent financial statements which have not been audited by a certified public accountant (had the financial statements been audited, the Bank expects the effect to be immaterial), derived from concurrent financial statements of investees which have been audited and attested by a certified public accountant.

E. The Bank and its subsidiaries are the single largest shareholder of East Asia Real Estate Management Co., Ltd. with a 30% equity interest. Given that four other large shareholders (non-related parties) hold more shares than the Bank and its subsidiaries, which indicates that the Bank and its subsidiaries have no current ability to direct the relevant activities of East Asia Real Estate Management Co., Ltd., the Bank and its subsidiaries have no control, but only have significant influence, over the investee.

(10) Other financial assets

	December 31, 2020	December 31, 2019
Non-accrual loans transferred from other accounts (excluding loans)	$ 750,176	$ 907,912
Bills purchased	469	2,705
Subtotal	750,645	910,617
Less: Allowance for bad debts - overdue receivable	(602,842)	(761,152)
Total	$ 147,803	$ 149,465

Information relating to credit risk is provided in Note 12(2)C.

(11) Property and equipment, net

Changes in the property and equipment of the Bank and its subsidiaries for the years ended December 31, 2020 and 2019 are as follows:

	Lands and land improvements	Buildings and structures	Machinery and computer equipment	Transportation and communication equipment	Miscellaneous equipment	Leasehold improvements	Unfinished construction and prepayments for equipment	Total
Cost								
At January 1, 2020	$ 18,333,386	$ 12,289,985	$ 2,866,304	$ 757,955	$ 2,095,303	$ 1,003,197	$ 550,449	$ 37,896,579
Additions	3,725	244,121	305,626	79,509	165,156	63,408	428,477	1,290,022
Transfers	-	647,875	(73)	11,985	141,239	32,155	(833,181)	-
Transfers from investment property	204,000	-	-	-	-	-	-	204,000
Transfer to other assets	-	-	-	-	-	-	(1,205)	(1,205)
Disposals	-	-	(205,660)	(50,849)	(42,179)	(48,576)	-	(347,264)
Foreign exchange	(3,462)	(2,595)	(7,828)	(2,907)	(6,731)	(20,129)	-	(43,652)
At December 31, 2020	18,537,649	13,179,386	2,958,369	795,693	2,352,788	1,030,055	144,540	38,998,480
Accumulated depreciation								
At January 1, 2020	-	(6,638,285)	(2,154,682)	(601,544)	(1,746,395)	(818,149)	-	(11,959,055)
Depreciation	-	(319,746)	(260,678)	(44,066)	(98,599)	(51,412)	-	(774,501)
Disposals	-	-	204,192	50,774	41,747	48,545	-	345,258
Foreign exchange	-	267	4,737	1,825	4,762	14,953	-	26,544
At December 31, 2020	-	(6,957,764)	(2,206,431)	(593,011)	(1,798,485)	(806,063)	-	(12,361,754)
Net	$ 18,537,649	$ 6,221,622	$ 751,938	$ 202,682	$ 554,303	$ 223,992	$ 144,540	$ 26,636,726

	Lands and land improvements	Buildings and structures	Machinery and computer equipment	Transportation and communication equipment	Miscellaneous equipment	Leasehold improvements	Unfinished construction and prepayments for equipment	Total
Cost								
At January 1, 2019	$ 18,973,529	$ 12,210,004	$ 2,781,576	$ 801,119	$ 2,341,405	$ 947,070	$ 178,066	$ 38,232,769
Retrospective application and retrospective adjustment effects	-	-	-	-	(245,431)	-	-	(245,431)
Balance at 1 January, 2019 after restatement	18,973,529	12,210,004	2,781,576	801,119	2,095,974	947,070	178,066	37,987,338
Additions	-	93,469	312,905	51,792	78,155	67,423	414,387	1,018,131
Transfers	-	9,812	49	-	6,044	26,099	(42,004)	-
Transfers to investment property	(638,778)	(10,853)	-	-	-	-	-	(649,631)
Disposals	-	(210)	(224,997)	(93,813)	(82,641)	(31,177)	-	(432,838)
Foreign exchange	(1,365)	(12,237)	(3,229)	(1,143)	(2,229)	(6,218)	-	(26,421)
At December 31, 2019	18,333,386	12,289,985	2,866,304	757,955	2,095,303	1,003,197	550,449	37,896,579
Accumulated depreciation								
At January 1, 2019	-	(6,331,229)	(2,136,470)	(653,807)	(1,805,775)	(797,446)	-	(11,724,727)
Retrospective application and retrospective adjustment effects	-	-	-	-	68,737	-	-	68,737
Balance at 1 January, 2019 after restatement	-	(6,331,229)	(2,136,470)	(653,807)	(1,737,038)	(797,446)	-	(11,655,990)
Depreciation	-	(320,199)	(245,850)	(42,260)	(93,882)	(54,665)	-	(756,856)
Transfers to investment property	-	10,399	-	-	-	-	-	10,399
Disposals	-	210	224,443	93,669	82,389	28,985	-	429,696
Foreign exchange	-	2,534	3,195	854	2,136	4,977	-	13,696
At December 31, 2019	-	(6,638,285)	(2,154,682)	(601,544)	(1,746,395)	(818,149)	-	(11,959,055)
Net	$ 18,333,386	$ 5,651,700	$ 711,622	$ 156,411	$ 348,908	$ 185,048	$ 550,449	$ 25,937,524

There was no interest capitalized on property and equipment acquired for the years ended December 31, 2020 and 2019.

(12) Leasing arrangements-lessee

A. The Bank and its subsidiaries lease various assets including land, buildings and structures, machinery and computer equipment, business vehicles, etc. Rental contracts are typically made for periods of 1 to 46 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

B. The carrying amount of right-of-use assets and depreciation charge are as follows:

	December 31, 2020	December 31, 2019
	Carrying amount	Carrying amount
Land	$ 5,951	$ 8,337
Buildings and structures	2,514,121	2,719,483
Machinery and computer equipment	48,804	15,287
Transportation and communication equipment	75,559	92,360
Miscellaneous equipment	9,683	10,306
	$ 2,654,118	$ 2,845,773

	For the years ended December 31,	
	2020	2019
	Depreciation expense	Depreciation expense
Land	$ 2,556	$ 2,432
Buildings and structures	665,116	571,728
Machinery and computer equipment	24,684	27,163
Transportation and communication equipment	37,937	32,416
Miscellaneous equipment	4,381	4,044
	$ 734,674	$ 637,783

C. For the years ended December 31, 2020 and 2019, the addition to right-of-use assets were $621,751 and $1,410,735, respectively.

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

	For the years ended December 31,	
	2020	2019
Items affecting profit or loss		
Interest expense on lease liabilities	$ 50,661	$ 46,059
Expense on short-term lease contracts	75,519	108,061
Expense on leases of low-value assets	8,510	12,144
Expense on variable lease payments	4,238	1,651
Gain on sublease of right-of-use assets	314	308
Gain on lease modification	665	-

E. For the years ended December 31, 2020 and 2019, the Bank and its subsidiaries' total cash outflow for leases were $844,760 and $811,326, respectively.

(13) Leasing arrangements-lessor

A. The Bank and its subsidiaries lease various assets including land, buildings and structures, business vehicles. Rental contracts are typically made for periods of 1 to 16 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. To protect the lessor's ownership rights on the leased assets, leased assets may not be used as security for borrowing purposes, or a residual value guarantee was required.

B. The Bank and its subsidiaries lease machinery and equipment under a finance lease. Based on the terms of the lease contract, the ownership of machinery and equipment will be transferred to lessees when the leases expire. Information on profit or loss in relation to lease contracts is as follows:

	For the years ended December 31,	
	2020	2019
Finance income from the net investment in the finance lease	$ 1,559	$ 1,539

C. The maturity analysis of the undiscounted lease payments in the finance lease is as follows:

	December 31, 2020		December 31, 2019
2021	$ 9,257	2020	$ 20,897
2022	20,062	2021	54,630
Total	$ 29,319	Total	$ 75,527

D. Reconciliation of the undiscounted lease payments and the net investment in the finance lease is provided as follows:

	December 31, 2020	December 31, 2019
Undiscounted lease payments	$ 29,319	$ 75,527
Unearned finance income	(16)	(1,872)
Net investment in the lease	$ 29,303	$ 73,655

E. For the years ended December 31, 2020 and 2019, the Bank and its subsidiaries recognised rent income in the amount of $720,117 and $746,948, respectively, based on the operating lease agreement, which does not include variable lease payments.

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

	December 31, 2020		December 31, 2019
2021	$ 586,123	2020	$ 646,248
2022	437,802	2021	465,897
2023	239,832	2022	297,592
2024	128,812	2023	147,298
2025	78,257	2024	76,454
2026	58,609	2025	54,793
After 2027	152,164	After 2026	133,645
Total	$ 1,681,599	Total	$ 1,821,927

(14) Investment property, net

Please see below table for the investment property of the Bank and its subsidiaries for the years ended December 31, 2020 and 2019:

	Lands and land improvements	Buildings and structures	Total
Cost			
At January 1, 2020	$ 7,320,114	$ 495,456	$ 7,815,570
Additions	-	2,815	2,815
Transfers to property and equipment	(204,000)	-	(204,000)
Disposals	(33,342)	-	(33,342)
At December 31, 2020	7,082,772	498,271	7,581,043
Accumulated depreciation			
At January 1, 2020	-	(263,584)	(263,584)
Depreciation	-	(9,036)	(9,036)
At December 31, 2020	-	(272,620)	(272,620)
Investment property, net	$ 7,082,772	$ 225,651	$ 7,308,423

	Lands and land improvements	Buildings and structures	Total
Cost			
At January 1, 2019	$ 6,682,206	$ 483,902	$ 7,166,108
Additions	-	726	726
Transfers from property and equipment	638,778	10,853	649,631
Disposals	(870)	(25)	(895)
At December 31, 2019	7,320,114	495,456	7,815,570
Accumulated depreciation			
At January 1, 2019	-	(244,491)	(244,491)
Depreciation	-	(8,719)	(8,719)
Transfers from property and equipment	-	(10,399)	(10,399)
Disposals	-	25	25
At December 31, 2019	-	(263,584)	(263,584)
Investment property, net	$ 7,320,114	$ 231,872	$ 7,551,986

A. As of December 31, 2020 and 2019, the investment property at fair value of the Bank and its subsidiaries were $18,484,020 and $18,785,896, respectively. All the investment properties of the Bank and its subsidiaries are assessed by the internal appraisal expert, and market approach was adopted for all assessments, which belongs to the fair value in level 2.

B. For the years ended December 31, 2020 and 2019, the rental income from investment property were $106,518 and $108,521, respectively, and the operating expense from investment property were $74,019 and $63,064, respectively.

(15) Other assets, net

	December 31, 2020	December 31, 2019
Leased assets – vehicles	$ 1,447,431	$ 1,523,785
Less: Accumulated depreciation	(583,265)	(634,708)
Leased assets, net	864,166	889,077
Foreclosed assets		
Cost	61,731	61,731
Less: Accumulated impairment	(61,731)	(61,731)
Net foreclosed assets	-	-
Guarantee deposits paid	5,880,590	3,419,926
Prepayments	374,761	349,875
Others	59,127	60,628
Total	$ 7,178,644	$ 4,719,506

Please refer to Note 8 for details of other assets pledged as collateral.

(16) Deposits from the central bank and banks

	December 31, 2020	December 31, 2019
Call loans from other banks	$ 257,762,472	$ 282,085,081
Transfer deposits from Chunghwa Post Co. Ltd.	3,300	4,300
Overdrafts from other banks	603,700	1,507,203
Due to other banks	691,527	1,387,854
Due to the Central Bank	54,896	39,485
Total	$ 259,115,895	$ 285,023,923

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

	December 31, 2020	December 31, 2019
Financial liabilities held for trading		
Derivative instruments	$ 20,975,490	$ 9,497,193
Financial liabilities designated at fair value through profit or loss		
Bonds	-	21,892,700
Valuation adjustments	-	3,056,218
Subtotal	-	24,948,918
Total	$ 20,975,490	$ 34,446,111

A. The Bank's financial instruments that were designated as measured at fair value through profit or loss upon initial recognition were for the purpose of eliminating accounting inconsistency.

B. Fair value changes due to changes in the Bank's credit risk pertaining to bank debentures measured at fair value through profit or loss issued by the Bank for the years ended December 31, 2020 and 2019 were ($212,535) and ($444,038), respectively.

C. The Bank sold the financial debentures at the face value. As of December 31, 2020 and 2019, the carrying amounts exclusive of valuation adjustment and the amounts payable to the creditors are identical.

(18) Notes and bonds issued under repurchase agreement

	December 31, 2020	December 31, 2019
Government bonds	$ 1,815,315	$ 2,083,372
Bank debentures	25,103,699	15,811,253
Total	$ 26,919,014	$ 17,894,625

The Bank and its subsidiaries are obliged to repurchase the above bonds at original sale price plus a mark-up pursuant to the repurchase agreement. The repurchase agreement amounts for such bonds and bills were $26,950,867 and $17,948,621 as of December 31, 2020 and 2019, respectively.

(19) Payables

	December 31, 2020	December 31, 2019
Accounts payable	$ 11,346,875	$ 12,041,273
Spot exchange payable	56,008,552	30,870,850
Bank acceptances	4,978,470	4,665,191
Accrued expenses	4,700,883	4,676,373
Interest payable	2,286,429	3,974,477
Other payables	4,648,442	5,357,271
Total	$ 83,969,651	$ 61,585,435

(20) Deposits and remittances

	December 31, 2020	December 31, 2019
Checking accounts deposits	$ 48,881,579	$ 45,319,074
Demand deposits	834,650,019	681,511,668
Time deposits	597,338,855	542,572,284
Negotiable certificates of deposits	12,278,467	15,697,110
Savings account deposits	1,216,224,662	1,116,362,720
Remittances outstanding	2,916,373	2,850,064
Others	9,900	11,058
Total	$ 2,712,299,855	$ 2,404,323,978

(21) Bank notes payable

In order to strengthen the capital adequacy ratio and raise mid-to-long-term operating capital for FCB, the Bank resolved through its Board of Directors to raise the quota of authorized bank debenture shares for the issuance of ordinary and subordinate debentures. This proposition was approved by the Ministry of Finance, R.O.C. and the FSC. The gross approved issuance amount were: $10 billion on February 25, 2011, $15 billion on February 24, 2012, $15 billion on February 27, 2014, the quota of ordinary bank debentures $1 billion (or equivalent foreign currency) on February 26, 2016, $10 billion and equivalent to NT$10 billion equivalent foreign currency on February 24, 2017, $10 billion and equivalent to NT$10 billion equivalent foreign currency on February 23, 2018, modified the amount of the previous application of NTD perpetual non-cumulative subordinate financial bonds to $10 billion on May 11, 2018, the quota of ordinary bank debentures NT$10 billion on December 20, 2019, $15 billion and equivalent to NT$5 billion equivalent foreign currency on September 18, 2020. The priority of claims for the above mentioned subordinate bonds only takes precedence over the remaining claims distributable for shareholders and is inferior to all other creditors. The detailed terms of each issuance are as follows:

	First to Second issues, 2011
Issue date	March 30, 2011 and June 24, 2011
Issue amount	NT$6.3 billion (NT$4.15 billion was redeemed at maturity)
Issue price	At par
Coupon rate	Fixed rate:1.72%
Interest and repayment terms	Interest is paid annually. The principal is to be paid pursuant to face value at maturity.
Maturity period	10 years

	First issue, 2012
Issue date	September 25, 2012
Issue amount	NT$13 billion (NT$6.2 billion was redeemed at maturity)
Issue price	At par
Coupon rate	Fixed rate:1.59%
Interest and repayment terms	Interest is paid annually. The principal is to be paid pursuant to face value at maturity.
Maturity period	10 years

	First issue, 2015
Issue date	March 25, 2015
Issue amount	NT$7 billion
Issue price	At par
Coupon rate	A: Fixed rate:1.83% B: Fixed rate:2.05%
Interest and repayment terms	A: Interest is paid annually. The principal is to be paid pursuant to face value at maturity and interest is paid. B: Interest is paid annually. The principal is to be paid pursuant to face value at maturity and interest is paid.
Maturity period	A: 7 years B: 10 years

	First issue, 2018
Issue date	May 28, 2018
Issue amount	NT$5 billion
Issue price	At par
Coupon rate	Fixed rate:2.57%
Interest and repayment terms	Interest is paid annually. After the expiration of five years and 2 months, early redemption would be possible if it has approval from authority.
Maturity period	Perpetual

	Second issue, 2018
Issue date	September 25, 2018
Issue amount	NT$7 billion
Issue price	At par
Coupon rate	Fixed rate:2.36%
Interest and repayment terms	Interest is paid annually. After the expiration of five years and one month, early redemption would be possible if it has approval from authority.
Maturity period	Perpetual

	First issue, 2020
Issue date	March 27, 2020
Issue amount	NT$1 billion
Issue price	At par
Coupon rate	Fixed rate:0.55%
Interest and repayment terms	Interest is paid annually. The principal is to be paid pursuant to face value at maturity and interest is paid.
Maturity period	3 years

	Second issue, 2020
Issue date	December 28, 2020
Issue amount	NT$10 billion
Issue price	At par
Coupon rate	Fixed rate:1.25%
Interest and repayment terms	Interest is paid annually. After the expiration of five years and 7 months, early redemption would be possible if it has approval from authority.
Maturity period	Perpetual

As of December 31, 2020 and 2019, the range of interest rates of the above mentioned corporate bonds were 0.55%~2.57% and 1.59%~4.06%, respectively.

As of December 31, 2020 and 2019, the outstanding balances of the above-mentioned bank debentures amounted to $38.95 billion and $49.843 billion New Taiwan dollars, respectively. Among the preceding mentioned bank debentures, the ordinary bank debentures with face value of $0 billion and $21.893 billion New Taiwan dollars were designated as held for trading financial liabilities and hedged by interest rate swap contracts. As such interest rate swap contracts were valued at fair value with changes in fair value recognized as profit or loss, the bank debentures stated above were designated as financial liabilities at fair value through profit or loss in order to eliminate or significantly reduce recognition inconsistency.

(22) Other financial liabilities

	December 31, 2020	December 31, 2019
Received principal of structured notes	$ 39,173,279	$ 39,271,473
Commercial papers payable	4,098,219	3,199,035
Short-term borrowing	-	650,000
Total	$ 43,271,498	$ 43,120,508

These short-term borrowings were credit borrowings. As of December 31, 2020, there is no short-term borrowing. As of December 31, 2019, the interest rate range was 0.97%~1.30%.

(23) Provisions

	December 31, 2020	December 31, 2019
Provisions for employee benefit	$ 4,548,190	$ 4,612,664
Reserve for guarantees	883,231	761,716
Reserve for loan commitments	398,830	444,319
Others	49,056	31,679
Total	$ 5,879,307	$ 5,850,378

Details for the Bank's elected provisions for employee benefit as reported by the actuarial report are as follows:

	December 31, 2020	December 31, 2019
Consolidated balance sheet:		
Defined benefit plans	$ 3,382,959	$ 3,538,051
Preferential saving plan for employees	915,523	873,764
Total	$ 4,298,482	$ 4,411,815

A. Defined contribution plans

Effective from July 1, 2005, the Bank and its subsidiaries established a funded defined contribution plan pursuant to the Labor Pension Act, which covers the employees with R.O.C. nationality and those who choose to or are required to follow the Labor Pension Act. The contributions are made monthly based on not less than 6% of the employees' monthly salaries and are deposited in the employee's individual pension fund account at the Bureau of Labor Insurance. The payment of pension benefits is based on the employee's individual pension fund accounts and the cumulative profit in such accounts, and the employees can choose to receive such pension benefits monthly or in lump sum. For the years ended December 31, 2020 and 2019, the pension costs of the Bank and its subsidiaries under the defined contribution plan were $248,591 and $210,546, respectively.

For employees working overseas, pension expenses under defined contribution plans are recognised according to the local regulations. For the years ended December 31, 2020 and 2019, pension expenses of current period were $18,798 and $16,514, respectively.

B. Defined benefit plans

The Bank and its subsidiaries have a defined benefit pension plan set up in accordance with the Labor Standards Law of the R.O.C., covering all regular employees for their services prior to the implementation of the Labor Pension Act on July 1, 2005 and those employees who choose continuously to be applicable to the Labor Standards Law for the services after the implementation of the Labor Pension Act. The payment of pension benefits is based on the length of the service period and average monthly compensation in the last six months prior to retirement. Under the defined benefit plan, employees are granted two points for each year of service for the first 15 years and are granted one point for each additional year of service from the 16th year, but are subject to a maximum of 45 points. Monthly contributions made by the Bank and its subsidiaries to the pension fund that are deposited in the designated pension account at the Bank of Taiwan were based on 10% of the total monthly salaries and wages. Also, the Bank would assess the balance in the aforementioned labor pension reserve account by the end of December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method, to the employees expected to be qualified for retirement next year, the Bank will make contributions to cover the deficit by next March.

The net pension costs under defined contribution pension plans of the Bank for the years ended December 31, 2020 and 2019 were $320,547 and $344,044, respectively. As of December 31, 2020 and 2019, the balances of the pension fund deposited in the Bank of Taiwan were $8,332,395 and $7,980,880, respectively.

(A) The amounts recognised in the balance sheet are as follows:

	December 31, 2020	December 31, 2019
Present value of funded obligations	$ 11,748,528	$ 11,560,997
Fair value of plan assets	(8,365,569)	(8,022,946)
Net defined benefit liability	$ 3,382,959	$ 3,538,051

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

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2020			
Balance at January 1	$ 11,560,997	($ 8,022,946)	$ 3,538,051
Current service cost	296,442	-	296,442
Interest expense (income)	78,824	(55,657)	23,167
	11,936,263	(8,078,603)	3,857,660
Remeasurements (Note):			
Return on plan assets	-	(264,420)	(264,420)
Change in financial assumptions	422,346	-	422,346
Experience adjustments	230,412	-	230,412
	652,758	(264,420)	388,338
Pension fund contribution	-	(863,039)	(863,039)
Paid pension	(840,493)	840,493	-
Balance at December 31	$ 11,748,528	($ 8,365,569)	$ 3,382,959

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2019			
Balance at January 1	$ 11,529,970	($ 7,414,140)	$ 4,115,830
Current service cost	304,072	-	304,072
Interest expense (income)	112,397	(73,573)	38,824
	11,946,439	(7,487,713)	4,458,726
Remeasurements (Note):			
Return on plan assets	-	(258,821)	(258,821)
Change in financial assumptions	357,946	-	357,946
Experience adjustments	18,037	-	18,037
	375,983	(258,821)	117,162
Pension fund contribution	-	(1,037,837)	(1,037,837)
Paid pension	(761,425)	761,425	-
Balance at December 31	$ 11,560,997	($ 8,022,946))	$ 3,538,051

Note: Return on plan assets excluding amounts included in interest income or expense.

(C) The Bank of Taiwan was commissioned to manage the Fund of the Bank's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitisation products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earning is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Bank and its subsidiaries have no right to participate in managing and operating that fund and hence the Bank and its subsidiaries are unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2020 and 2019 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.

For the years ended December 31, 2020 and 2019, actual return on plan assets were $320,077 and $332,394, respectively.

For the years ended December 31, 2020 and 2019, defined benefit plan recognized through other comprehensive income a remeasurement of ($388,338) and ($117,162), respectively, for net defined benefit liability.

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

	For the years ended December 31,	
	2020	2019
Discount rate	0.35%	0.70%
Future salary increases	1.50%	1.50%

Assumption on future death rate is based on the 4th historical life chart by the Taiwan life insurance enterprises.

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

	Impact on the present value of the defined benefit obligation		
	Change in actuarial assumption (%)	Positive change in actuarial assumption	Negative change in actuarial assumption
December 31, 2020			
Discount rate	±0.25%	($ 303,978)	$ 315,940
Future salary increases	±0.25%	$ 311,509	($ 301,327)

	Impact on the present value of the defined benefit obligation		
	Change in actuarial assumption (%)	Positive change in actuarial assumption	Negative change in actuarial assumption
December 31, 2019			
Discount rate	±0.25%	($ 299,444)	$ 311,417
Future salary increases	±0.25%	$ 308,141	($ 297,849)

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

(E) As of December 31, 2020, the weighted average duration of that retirement plan is 10.15 years.

(F) Expected contributions to the defined benefit pension plan of the Bank and its subsidiaries for the year ending December 31, 2021 amounts to $430,706.

C. Stock ownership trust

Since January 17, 2019, the Bank has established employee savings and employee shareholding rules, which stipulates that the Bank's regular employees who have served more than half a year, excluding employees hired locally by overseas branches may apply to the “Employee Savings and Employee Stock Ownership Committee of the First Commercial Bank” to monthly deposit in the bank trust account for regular investment and initiate the retirement, resignation or meet other withdrawal conditions, apply to the commission claim. The Bank’s pension expense under the above rules were $86,828 and $83,924 for the years ended December 31, 2020 and 2019, respectively.

D. Employee preferential savings plan

The Bank's payment of an allotment for preferential savings of retired and current employees after retirement is in accordance with "First Commercial Bank's preferential savings plan for retired employees". Under the employee preferential savings plan, the Bank recognized pension cost of $548,356 and $490,087 for the years ended December 31, 2020 and 2019, respectively. Please see Note 4(21)B for details.

(A) As of December 31, 2020 and 2019, net liability in the balance sheet were $915,523 and $873,764, respectively.

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

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2020			
Balance at January 1	$ 873,764	$ -	$ 873,764
Interest expense	32,684	-	32,684
	906,448	-	906,448
Remeasurements:			
Change in financial assumptions	6,361	-	6,361
Experience adjustments	257,649	-	257,649
	264,010	-	264,010
Pension fund contribution	-	(254,935)	(254,935)
Paid pension	(254,935)	254,935	-
Balance at December 31	$ 915,523	$ -	$ 915,523

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2019			
Balance at January 1	$ 847,587	$ -	$ 847,587
Interest expense	31,699	-	31,699
	879,286	-	879,286
Remeasurements:			
Experience adjustments	236,715	-	236,715
	236,715	-	236,715
Pension fund contribution	-	(242,237)	(242,237)
Paid pension	(242,237)	242,237	-
Balance at December 31	$ 873,764	$ -	$ 873,764

(C) For the years ended December 31, 2020 and 2019, there were no actuarial loss recognized in other comprehensive income.

(D) The principal actuarial assumptions of employee preferential savings plan were as follows:

	For the years ended December 31,	
	2020	2019
Discount rate	4.00%	4.00%
Return on capital deposited	2.00%	2.00%
Annual decreasing ratio of account balance	1.00%	1.00%
Variable ratio of preferential savings program	50.00%	50.00%

Assumption on future death rate is based on the 4th historical life chart by the Taiwan life insurance enterprises.

The analysis for the impact on the present value of the employee preferential savings plan obligation as a result of changes in the primary actuarial assumption is as follows:

	Impact on the present value of the employee preferential savings plan obligation		
	Change in actuarial assumption (%)	Positive change in actuarial assumption	Negative change in actuarial assumption
December 31, 2020			
Discount rate of employee preferential savings	±0.25%	($ 14,144)	$ 14,573
Return rate of capital deposited	±0.25%	($ 127,305)	$ 127,305
Annual diminishing rate of account balance	±0.25%	($ 13,745)	$ 14,108
Potential future variable rate of preferential savings	±10.00%	$ 183,105	($ 183,104)

	Impact on the present value of the employee preferential savings plan obligation		
	Change in actuarial assumption (%)	Positive change in actuarial assumption	Negative change in actuarial assumption
December 31, 2019			
Discount rate of employee preferential savings	±0.25%	($ 13,441)	$ 13,847
Return rate of capital deposited	±0.25%	($ 119,494)	$ 119,494
Annual diminishing rate of account balance	±0.25%	($ 13,057)	$ 13,401
Potential future variable rate of preferential savings	±10.00%	$ 174,753	($ 174,753)

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

(E) Expected contributions to the employee preferential savings plan of the Bank for the year ending December 31, 2021 amounts to $118,017.

E. Credit risk information relating to provisions for loan commitments, guarantee liability and others is provided in Note 12(2)C.

(24) Other liabilities

	December 31, 2020	December 31, 2019
Guarantee deposits received	$ 2,575,658	$ 3,021,817
Collections in advance	1,947,105	1,792,308
Temporary receipts and suspense accounts	59,369	53,413
Others	115,077	88,272
Total	$ 4,697,209	$ 4,955,810

(25) Equity

A. Common stock

As of December 31, 2020 and 2019, the Bank's authorized and paid-in capital were both $89,064,000, consisting of 8,906,400 thousand shares of common stock outstanding with a par value of $10 (in dollars) per share.

B. Capital surplus

As required by the Companies Act, additional paid-in capital resulting from the amount received in excess of par value of the issuance of capital stock and donated income may not only be used to offset the accumulated losses but also to issue new shares or distribute cash dividends in proportion to the number of shares being held by original shareholders. In addition, according to the Securities and Exchange Act, the additional paid-in capital used for capital increase shall not exceed 10% of total issued capital stock. A company should not use the capital surplus to cover its capital loss, unless the surplus reserve is insufficient.

As of December 31, 2020 and 2019, the details on the Bank's capital surplus are as follows:

	December 31, 2020	December 31, 2019
Share premium	$ 34,460,326	$ 34,460,326
Share-based payments	1,895	1,895
Reorganization (Note)	8,130	8,130
Total	$ 34,470,351	$ 34,470,351

Note: A subsidiary of the company, FCBL Leasing, acquired the equity of FCBL Financial Asset Management British Virgin Islands Limited by cash on April 11, 2019, using equity method to recognise changes in net equity value of $8,130.

C. Legal reserve and special reserve

(A) Legal reserves

According to the Company Law of the R.O.C., legal reserve can be used only to recover accumulated deficits or to increase capital stock and shall not be used for any other purposes. However, it is permitted that the legal reserve be used to increase capital stock if the balance of the legal reserve has reached 25% of the issued capital stock.

(B) Special reserve

Upon the first-time adoption of IFRSs, Jin-Guan-Zheng-Fa No. 1010012865 dated April 6, 2012 requires the Bank to reverse special earnings reserve in the proportion of the original recognition when the Bank subsequently uses, disposes or reclassifies related assets. If the above related assets belong to investment properties, reversal of land is made when being disposed or reclassified and others are reversed during the periods of being used. In addition, the “trading loss reserve” and “default loss reserve” have been abolished in “Regulations Governing Securities Firms”. The “trading loss reserve” and “default loss reserve” set aside before the end of December 2010 should be transferred to “special earnings reserve” according to Jin-Guan-Zeng-Chung No. 0990073857 dated January 11, 2011. Moreover, the additional special reserve should be transferred to “special earnings reserve” by the net of tax after the annual closing. On the other hand, if the special reserve is insufficient to write-off or to recover the amount that could be written-off or recovered, the insufficiency may be recovered or written-off through the “special earnings reserve”. The special earnings reserve can only be used in offsetting an entity’s deficit or 50% of such reserve can be transferred to capital given that such reserve is equivalent to 50% of the paid-in capital or more. No other purpose is permitted.

In accordance with Jin-Guan-Yin-Fa-Zi Letter No. 10510001510, dated May 25, 2016, as a response to the development of financial technology, and to ensure the rights of personnel involved in securities investment trust businesses, the Bank shall, upon appropriating the earnings of 2016 to 2018, provision 0.5% to 1% of income after taxes as special reserve. Starting from the 2017 accounting year, public banks may reverse an amount of the aforementioned special reserve commensurate to employee transition education and training employee termination or arrangement expenditures resulting from the development of financial technology. In accordance with Jin-Guan-Yin-Fa-Zi letter No. 10802714560 of May 15, 2019, the issuing bank may discontinue setting aside the special surplus reserve for the fiscal year of 2019, and may, when the expenses are incurred, reverse the same amount from the special surplus reserve balance already set aside from the preceding year.

(26) Unappropriated earnings

A. In accordance with the Bank’s Articles of Incorporation, if there are earnings upon formulating the year-end budget, other than paying all taxes and offsetting cumulative deficits, 30% shall be appropriated as legal reserve and, depending on business needs, a special reserve may be appropriated. The remainder, if any, plus prior year unappropriated earnings, is the amount distributable as bonus. After the Board of Directors’ consideration for the Bank’s capital adequacy and business development needs, the amount may be distributed upon a resolution by the stockholders’ meeting.

Prior to legal reserve exceeding total capital or the proprietary capital to risk-weighted assets ratio exceeding banking regulations, the maximum cash dividends which may be distributed shall be distributed according to the Banking Act of the Republic of China and regulations prescribed by the central regulating authority.

B. Dividend policy for the next three years

The Bank is part of a mature industry and has stable profitability and sound financial structure. Distribution of dividends is mainly in cash; however, for the purpose of improving the Bank's proprietary capital to risk-weighted assets ratio in order to strengthen the Bank's competitiveness, distributions are supported with stock dividends.

C. The appropriation of 2019 and 2018 earnings were resolved by the stockholders at the stockholders' meeting dated June 12, 2020 and June 14, 2019, respectively. Relevant information was as follows:

	2019		2018	
	Earnings distribution	Dividend per share (NT dollar)	Earnings distribution	Dividend per share (NT dollar)
Legal reserve	$ 5,688,947	$ -	$ 5,259,224	$ -
Special reserve	(46,647)	-	87,654	-
Cash dividends on common stock	13,320,860	1.4956	11,692,550	1.3128
	$18,963,160	$ 1.4956	$17,039,428	$ 1.3128

(27) Other equity interest

	Exchange differences on translation of foreign financial statements	Unrealised gain or loss on financial assets at fair value through other comprehensive income	Total
Balance, January 1, 2020	($ 2,864,892)	$ 21,521,436	$ 18,656,544
Financial assets at fair value through other comprehensive income			
- Valuation adjustment	-	2,323,244	2,323,244
- Change of accumulated impairment	-	12,383	12,383
- Realised	-	(1,043,924)	(1,043,924)
Exchange difference on the financial statements of foreign entities	(3,110,836)	-	(3,110,836)
Share of the profit or loss of associates accounted for using the equity method	144,368	-	144,368
Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	11,861	11,861
Balance, December 31, 2020	($ 5,831,360)	$ 22,825,000	$ 16,993,640

	Exchange differences on translation of foreign financial statements	Unrealised gain or loss on financial assets at fair value through other comprehensive income	Total
Balance, January 1, 2019	($ 1,070,015)	$ 13,240,727	$ 12,170,712
Financial assets at fair value through other comprehensive income			
- Valuation adjustment	-	8,524,731	8,524,731
- Change of accumulated impairment	-	7,679	7,679
- Realised	-	(200,367)	(200,367)
Exchange difference on the financial statements of foreign entities	(1,756,350)	-	(1,756,350)
Share of the profit or loss of associates accounted for using the equity method	(31,621)	-	(31,621)
Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	(51,334)	(51,334)
Reorganization	(6,906)	-	(6,906)
Balance, December 31, 2019	($ 2,864,892)	$ 21,521,436	$ 18,656,544

(28) Net interest revenue

	For the years ended December 31,	
	2020	2019
Interest income		
Interest income on discounts and loans	$ 34,852,857	$ 40,325,316
Interest income on securities investment	7,597,582	8,489,694
Interest income due from bank	1,783,364	3,157,964
Interest income on credit cards recurrence	180,184	189,012
Other interest income	290,061	300,241
Subtotal	44,704,048	52,462,227
Interest expense		
Interest expense for deposits	(11,745,097)	(16,257,711)
Interest expense due to central banks and banks	(2,720,639)	(6,284,600)
Interest expense, bank debentures	(587,182)	(700,724)
Interest expense on structured notes	(76,547)	(113,741)
Interest expense of notes and bonds issued under repurchase agreement	(150,216)	(302,848)
Other interest expense	(88,479)	(111,630)
Subtotal	(15,368,160)	(23,771,254)
Total	$ 29,335,888	$ 28,690,973

(29) Net service fee revenue

	For the years ended December 31,	
	2020	2019
Service fee income		
Trust business and affiliated business	$ 2,994,035	$ 2,587,412
Insurance agency	1,541,600	2,591,285
Foreign exchange	746,174	894,671
Credit extension	1,683,566	1,376,742
Credit card	793,543	916,419
Deposits and remittances and other service fee income (Note)	1,295,828	1,344,145
Subtotal	9,054,746	9,710,674
Service fee expense		
Trust business and affiliated business	(308,732)	(244,118)
Insurance agency	(255,653)	(406,232)
Credit card	(472,266)	(543,279)
Deposits and remittances and other service fee expense	(659,460)	(636,666)
Subtotal	(1,696,111)	(1,830,295)
Total	$ 7,358,635	$ 7,880,379

Note：

A. As of December 31, 2020 and 2019, the fee income generated by the Bank and its subsidiaries concurrently in electronic payment business amounted to $1,026 and $2,355, respectively.

B. Due to the Bank and its subsidiaries concurrently in electronic payment business, as of December 31, 2020 and 2019 the interest earned from utilizing funds received from users amounted to $0 and $6, respectively, based on the calculation required in Article 4 of "Regulations Governing the Organization and Administration of Sinking Fund Established by Electronic Payment Institutions".

(Blank below)

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

	For the years ended December 31, 2020	For the years ended December 31, 2019
Gain or loss from disposal of financial assets and financial liabilities at fair value through profit or loss		
Short-term bills	($ 228,262)	($ 84,348)
Bonds	(180,160)	(223,183)
Stocks	35,727	80,859
Interest rate	1,314,056	(316,084)
Exchange rate	3,531,155	5,840,307
Options	122,165	85,650
Futures	15,341	(24,521)
Subtotal	4,610,022	5,358,680
Evaluation gain or loss on financial assets and financial liabilities at fair value through profit or loss		
Short-term bills	(7,084)	3,354
Bonds	151,955	(1,186,681)
Stocks	1,417	(5,497)
Interest rate	(1,427,932)	2,335,318
Exchange rate	(567,324)	466,530
Options	23,350	25
Futures	1,436	1,126
Other	58,232	(18,324)
Credit risk valuation adjustment	(22,157)	3,105
Subtotal	(1,788,107)	1,598,956
Coupon and dividend income on financial assets at fair value through profit or loss	11,109	13,626
Interest income on financial assets at fair value through profit or loss	1,941,148	2,492,378
Interest expense on financial liabilities at fair value through profit or loss	(219,267)	(1,115,022)
Total	$ 4,554,905	$ 8,348,618

Net income on exchange rate instruments are realized and unrealized gain and loss on spot and forward exchange contracts, FX options and FX futures.

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

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

	For the years ended December 31, 2020	2019
Gain on disposal		
Bonds	$ 1,046,645	$ 161,907
Loss on disposal		
Bonds	(2,700)	-
Dividends income	1,090,089	996,353
Total	$ 2,134,034	$ 1,158,260

(32) Impairment losses on assets

	For the years ended December 31, 2020	2019
Impairment losses on debt instruments at fair value through other comprehensive income	($ 13,917)	($ 8,317)
Impairment losses of debt instruments amortised at cost	(18,374)	(3,258)
Total	($ 32,291)	($ 11,575)

(33) Net other revenue other than interest income

	For the years ended December 31, 2020	2019
Net income and losses from rent	$ 350,967	$ 352,879
Gain (loss) on disposal of property	76,536	2,906
Loss on retired assets	(2,006)	(3,099)
Loss on over due account and others	(342,302)	(97,593)
Total	$ 83,195	$ 255,093

(34) Employee benefits expenses

	For the years ended December 31, 2020	2019
Wages and salaries	$ 11,963,772	$ 11,713,778
Labor and health insurance fees	639,521	621,189
Pension costs	1,223,120	1,145,115
Board of Directors' compensation	17,913	21,300
Other employee benefit	322,674	310,952
Total	$ 14,167,000	$ 13,812,334

A. The calculation for the employee benefit expense is based on the number of employee of 8,461 and 8,179 for the years of 2020 and 2019, respectively. (Pension expenses include preferential interest deposit for retired employees amounted to $548,356 and $490,087 for the years of 2020 and 2019, respectively.)

B. According to the Bank’s Articles of Incorporation, if the Bank has profits before tax, 1% to 6% of income before tax prior to deductions of employees’ compensation shall be provisioned as employees’ compensation. However, the Bank’s accumulated losses should first be covered.

C. As of December 31, 2020 and 2019, the Bank's and its subsidiaries' estimated employees' compensation were $1,206,065 and $1,216,956, respectively. The aforementioned amounts are accounted for under employee benefits expenses.

After considering earnings, employees' compensation for 2020 and 2019 were estimated on a 1% to 6% basis. Employees' compensation for 2019 as resolved by the Board of Directors in 2020 was $1,212,947. This was an increase of $947, compared to employees' compensation recorded in consolidated financial statements amounting to $1,212,000 in 2019. The difference in amounts was due to estimation difference. The changes in estimate in 2019 is treated as a change in accounting estimate, where the difference was recognized as profit or loss in 2020.

D. Information about employees' compensation of the Bank as resolved by the shareholders' meeting will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange. In addition, the Bank has not distributed any directors' and supervisors' remuneration.

(35) Depreciation and amortization expense

	For the years ended December 31,			
	2020		2019	
Depreciation expense	$	1,518,211	$	1,403,358
Amortization expense		312,538		238,826
Total	$	1,830,749	$	1,642,184

(36) Other general and administrative expense

	For the years ended December 31,			
	2020		2019	
Taxes and fees	$	2,067,352	$	2,168,939
Insurance premium		645,678		576,167
Computer software service charge		521,681		403,663
Rental		88,267		121,856
Printing and binding-Advertising		404,097		514,903
Post and cable		304,415		283,129
Professional service charge		267,543		243,573
Others		1,472,725		1,485,820
Total	$	5,771,758	$	5,798,050

(37) Income tax expense

A. Income tax expense

	For the years ended December 31, 2020	For the years ended December 31, 2019
Current tax		
Current tax on profits for the period	$ 3,055,352	$ 3,716,320
Adjustments for under provisions of prior years' income tax expense and others	(30,413)	(36,047)
Total current tax	3,024,939	3,680,273
Deferred tax		
Origination and reversal of temporary differences	(235,401)	133,133
Total deferred tax	(235,401)	133,133
Income tax expense	$ 2,789,538	$ 3,813,406

B. Details of reconciliation between income tax expense and accounting profit

	For the years ended December 31, 2020	For the years ended December 31, 2019
Income tax from pretax income calculated at regulated tax rate	$ 3,864,986	$ 4,752,836
Adjustments for under provisions of prior years' income tax expense and others	(30,413)	(36,047)
Adjusted effects on income tax exemption and other income tax	(1,045,035)	(903,383)
Income tax expense	$ 2,789,538	$ 3,813,406

C. Amounts of deferred tax assets or liabilities as a result of temporary difference are as follows:

	2020				
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	Other	December 31
Deferred tax assets:					
Allowance for bad debt in excess of tax limits	$ 1,284,332	($ 142,176)	$ -	$ -	$ 1,142,156
Impairment loss of foreclosed assets	12,346	-	-	-	12,346
Unappropriated employee benefit liabilities reserve	888,386	(24,498)	77,667	-	941,555
Overseas branches and overseas subsidiary	625,917	51,793	(436)	-	677,274
Others	41,890	39,099	-	-	80,989
Deferred tax assets, net	$ 2,852,871	($ 75,782)	$ 77,231	$ -	$ 2,854,320
Deferred income tax liabilities:					
Increment tax on land value	$ 5,702,797	$ -	$ -	($ 10,087)	$ 5,692,710
Unrealized gain on financial asset	818,772	(373,773)	(12,297)	-	432,702
Others	489,526	62,590	-	-	552,116
Deferred income tax liabilities, net	$ 7,011,095	($ 311,183)	($ 12,297)	($ 10,087)	$ 6,677,528

	2019				
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	Other	December 31
Deferred tax assets:					
Allowance for bad debt in excess of tax limits	$ 1,199,688	$ 84,644	$ -	$ -	$ 1,284,332
Impairment loss of foreclosed assets	12,346	-	-	-	12,346
Unappropriated employee benefit liabilities reserve	1,007,784	(142,831)	23,433	-	888,386
Overseas branches and overseas subsidiary	463,366	163,969	(1,418)	-	625,917
Others	41,715	5,896	(5,721)	-	41,890
Deferred tax assets, net	$ 2,724,899	$ 111,678	$ 16,294	$ -	$ 2,852,871
Deferred income tax liabilities:					
Increment tax on land value	$ 5,703,133	$ -	$ -	($ 336)	$ 5,702,797
Unrealized gain on financial asset	605,536	169,041	44,195	-	818,772
Others	413,756	75,770	-	-	489,526
Deferred income tax liabilities, net	$ 6,722,425	$ 244,811	$ 44,195	($ 336)	$ 7,011,095

D. The Bank’s filed income tax returns through 2015 have been assessed and approved by the Tax Authority. FCBL’s filed income tax returns through 2018 have been assessed and approved by the Tax Authority.

(38) Earnings per share

Basic

Basic earnings per share is calculated by dividing profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period.

	For the years ended December 31,	
	2020	2019
Profit or loss attributable to ordinary shareholders of the Bank (after tax)	$ 15,682,851	$ 19,018,140
Profit or loss attributable to former owner of business combination under common control (after tax)	-	16,631
Weighted average number of ordinary shares outstanding (in thousand shares)	8,906,400	8,906,400
Basic earnings per share attributable to ordinary shareholders of the Bank (in dollars) (after tax)	1.76	2.14
Basic earnings per share attributable to former owner of business combination under common control (in dollars) (after tax)	-	-

Note: For the years ended December 31, 2020 and 2019, basic earnings per share were equal to diluted earnings per share.

7. Related party transactions

(1) Parent and ultimate controlling company

The Bank is controlled by First Financial Holding Co., Ltd., which holds 100% of the Bank's shareholding, and the Bank's ultimate controlling company is First Financial Holding Co., Ltd.

(2) Details of the related parties

Names of related parties	Relationship with the Bank
Bank of Taiwan Co., Ltd. (Bank of Taiwan)	Substantive related parties
East Asia Real Estate Management Co., Ltd. (EAREM)	Investee accounted for under the equity method
The First Education Foundation	Over one third of total fund is donated by the Bank
First Financial Holding Co., Ltd. (FFHC)	Parent company of the Bank
First Securities Co., Ltd. (FS)	Subsidiary of FFHC
First Securities Asia, Ltd (FSA)	Subsidiary of FFHC
First Capital Management Co., Ltd. (FCM)	Subsidiary of FFHC
First Securities Investment Trust Co., Ltd. (FSIT)	Subsidiary of FFHC
First Financial Asset Management Co., Ltd. (FFAM)	Subsidiary of FFHC
First Venture Capital Co., Ltd. (FVC)	Subsidiary of FFHC
First Financial Management Consulting Co., Ltd. (FFMC)	Subsidiary of FFHC
First-Aviva Life Insurance Co., Ltd. (FALI)	Subsidiary of FFHC
Mutual funds managed by FSIT	Mutual funds managed by the subsidiary of FFHC
Others	Related parties, Spouses of representatives of the Bank's directors and supervisors, chairman and president, and relatives within second degree of kinship of the Bank's chairman and president

(3) Major balances and transactions with related parties:

A. Call loans to banks

	December 31, 2020		
	Highest balance	Ending balance	Annual interest rate (%)
Other related parties			
Bank of Taiwan	$ 15,000,000	$ -	0.080~0.320

	December 31, 2019		
	Highest balance	Ending balance	Annual interest rate (%)
Other related parties			
Bank of Taiwan	$ 15,000,000	$ -	0.177~0.350

For the years ended December 31, 2020 and 2019, the interest income on above related parties were $10,011 and $2,155, respectively.

Terms and conditions of the related party transactions are not significantly different from those of transactions with third parties.

B. Call loans from banks

December 31, 2020：None.

	December 31, 2019		
	Highest balance	Ending balance	Annual interest rate (%)
Other related parties			
Bank of Taiwan	$ 10,000,000	$ -	0.174~0.183

For the years ended December 31, 2020 and 2019, the interest expense on above related parties were $0 and $107, respectively.

Terms and conditions of the related party transactions are not significantly different from those of transactions with third parties.

C. Due from other banks

	December 31, 2020	December 31, 2019
Other related parties		
Bank of Taiwan	$ 281,440	$ 226,268

Terms and conditions of the related party transactions are not significantly different from those of transactions with third parties.

(Blank below)

D. Loans

December 31, 2020

Items	Category of related party (Note 1)	Number or name of related party (Note 2)	Maximum balance for current period	Ending balance	Status of performance: Performing loans	Status of performance: Non-performing loans	Collateral	Terms Differences Compared to Non-Related Parties
Consumer loans	Other related parties	49	$ 19,151	$ 18,685	$ 18,685	$ -	None	None
Residential mortgage loans	Other related parties	172	1,005,867	963,027	963,027	-	Real estate	None
Other loans	Sister company	FFAM	620,000	320,000	320,000	-	Real estate	None
Other loans	Sister company	FS	3,000	-	-	-	Other collateral	None
Other loans	Other related parties	16	55,140	3,572	3,572	-	Small and Medium Enterprise Credit Guarantee Fund of Taiwan, Certificates of deposits of the Bank, real estate, land	None

December 31, 2019

Items	Category of related party (Note 1)	Number or name of related party (Note 2)	Maximum balance for current period	Ending balance	Status of performance: Performing loans	Status of performance: Non-performing loans	Collateral	Terms Differences Compared to Non-Related Parties
Consumer loans	Other related parties	51	$ 16,658	$ 16,080	$ 16,080	$ -	None	None
Residential mortgage loans	Other related parties	162	839,814	811,874	811,874	-	Real estate	None
Other loans	Sister company	FFAM	332,000	200,000	200,000	-	Real estate	None
Other loans	Sister company	FS	298,000	-	-	-	Other collateral	None
Other loans	Other related parties	10	99,489	47,319	47,319	-	Certificates of deposits of the Bank, real estate, land	None

For the years ended December 31, 2020 and 2019, the interest income received from the above related parties were $11,033 and $12,447, respectively.

Note 1: None of the ending balances of individual borrowers exceeded 1% of the total ending balance. Hence, the transactions are not listed individually in detail.

Note 2: Account numbers are calculated based on the statistics at the end of the year.

E. Deposits

	December 31, 2020			December 31, 2019		
	Ending balance		Percentage of Deposits(%)	Ending balance		Percentage of Deposits(%)
Parent company						
FFHC	$	3,781,292	0.14	$	3,068,868	0.13
Sister company						
FALI		927,283	0.03		1,067,860	0.04
FS		1,780,322	0.07		656,075	0.03
Others		323,364	0.01		389,971	0.02
Other related parties						
Others (Note)		1,732,351	0.06		1,611,758	0.07
Total	$	8,544,612	0.31	$	6,794,532	0.29

The interest expense paid to the above related parties for years ended December 31, 2020 and 2019 were $33,104 and $43,044, respectively.

Note: Staff savings accounts of FCB are provided to the above related parties with interest rate of 13% p.a. and limited to a balance of $480. Deposits exceeding $480 is calculated at demand savings deposit rate. Interest rates for others are the same as those offered to other customers.

F. Derivative instrument

December 31, 2020							
					Gain (loss) on valuation for current period	Period-end balance	
Category of related party	Name of related party	Title of derivative instrument contract	Contract period	Nominal principal		Item	Balance
Other related parties	A mutual fund managed by FSIT	Foreign exchange contracts	2020/11/16~2021/02/26	$ 1,268,715	$ 16,060	Valuation adjustment for financial assets mandatorily measured at fair value through profit or loss– currency exchange rate	$ 16,060
Other related parties	Bank of Taiwan	Foreign exchange contracts	2020/04/09~2021/12/16	10,818,500	(15,626)	Valuation adjustment for trading liabilities − currency exchange rate	15,626

December 31, 2019							
					Gain (loss) on valuation for current period	Period-end balance	
Category of related party	Name of related party	Title of derivative instrument contract	Contract period	Nominal principal		Item	Balance
Other related parties	A mutual fund managed by FSIT	Foreign exchange contracts	2019/11/27~2020/03/11	$ 2,322,726	$ 27,104	Valuation adjustment for financial assets mandatorily measured at fair value through profit or loss– currency exchange rate	$ 27,104
Other related parties	Bank of Taiwan	Foreign exchange contracts	2019/11/07~2020/01/07	599,800	6,959	Valuation adjustment for financial assets mandatorily measured at fair value through profit or loss– currency exchange rate	6,959

Note 1: Gain (loss) on valuation for the current period refers to gains or losses resulting from year-end fair value valuation on derivative instruments as of the balance sheet date.

Note 2: Period-end balance is the year-end balance of those accounted as financial asset or liabilities measured at fair value through profit or loss.

G. Current tax assets

	December 31, 2020	December 31, 2019
Parent company		
FFHC (Note)	$ 741,710	$ 741,710

Note: Receivable as a result of consolidated income tax return filing of parent company.

H. Current income tax liabilities

	December 31, 2020	December 31, 2019
Parent company		
FFHC (Note)	$ 1,400,349	$ 754,896

Note: Payable as a result of consolidated income tax return filing of parent company.

I. Financial liabilities at fair value through profit or loss

For the years ended December 31, 2020 and 2019, the interest expense on financial liabilities at fair value through profit or loss with First-Aviva Life Insurance Co., Ltd. were $0 and $13,171, respectively.

J. The Bank and its subsidiaries leases buildings and structures from FFAM for lease periods from September 1, 2015 to August 31, 2025. The rent expense will be paid at the beginning of each year. As of December 31, 2020 and 2019, right-of-use assets were $37,106 and $5,051, respectively, and lease liabilities were $29,610 and $0, respectively. For the years ended December 31, 2020 and 2019, depreciation expense recognised were $7,525 and $7,577, respectively, and interest expense were $148 and $75, respectively. In addition, the Bank and its subsidiaries increased the right-of-use assets by $12,583 on January 1, 2019 due to the application of IFRS 16.

K. Handling charges income and other income

	For the years ended December 31,	
	2020	2019
Parent company		
First Financial Holding Co., Ltd.	$ 28,213	$ 26,575
Sister company		
FS	84,542	81,546
FSIT	76,157	64,844
FALI	609,991	848,114
FCM	1,856	1,847
FFAM	4,956	4,612
Other related parties		
Others	5,768	5,324
Total	$ 811,483	$ 1,032,862

Terms and conditions of the related party transactions are not significantly different from those of transactions with third parties.

L. Other expenses

	For the years ended December 31, 2020	2019
Parent company		
FFHC	$ 2,244	$ 1,973
Sister company		
FFAM	81,425	68,031
FS	102,462	87,716
FALI	765	715
Other related parties		
Others	12,121	11,748
Total	$ 199,017	$ 170,183

Terms and conditions of the related party transactions are not significantly different from those of transactions with third parties.

M. Information on salaries and remunerations to the Bank's directors, supervisors, president, vice-president and others:

	For the years ended December 31, 2020	2019
Salaries and other short-term employee benefits	$ 104,593	$ 93,171
Post-employment benefits	3,053	2,300
Other long-term employee benefits	215	223
Total	$ 107,861	$ 95,694

8. Pledged assets

Pledged assets provided by the Bank and its subsidiaries as of December 31, 2020 and 2019 were as follows:

Items	December 31, 2020	Purpose of Pledge
Financial assets at fair value through other comprehensive income	$ 4,703,560	Guarantees deposited with the court for the provisional seizure, guarantees for trust business reserves, foreign branch's guarantee deposited with Federal Reserve Bank and Federal Credit Bank, operating guarantee deposit.
Investments in debt instruments at amortised cost	174,415	Foreign branch's guarantee deposited with Federal Reserve Bank and Federal Credit Bank.
Refundable deposits	5,880,590	Derivative transaction guarantee deposit, Guarantees deposited with the court for provisional seizure and deposits for the building lease.
	$ 10,758,565	

Items	December 31, 2019	Purpose of Pledge
Financial assets at fair value through other comprehensive income	$ 4,668,294	Guarantees deposited with the court for the provisional seizure, guarantees for trust business reserves, foreign branch's guarantee deposited with Federal Reserve Bank and Federal Credit Bank, operating guarantee deposit.
Investments in debt instruments at amortised cost	204,500	Foreign branch's guarantee deposited with Federal Reserve Bank and Federal Credit Bank.
Refundable deposits	3,419,926	Derivative transaction guarantee deposits, Guarantees deposited with the court for provisional seizure and deposits for the building lease.
	$ 8,292,720	

9. Significant contingent liabilities and unrecognized contractual commitments

The Bank has the following commitments as of December 31, 2020 and 2019:

	December 31, 2020	December 31, 2019
Unused loan commitments	$ 183,214,858	$ 106,488,125
Unused credit commitments for credit cards	98,582,265	93,094,415
Unused letters of credit issued	34,611,472	26,606,687
Guarantees	88,592,452	77,772,291
Collections receivable for customers	103,799,382	106,823,823
Collections payable for customers	248,753,849	287,953,697
Travelers' checks consignment-in	-	214,450
Guaranteed notes payable	46,674,620	47,405,858
Trust assets	856,900,397	827,452,891
Customers' securities under custody	637,885,521	614,846,057
Book-entry for government bonds under management	203,636,200	214,868,800
Depository for short-term marketable securities under management	164,712,430	116,679,662

10. Significant losses from disasters: None.

11. Significant subsequent events: None.

12. Others:

(1) Fair value and hierarchy information on financial instruments

A. Scope

Fair value is the amount for which an asset could be exchanged or a liability can be settled between knowledgeable, willing parties in an arm's length transaction. Financial instruments are initially recognised by fair value, which is transaction price in most cases. Subsequent recognitions are measured by fair value except that certain financial instruments are recognised by amortised cost. The best evidence of fair value is the quoted market price in an active market. If the market in which financial instruments traded is not active, the Bank then adopts valuation technique or takes reference to Bloomberg, Reuters or the fair value of financial instrument from counterparties.

B. Fair value information of financial instruments

The fair value information of financial instruments measured at fair value is provided in Note 12(1) C and E.

Except for those listed in the table below, the carrying amount of some of the Bank and its subsidiaries' financial instruments (e.g. cash and cash equivalents, due from the central bank and call loans to banks, securities purchased under resell agreements, receivables, discounts and loans, refundable deposits, deposits from the central bank and banks, due to the central bank and banks, notes and bonds issued under repurchase agreement, payables, deposits and remittances, bonds payable, other financial liabilities and guarantee deposits) is approximate to their fair value (Please refer to Note 12 (1) D).

	December 31, 2020			
	Carrying value	Fair value		
		Level 1	Level 2	Level 3
Financial assets				
Investments in debt instruments at amortised cost	$ 657,391,632	$ 7,003,271	$ 651,984,992	$ -

	December 31, 2019			
	Carrying value	Fair value		
		Level 1	Level 2	Level 3
Financial assets				
Investments in debt instruments at amortised cost	$ 483,204,788	$ 5,146,245	$ 478,358,360	$ -

C. Financial instruments measured at fair value

(A) Determination of the fair value

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

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

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

When a financial instrument has no standardized evaluation and with less complexity involved, such as interest rate swap, currency swap and options. The Bank and its subsidiaries usually adopt the valuation generally accepted by market users. The inputs used in these financial instruments valuation usually are observable information in the market.

For financial instruments with higher complexity, the fair value is assessed through the valuation model developed by general valuation methods and techniques generally accepted by competitors. These kinds of valuation models are usually applicable for derivative instruments, debt instruments with no quoted market price (including debt instrument of embedded derivatives) or other debt instruments with low market liquidity. Certain inputs used in these valuation models are not observable in the market, and the Bank and its subsidiaries need to make appropriate estimates based on the assumptions.

The evaluation of derivatives is based on evaluation models that are widely accepted by market users, such as discount method and option pricing model. Forward exchange contracts are usually evaluated based on the current forward exchange rate. Structured interest rate derivatives are evaluated based on appropriate option pricing models. The output of the evaluation model is always an estimate, and the valuation technique may not reflect all the relevant factors of the financial instruments held by the Bank and its subsidiaries. As a result, the estimate generated by valuation model will be slightly adjusted based on additional inputs, such as model risk, liquidity risk or credit risk of counterparties. According to the Bank and its subsidiaries valuation model management and other related controlling procedures, the adjustment made is adequate and necessary and the balance sheet is believed to present fairly, in all material aspects, the fair value of financial instruments. The pricing information and input are prudently evaluated in the valuation process, and shall be timely adjusted by market condition.

(B) Valuation methods by financial instruments of the Bank and its subsidiaries are shown by types and nature as follows:

a. NTD Central Government Bond: the latest transaction price announced by Electronic Bond Trading System of GTSM or SEC or the yield rates across different contract lengths bulletined by OTC are used.

b. NTD corporate bonds & bank debentures: fair value of different maturities announced by GTSM is adopted. If the fair value is not available, yield rate curve of the corresponding credit rating provided by GTSM is used to compute the theory price.

c. Securitization instruments: prices quoted from Bloomberg.

d. Convertible corporate bond: closing prices bulletined by the GTSM or the latest closing prices is adopted as valuation standard.

e. NTD short-term bills: valuation is based by TAIBOR curve rate from The Bankers Association of the Republic of China, discounted from future cash flows.

f. Foreign securities: prices quoted from Bloomberg, Reuters and the company's system evaluation, if there is no relevant quotation or evaluation, the counterparties’ quotation is adopted.

g. Listed stocks: the closing price listed in TSE or OTC is adopted.

h. Beneficiary certificates: closed-end funds use the closing price in an active market as the fair value and open-ended funds use the net asset value of the funds as the fair value.

i. Bank debentures designated at fair value issued by the Bank: valuation is based by TAIBOR curve rate from The Bankers Association of the Republic of China, discounted from future cash flows.

j. Derivatives:

(a) Call (put) warrant, stock index futures, and stock index futures options: prices quoted from an active market are deemed the fair value.

(b) Forward FX, currency swap, interest rate swap and cross currency swap: discounted future cash flows is adopted.

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

(d) Certain derivatives use the quoted price from counterparties.

k. Unlisted stock: Equity instruments that are not accounted for using the equity method are valued using the market approach, income approach, or net asset approach. The market approach uses the price-to-earnings ratio or the price-to-book ratio of investments with similar characteristics. The income approach includes the discounted cash flow method. The net asset approach includes the net value method.

(C) Adjustments for credit risks

Adjustments for credit risks are mainly credit valuation adjustments and debit valuation adjustments. Definition is as follows:

a. Credit valuation adjustment (CVA) is an adjustment to the valuation of derivatives which are not transacted through the Stock Exchange Market, that is, over the counter (OTC). CVA reflects the possibility of counterparty default and the Company unable to collect the full market value in fair value.

b. Debit valuation adjustment (DVA) is an adjustment to the valuation of derivatives which are not transacted through the Stock Exchange Market, that is, OTC. DVA reflects the possibility of the Company default and unable to pay the full market value in fair value .

CVA is calculated by applying loss given default (LGD) to exposure at default (EAD), along with the consideration of counterparty's probability of default (PD) (under the condition of the Bank does not default). On the other hand, DVA is calculated by applying the Bank's estimated loss to the risk exposure amount, along with the consideration of the Bank's PD (under the condition of the counterparty does not default).

D. Financial instruments not measured at fair value

The methods and assumption used by financial instruments not measured at fair value of the Bank and its subsidiaries are as follows:

(A) The carrying value of cash and cash equivalents, due from the central bank and call loans to banks, securities purchased under resell agreements, receivables, purchases in remittances, refundable deposits, deposits from the central bank and banks, due to the central bank and banks, notes and bonds issued under repurchase agreement, payables, guarantee deposits and other financial liabilities which have a short maturity period will be considered as their fair value.

(B) Discounts and loans (including overdue receivables and assumed receivables from leasing subsidiary): Considering the nature of the financial industry, the fair value is determined by the market rate (market price). The effective interest rates of loans are generally based on the benchmark interest rate plus or minus certain adjustment (equivalent to floating rate) to reflect the market interest rate. As a result, it is reasonable to assume that the carrying amount, after adjustments of estimated recoverability, approximates the fair value. Fair values for medium-term or long-term loans with fixed interest rates shall be estimated using their discounted values of expected future cash flows. However, as such loans account for only a small portion of all loans, carrying value was used to estimate the fair value.

(C) Investments in debt instruments at amortised cost: When there is a quoted market price available in an active market, the fair value is determined using the market price. If there is no quoted market price for reference, a valuation technique or quoted price offered by the counterparties will be adopted to measure the fair value.

a. NTD Central Government Bond: fair value of bonds of different maturities bulletined by Over-The-Counter (hereinafter OTC).

b. NTD corporate bonds, bank debentures, government bonds and beneficiary bond certificates: future cash flow discounted by the yield curve of OTC is used to measure present valuation.

c. NTD and US short-term bills and NTD beneficiary securities: valuation is based by TAIBOR curve rate from The Bankers Association of the Republic of China, discounted from future cash flows.

(D) Deposits and remittances: Considering the nature of the financial industry, the fair value is determined by the market rate (market price) while the deposit transactions usually mature within one year. As a result, the carrying amount is a reasonable basis to estimate the fair value. Fair values of the long-term fixed rate deposits shall be estimated using discounted expected future cash flows. Additionally, as the maturities are less than three years, it is reasonable to use the carrying amount to estimate the fair value.

(E) Bank notes payable: Since the coupon rates of the bank debentures issued by the Bank approximate the market rates, the fair value based on the discounted value of expected future cash flow approximates the carrying value.

E. Hierarchy of fair value estimation of financial instruments

(A) <u>Definition for the hierarchy classification of financial instruments measured at fair value</u>

a. <u>Level 1</u>

Inputs that are quoted prices unadjusted in active markets for identical assets or liabilities. An active market refers to a market in which transactions for an asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Bank's and its subsidiaries' investment in listed stocks, beneficiary certificates, on-the-run Taiwan central government bonds and derivative instruments with quoted market prices is included in Level 1.

b. Level 2

Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).The fair value of the Bank and its subsidiaries' investment in off-the-run government bonds, corporate bonds, bank debentures, convertible bonds and most derivative instruments bank debentures issued by the First Group is included in Level 2.

c. Level 3

Inputs for the asset or liability that are not based on observable market data. The fair value of the Bank and its subsidiaries' investment in the derivatives and certain overseas securities invested by the First Group is included in Level 3.

(B) Hierarchy of fair value estimation of financial instrument

Assets and Liabilities	December 31, 2020			
	Total	Level 1	Level 2	Level 3
Recurring fair value measurements				
Non-derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss				
Financial assets mandatorily measured at fair value through profit or loss				
Short-term notes	$ 86,221,061	$ -	$ 86,221,061	$ -
Stock investments	211,003	211,003	-	-
Bond investments	54,217,579	779,783	53,437,796	-
Others	6,370,188	-	5,901,355	468,833
Financial assets designated as at fair value through profit or loss	13,009,161	-	13,009,161	-
Financial assets at fair value through other comprehensive income				
Stock investments	35,216,609	27,263,712	-	7,952,897
Bond investments	230,961,971	6,001,462	224,960,509	-
Others	3,075,379	428,321	2,647,058	-
Derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss	10,883,968	102,350	10,781,618	-
Liabilities				
Financial liabilities at fair value through profit or loss	20,975,490	-	20,975,490	-
Total	$ 461,142,409	$ 34,786,631	$417,934,048	$ 8,421,730

Assets and Liabilities	December 31, 2019			
	Total	Level 1	Level 2	Level 3
<u>Recurring fair value measurements</u>				
<u>Non-derivative financial instruments</u>				
Assets				
Financial assets at fair value through profit or loss				
Financial assets mandatorily measured at fair value through profit or loss				
Short-term notes	$ 71,024,500	$ -	$ 71,024,500	$ -
Stock investments	269,787	269,787	-	-
Bond investments	71,547,153	1,480,600	70,066,553	-
Others	4,903,551	-	4,700,780	202,771
Financial assets designated as at fair value through profit or loss	3,844,882	-	3,844,882	-
Financial assets at fair value through other comprehensive income				
Stock investments	33,079,852	24,908,310	-	8,171,542
Bond investments	240,680,490	3,925,054	236,755,436	-
Others	4,336,434	423,446	3,912,988	-
Liabilities				
Financial liabilities at fair value through profit or loss				
Financial liabilities designated as at fair value through profit or loss	24,948,918	-	24,948,918	-
<u>Derivative financial instruments</u>				
Assets				
Financial assets at fair value through profit or loss	4,820,572	84,350	4,736,222	-
Liabilities				
Financial liabilities at fair value through profit or loss	9,497,193	-	9,497,193	-
Total	$ 468,953,332	$ 31,091,547	$ 429,487,472	$ 8,374,313

(C) Movement of financial assets and liabilities at fair value classified as Level 3

a. Movement of financial assets at fair value classified as Level 3

For the year ended December 31, 2020

Items	Beginning balance	Gain and loss on valuation		Addition		Reduction		Ending balance
		Amount recognised in gain and loss	Amount recognised in other comprehensive income	Purchased or issued	Transferred to Level 3	Sold, disposed or settled	Transferred from Level 3	
Non-derivative financial instruments								
Financial assets mandatorily measured at fair value through profit or loss	$ 202,771	$ 57,262	$ -	$ 225,000	$ -	($ 16,200)	$ -	$ 468,833
Equity instruments measured at fair value through other comprehensive income	8,171,542	-	(222,886)	4,241	-	-	-	7,952,897

For the year ended December 31, 2019

Items	Beginning balance	Gain and loss on valuation		Addition		Reduction		Ending balance
		Amount recognised in gain and loss	Amount recognised in other comprehensive income	Purchased or issued	Transferred to Level 3	Sold, disposed or settled	Transferred from Level 3	
Non-derivative financial instruments								
Financial assets mandatorily measured at fair value through profit or loss	$ -	$ -	$ -	$ -	$ 202,771	$ -	$ -	$ 202,771
Equity instruments measured at fair value through other comprehensive income	7,879,852	-	291,690	-	-	-	-	8,171,542

b. Movement of financial liabilities at fair value classified as Level 3

For the years ended December 31, 2020 and 2019, the Bank and its subsidiaries did not hold any Level 3 financial liabilities.

(D) Material transfers between Level 1 and Level 2

There were no material transfers of the Bank’s and its subsidiaries’ held financial instruments between Level 1 and Level 2 for the years ended December 31, 2020 and 2019.

(E) Sensitivity analysis of fair value to reasonable possible alternative assumptions for Level 3 fair value measurements

The fair value measurement that the Bank and its subsidiaries made for the financial instruments is deemed reasonable; however, different valuation models or inputs could result in different valuation results. Specifically, if the valuation input of financial instruments classified in the valuation moves to 10%, the effects on gain and loss in the period or the effects on other comprehensive income are as follows:

December 31, 2020	Change in fair value recognised in profit and loss		Change in fair value recognised in other comprehensive income	
	favorable	unfavorable	favorable	unfavorable
Assets				
Financial assets mandatorily measured at fair value through profit or loss	$ 46,883	($ 46,883)	$ -	$ -
Equity instruments measured at fair value through other comprehensive income	-	-	795,290	(795,290)

December 31, 2019	Change in fair value recognised in profit and loss		Change in fair value recognised in other comprehensive income	
	favorable	unfavorable	favorable	unfavorable
Assets				
Financial assets mandatorily measured at fair value through profit or loss	$ 20,277	($ 20,277)	$ -	$ -
Equity instruments measured at fair value through other comprehensive income	-	-	817,154	(817,154)

Favorable and unfavorable movements of the Bank and its subsidiaries refer to the fluctuation of fair value, and the fair value is calculated through the valuation technique according to the non-observable inputs to different extent.

If the fair value of a financial instrument is affected by more than one input, the above table only illustrates the effect as a result of one single input, and the correlation and variance among multiple inputs are not listed here.

(F) Quantitative information of fair value measurement for significant unobservable inputs (Level 3)

The Bank's and its subsidiaries' Level 3 fair value measurement are mainly financial assets at fair value through other comprehensive income – equity instrument without an active market.

The multiple significant unobservable inputs of equity instrument without an active market are independent from each other, thus, they are not correlative.

Table below summarises quantitative information of significant unobservable inputs:

	Fair value as of December 31, 2020	Valuation technique	Significant unobservable inputs	Range (weighted-average)	Relationship between inputs and fair value
Items measured at fair value on a repetitive basis					
Non-derivative financial assets					
Financial assets mandatorily measured at fair value through profit or loss					
Other	$ 468,833	Asset approach – Net asset value	Discount for marketability	15%	The higher discount for marketability is, the lower the fair value is.
Financial assets at fair value through other comprehensive income					
Equity investment	7,952,897	Market approach – Market comparable companies	Price-to-earnings ratio multiple	9.84~26.59	The higher the multiple is, the higher the fair value is.
			Price-to-book ratio multiple	0.52~3.31	The higher the multiple is, the higher the fair value is.
			Enterprise value to EBITA multiple	0.28~24.14	The higher the multiple is, the higher the fair value is.
			Discount for marketability	30%	The higher discount for marketability is, the lower the fair value is.
		Income approach – Discounted cash flow	Revenue growth rate	2.7%	The higher the revenue growth rate is, the higher the fair value is.
			Discount Rate	6.15%	The higher discount rate is, the lower the fair value is.
			Discount for marketability	10%	The higher discount for marketability is, the lower the fair value is.
		Asset approach – Net asset value	Discount for marketability	15%、30%	The higher discount for marketability is, the lower the fair value is.

	Fair value as of December 31, 2019	Valuation technique	Significant unobservable inputs	Range (weighted-average)	Relationship between inputs and fair value
Items measured at fair value on a repetitive basis					
Non-derivative financial assets					
Financial assets mandatorily measured at fair value through profit or loss					
Other	$ 202,771	Asset approach – Net asset value	Discount for marketability	15%	The higher discount for marketability is, the lower the fair value is.
Financial assets at fair value through other comprehensive income					
Equity investment	8,171,542	Market approach – Market comparable companies	Price-to-earnings ratio multiple	13.41-30.55	The higher the multiple is, the higher the fair value is.
			Price-to-book ratio multiple	0.59-3.61	The higher the multiple is, the higher the fair value is.
			Enterprise value to EBITA multiple	3.48-16.46	The higher the multiple is, the higher the fair value is.
			Discount for marketability	30%	The higher discount for marketability is, the lower the fair value is.
		Income approach – Discounted cash flow	Revenue growth rate	2.5%	The higher the revenue growth rate is, the higher the fair value is.
			Discount Rate	6.05%	The higher discount rate is, the lower the fair value is.
			Discount for marketability	10%	The higher discount for marketability is, the lower the fair value is.
		Asset approach – Net asset value	Discount for marketability	15%、30%	The higher discount for marketability is, the lower the fair value is.

(G) Fair value measurement process for instruments classified in Level 3

The Bank and its subsidiaries’ financial instruments within Level 3 are primarily equity investments in unlisted stocks.

In accordance with “First Financial Holding’s Regulations for Equity Investment Valuation”, the Bank’s equity instruments without an active market are valued using the market approach, income approach, or asset approach. By using publicly available information, valuation results are close to market conditions, and sources for information are independent, reliable, in agreement with other sources and represent exercisable prices. Inputs, information and other necessary fair value adjustments for the valuation model are updated periodically to ensure that the valuation results are reasonable. Relevant valuation results are recorded after the Bank's internal review and approval.

(2) Management objective and policy for financial risk

A. Scope

The Bank's and its subsidiaries' financial risk management objective incorporates the general operating strategy and financial targets. It considers risk appetite and external regulations along with other elements, through effective risk management policies, including but not limited to risk identification, evaluation, monitoring and reporting, and takes appropriate measures to control business risks and potential financial losses within an endurable range in order to ensure a sound business development for the Bank and its subsidiaries and accomplish the objective of maintaining a reasonable risk and return, to further increase shareholders' value.

The primary risks arising from operations of the Bank and its subsidiaries includes but are not limited to credit risks incident upon on-balance-sheet and off-balance-sheet transactions, market risks, operating risks and liquidity risks. In order to put into effect the risk management culture and strategy, the Bank and its subsidiaries has established a risk management policy, system, process and method. The bank and its subsidiaries abides by relevant regulations and evaluates and adjusts in a timely manner. Through managing risks, prescribing limits on each risk, monitoring and reporting periodically, as well as through the internal control and internal audit mechanisms and monitoring of high level committees, the primary risks are effectively identified, evaluated, monitored, and controlled, in order to abide regulations, accomplish strategic objectives and provide reliable financial reporting information.

B. Organization structure for risk management

Bank

The Bank's Board of Directors has the ultimate approval right in risk management. Major management risk items include overall risk management policy, risk tolerance limit, and authority which must be approved by the Board of Directors.

Under the Board of Directors, there is a Risk Management Committee (RMC), which is headed by the Bank's President and comprised of several committee members including Executive Vice President. Besides, Credit Review Division, Credit Analysis Division, Loan Asset Management Division, and Legal Affairs Division are required to participate in the committee. Risk Management Division is a business line under Risk Management Committee. It is responsible for handling of overall affairs for the committee. RMC is responsible for integration of review, supervision, reporting and coordinating interaction between each division for firm-wide risk management. Besides, the committee needs to resolve affairs related to risk management policies, system and procedures, risk tolerance limits and authorities, risk measurement methods, assessment procedures and monitoring system, implementation of risk management and status report on anti-money laundering and countering the financing of terrorism, and then deliver orders to each business segment in accordance with their responsibilities and approval procedures. RMC also submits regular reports about the risk evaluation of the Bank to the Board of Directors and supervisors.

The Auditing department regularly reviews the execution of risk management based on relevant internal control system to ensure the effective operation for risk management and assessment control, which should be reported to the Board of Directors regularly.

The Subsidiary, FCB Leasing

FCB Leasing's Board of Directors has the ultimate approval right in risk management. Major items of risk control include risk management policy, risk tolerance limit, and authority, which shall all be approved by the Board of Directors. FCB Leasing also set up Department of Management I and II to take charge of implementation and management of overall risk management strategies.

C. Credit risk

(A) Source and definition of credit risk

Financial instruments held by the Bank and its subsidiaries may incur losses if counterparties are not able to fulfill their obligations at the maturity date. Credit risk may happen due to items in or off the balance sheet. For items in the balance sheet, credit risk exposure of the Bank and its subsidiaries mainly comprises of bill discounts and loans and credit card business, leases, deposits and call loans from banks, debt instrument and derivatives, etc. Off balance sheet items include finance guarantee, letter of credit, and loan commitment.

(B) Policy for credit risk management

Risk management program and procedures are as follows:

a. Assessing the credit condition of the counterparty before each transaction; referring to information from domestic and foreign credit rating institutions or establishing its own rating system to set up different credit risk limitation and manage it by different category;

b. Avoiding the concentration risk, that is, limiting the amount of financing to or investing in a single customer, single industry, single conglomerate, single stock, or related parties;

c. Monitoring credit risk by industry, counterparty (individual and group) and country through the limits;

d. Setting up loan approval and review procedure for credit extension business as well as specific review policy for complicated credit extension cases;

e. Establishing policy of loan percentage on collateral, collateral appraisal, management and disposal in relation to credit extension;

f. Reporting to the senior management with regard to the summary of credit risk information.

In addition, each foreign operating entity of the Bank and its subsidiaries sets aside the loss reserve and appraises the assets quality, unless otherwise indicated by competent authorities of the domestic countries in which the subsidiaries reside, in conformity with risk management policy of each operating entity.

The Bank and its subsidiaries classify debt instruments and credit assets into 5 categories by referring to internal ratings and external rating institutions. Comparisons between the internal rating and external long-term rating scales are as follows:

No direct correlation between the internal rating of credit assets and external rating of debt investments has been shown in the following table, but merely shows two different rating scales of the same category.

Credit quality category	Internal rating of credit assets	The Debt investments	
		External rating	Taiwan rating
Low risk	Level 1 to level 7	Above level BB	Above level twBBB+
Medium risk	Level 8 to level 9	Level BB- to level B+	twBBB～twBB+
Medium-high risk	Level 10	Level B (including the debt investments of non rating)	twBB～twBB-
High risk	Level 11 to level 12	Level B- to level C	twB+～twCC
Default	Level 13	Level D	

Procedures and methods used in credit risk management for the core businesses of the Bank and its subsidiaries are as follows:

a. Credit business (including accounts receivable of lease business of the lease subsidiaries, loan commitments and guarantees)

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

(a)Credit asset classification

Credit assets are classified into five types. Other than normal credit assets shall be classified as Category One, the remaining unsound assets are assessed based on the collateral provided and the time period of overdue payment as follows: Category Two for assets requiring special mention. Category three for assets deemed recoverable. Category Four for assets that are doubtful. Category Five for assets that are not recoverable. In order to manage credit extension, the Bank and its subsidiaries established Operation Guidelines for Credit Extension Assets Risks, Regulations Governing the Setting Aside of Asset Losses Valuation and Non-Performing Loans, Guidelines for Claims Receivables, Standard Procedures for Collection of Overdue receivables as the principles for managing non-performing and overdue payments.

(b)Internal risk rating

In response to the characteristics and scale of business, the Bank and its subsidiaries implement a credit risk internal evaluation module or set up a credit rating table in order to execute risk management.

The Bank and its subsidiaries, mainly by the statistic and professional judgement of expertise and consideration of client information, developed an objective indicator for evaluating client's credit risk. That is the "Borrower's risk rating" of the Bank and its subsidiaries, among which 13 thresholds are set up based on the default possibility, and then divided into 5 sub-categories as follows:

I. Low risk: Level 1 to level 7 have a default rate lower than 2%. Clients in this threshold usually have ability to sustain the payment of interest and principal even under the adverse impact of economic environment, and the default rate is low.

II. Medium risk: Level 8 to level 9 have a default rate ranging around 2-5%. Clients in this threshold usually have potential issues and adverse economic environment could damage the borrower’s willingness and capacity to make the payment of interest and principal.

III. Medium-high risk: Level 10 has a default rate ranging around 5-10％. Clients’ ability to make the payment of interest and principal are relatively lower and easily affected by the economic fluctuation.

IV. High risk: Level 11 to level 12 have a default rate ranging from 10% and above to less than 100%. Clients’ ability the make the payment of interest and principal are extremely weak with a high possibility of default.

V. Default: Level 13 has a default rate of 100%. Definition of default includes interest or principal payments that have been overdue for more than 60 days, overdue or non-performing loans transferred, suspended interest, C Chart, debt negotiation records and others.

The Bank should perform credit rating to the corporations at least once a year and to those who sign a mid-long-term credit contract at least once a year during the contract term. It applies to the collective credit extension similarly. Credit rating mainly processed by credit analysis division and regional center that are independent from operating units and only cases with certain amount and below may be processed by operating units.

Petty loans and mortgage loans are assessed through internal credit rating module, and the rest of retail banking are assessed by experts. Methods used in rating credit for petty loans and mortgage loans are as follows:

I. Credit rating for petty loans:

Expected Loss (EL) is calculated by Possibility of Default (PD) and Loss Given Default (LGD) which are assessed by credit evaluation module of the borrowers. Based on the expected default frequency within the next year, the credit rating results are classified into 3 levels, which are ‘low risk’, ‘medium-high risk’ and ‘high risk’.

II. Credit rating for mortgage loans:

Possibility of default (PD), loss given default (LGD) and exposure at default (EAD) of the borrowers assessed by credit evaluation module are used to calculate the expected loss (EL). The expected loss (EL) together with cost of capital, operation cost, and service fee are integrated into information on cost aspect. In addition, information on income aspect such as interest income and service fee income are assessed based on the credit line and interest rate at the time the borrowers applied for loans to produce ‘expected profit’ (revenue minus cost). Based on the expected default frequency within the next year, the credit rating results are classified into four levels, which are ‘low risk’, ‘medium risk’, ‘medium-high risk’ and ‘high risk’, respectively.

b. <u>Deposits and call loans</u>

The Bank regularly reviews the limit (including limit of call loan) set up for every counterparty in the financial industry. The credit approval unit, with reference to credit risk limit granted based on long-term credit rating of external rating institutions and the business capacity of counterparty, is responsible for individual assessment and implementation.

c. Debt investment and derivatives

The risk management of the Bank's and its subsidiaries' debt instruments is based on credit rating of external institutions, credit quality of bonds, condition by geographical location and counterparty risk to identify the credit risk.

The counterparties of the derivative instruments are mostly financial institutions being rated at BB or above, and the credit extension (including the extension of call loan) granted to each financial institution counterparty is regularly reviewed and controlled by the credit granting segment. Those counterparties without credit rating or being rated below BB should apply risk limit to the credit granting segment by case which is then managed and controlled individually. If the counterparties are general clients, controlling is implemented through risk limits and conditions of derivatives as approved by general credit extension procedures to manage credit exposure of counterparties.

(C) Recognition and measurement of expected credit losses

In the assessment of impairment and calculation of expected credit losses, the Bank considers reasonable and supportable information (including forward-looking information) about past events, current conditions and reasonable and supportable forecasts of future economic conditions. The Bank determines at the balance sheet date whether there has been a significant increase in credit risk since initial recognition or whether credit impairment has occurred, and recognises expected credit loss according to which stage the asset belongs: no significant increase in credit risk or low credit risk at balance sheet date (Stage 1), significant increase in credit risk (Stage 2), and credit impaired (Stage 3). 12-month expected credit losses are recognised for assets in Stage 1, and lifetime expected credit losses are recognised for assets in Stage 2 and Stage 3.

The definition of and expected credit losses recognised for each stage are as follows:

	Stage 1	Stage 2	Stage 3
Definition	There has been no significant deterioration of the credit quality of the financial asset since initial recognition, or the financial asset is considered low-risk at the balance sheet date.	There has been significant deterioration of the credit quality of the financial asset since initial recognition, but the asset is not yet credit impaired.	The financial asset is credit impaired at the financial reporting date.
Expected credit losses recognition	12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

As a result of the COVID-19 outbreak in the beginning of 2020, certain entities and global economic were impacted, and the quality of the credit assets or the amount of revenue of the Bank might be further affected to some extent. However, the actual impact would be determined based on the subsequent control and the duration of the pandemic as well as the affected degree of economic. The various assumptions and parameters of the impairment model and related assessment methodology have taken the historical, current and future available information into consideration for continuous assessment and adjustment. The Bank and its subsidiaries will continually follow the development of the pandemic, assess and positively resolve the related impact on financial conditions and operating performance of the Bank and its subsidiaries.

(a) <u>Credit business</u>

The Bank considers reasonable and supportable information (including forward-looking information) when determining whether there has been significant increase in credit risk. The main indicators that are taken into account are as follows:

I. The borrower is over 30 days past due.

II. Placed on the warning list of the Bank.

III. Both internal and external credit ratings have deteriorated:

  i. Internal rating: The rating on the rating date has dropped more than 3 scales compared to the rating on the initial recognition date.

  ii. External rating: The external rating agency has lowered the rating by more than 2 scales to a non-investment grade.

IV. Record of bad credit after assessment, including the following circumstances:

  i. Approved the delay of principal payments by borrower while continuing the collection of interest payments due to the deterioration of the financial condition of borrower or concern that loan is not recoverable.

  ii. Terms of the loan agreement have been modified, before being classified as non-performing, so that borrower can pay back principal and interest in installments due to the deterioration of the financial condition of the borrower or concern that loan is not recoverable.

  iii. Borrower makes partial interest payments with the unpaid amount recorded as owed.

  iv. The length of the loan is repeatedly extended.

  v. The debtor is on a “debarred customer” list.

  vi. The pledged collateral of the debtor is compulsorily enforced by another bank.

  vii. The debtor is no longer in business.

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

  ix. The Bank reported a returned check issued by debtor.

  x. The credit of the borrower has deteriorated or subsidiaries, affiliates, or parents of the borrower have ceased operations.

  xi. The debtor has other records of bad credit.

If the internal and external credit ratings of a credits asset satisfies the following conditions, it is considered to be "low-risk at the balance sheet date" and assumed to have no significant increase in credit risk.

I. According to internal credit ratings of the Bank, the asset meets the requirements of a "low-risk level" asset, which is estimated to have a default probability less than 2%, and is considered to be "low-risk at the financial reporting date".

II. External credit ratings: investment grade or above.

The Bank will periodically review and assess the appropriateness of the criteria used to determine where there has been a significant increase in credit risk.

(b) Bond investments

If there is a change in a credit risk indicator that crosses a threshold since initial recognition, it is considered to have significant increase in credit risk. The thresholds for changes in the stage of credit risk indicators are as follows:

I. Bonds are over 30 days past due.

II. The final external credit rating has lowered by 2 scales or more, and the bond is rated as non-investment grade at the reporting date.

III. The cost of the financial asset measured at amortised cost compared to its fair value: The market price of the instrument is not more than 50% of its original investment cost, and the decrease is not the result of changes in market interest rates.

IV. Bond is on the Bank's warning list.

A bond investment of the Bank that is not considered to be in Stage 2 or Stage 3 of credit impairment is considered to have no significant increase in credit risk or an asset with low credit risk (Stage 1).

After the impairment assessment of bond investments the associated sales unit will review and confirm the results of the assessment and report to senior management. Data on impairment parameters should be reviewed periodically and updated if necessary; parameters should be updated at least once every year.

a. Definitions of financial assets in default and credit-impaired financial assets

According to the definition stated in Appendix A of IFRS 9, a financial asset is credit-impaired when one or more events that have occurred and have a significant impact on the expected future cash flows of the financial asset.

(a) Credit business

I. Principal or interest payments over 3 months (90 days) past due, or the bank has begun collection procedures or liquidation of collateral.

II. New payment schedule is negotiated so that loan is not classified as non-performing.

III. Non-performing loans in negotiation according to the rules of the Debt Negotiation Mechanism issued by the Bankers Association in 2006 (including pre-mediation).
IV. Loans that have gone through pre-mediation and have signed agreements in accordance with the Consumer Debt Clearance Act (excluding secured loans where the original terms of the loans are enforced).
V. Cases where the court has initiated reorganisation or liquidation proceedings.
VI. Declaration of bankruptcy in court.
VII. Reclassified as overdue receivables.
VIII. Special criterion for credit card products: credit card accounts closed by the issuer.
IX. Debtor's loans from other banking institutions have been recognised as non-performing, and reclassified as non-accrual or written off as uncollectible.
X. Debtor has filed for bankruptcy, reorganisation, or other debt clearance proceedings.
XI. Debtor renews, extends the length of, and negotiates new payment terms on the loan in accordance with applicable rules issued by the Bankers Association.
XII. Non-performing loans with negotiated payment installment plan.
XIII. Loans classified as "in default" according to the Bank's internal credit rating model.

(b) <u>Bond or bill investments</u>

A bond or bill investment by the Bank is considered credit impaired if any of the following conditions apply:

I. Principal or interest payments are over 3 months (90 days) past due.
II. The S&P credit rating of the bond is "in default" or the equivalent rating is assigned by another credit rating agency.
III. Court has initiated reorganisation or liquidation proceedings.
IV. Declaration of bankruptcy in court.
V. Bond or bill issuer has led for bankruptcy, reorganisation, or other debt clearance proceedings.

b. Write-off policy

If any of the following conditions apply, the Bank writes off its non-performing and non-accrual loans as uncollectible, after deducted the estimated recoverable amount:

(a) The loan cannot be fully or partially recovered due to the dissolution of, disappearance of, settlement with, or declaration of bankruptcy by the debtor.
(b) The collateral and assets of the primary and secondary debtors cannot be used to recover the loan due to low appraisal value, liquidity preference, or high administrative costs associated with seizure and liquidation.

(c) The collateral and assets of the primary and secondary debtors could not be auctioned off after multiple attempts, and their assumption would bring no financial benefit for the Bank.

(d) The non-performing and non-accrual loans are two years past due, and could not be recovered from collection procedures.

c. Measurement of expected credit losses

Expected credit losses (ECL) are calculated from the following three parameters: probability of default (PD), loss given default (LGD), and exposure at default (EAD).

(a) Credit business

I. Probability of default (PD)

For the estimation of the PD of domestic credit assets, PD parameters categorization is based on the product type and internal credit ratings, and the estimation of one-year PD and multi-year PD are conducted separately.

i. One-year PD: Calculate the actual one-year PD from historical data and use it to estimate the one-year PD parameter.

ii. Multi-year PD: The multi-year PD is estimated using a Markov Chain with a transition matrix constructed from historical one-year credit ratings, assuming the credit rating transition probability remains constant in each period. Applying the multi-year PD to each loan requires to consider the corresponding lifetime. The lifetime of the loan is estimated based on the length of the remaining contract.

II. Loss given default (LGD)

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

III. Exposure at default (EAD)

i. On balance sheet-Loans and loan receivables: calculated from credit balance.

ii. Off balance sheet-Loan commitments and financial guarantees: off balance sheet figures multiplied by the credit conversion factor (CCF). The credit conversion factor is estimated according to the rules described in the “Calculation Method of Equity Capital and Risky Assets and Accompanying Forms-Credit Risk Standard Rules” and the Bank’s and its subsidiaries’ internal historical information on actual drawn down amount.

(b) Bond or bill investments

I. PD calculated based on external credit ratings, incorporating forward-looking information.

II. LGD: Average LGD published by external credit rating agencies.

III. EAD:

i. Stage 1 and stage 3: Total carrying amount (including interest receivable).

ii. Stage 2: The cash flow is determined by the bond issuance agreement in lifetime.

Total carrying amount is the amortised cost of the financial asset before any adjustment to the loss allowance.

d. Consideration of forward-looking information

(a) <u>Credit business</u>

The Bank incorporates forward-looking information when determining whether there has been a significant increase in credit risk since initial recognition and measuring expected credit loss.

I. Pertaining to significant increase in credit risk

i. The Bank’s credit approval process includes evaluation of forward-looking information such as business potential, financial condition, industry outlook, loan collateral, and ability to repay.

ii. Identify customers with potential risk through the Bank’ s early warning system.

II. Pertaining to measuring expected credit loss

Reflected in the adjustment of model parameters including PD and LGD. Historical data is used to identify the important economic factors that affect the credit risk and expected credit loss of each asset portfolio, including the economic growth rate, inflation, unemployment rate, and real estate prices.

Subsequent predictions of the important economic factors are made, including the best estimates for the economy in the coming year. In addition to the basic economic scenario, the Bank also evaluates other possible economic scenarios and relevant information that is weighted accordingly.

By nature, the predicted values and estimated probabilities are highly uncertain, and the actual results may be very different from the predictions. However, the Bank believes the predictions provide the best estimates of the most probable outcomes.

(b) <u>Bond or bill investments</u>

The forward-looking estimate of PD incorporates changes in the business cycle, which can be measured based on economic growth rates. The overall process of the point-in-time (PIT) framework begins with constructing country-specific models, then the PD derived from the country-specific models are linked to GDP growth factor of each nation through regression modeling. The regression models are then adjusted using correction factors in order to obtain the PD rate for each credit rating level and the term structure of conditional default rate.

(D) Credit risk hedging and mitigation policy

a. Collateral

The Bank and its subsidiaries adopt a series of policies and measures to mitigate credit risks in relation to credit business, and one of the most common methods is requesting the borrower for the collateral. The Bank sets up the scope of collateral that can be recovered and the appraisal, as well as the management and disposing procedures to ensure the credit right. On the other hand, the loan security, terms of collateral, conditions to writing-off are addressed in the credit extending contract. The reduced facility, shortened repayment period or whether or not a loan is deemed matured are all well defined to mitigate credit risk in case that the credit event does incur.

b. Credit risk limit and risk concentration control

The Bank complies with the Banking Act in relation to the provision of business credit to the same individual, the same related parties, or the same affiliated companies as well as residential architecture, corporate architecture. In order to effectively control credit risk concentration, the Bank sets up risk assumption limit by rating, industry types, groups, countries and listed securities based on risk management strategy, change in market environment, business complexity, and report to senior management regularly. Assessment and modification shall be performed to various credit risk assumption limit based on overall economic cycle, finance environment and business development strategy regularly (at least once a year) or irregularly.

c. Net settlement with gross agreement

The transactions of the Bank and its subsidiaries are usually carried out by gross settlement. Despite that, net settlement is signed in a form of agreement with some trading counterparties, and is executed when a default occurs and all transactions are terminated in order to further mitigate credit risk.

d. Other credit enhancements

Primarily refers to guarantees by a third-person or credit providing institutions.

(E) Maximum credit risk exposure and concentration of the Bank and its subsidiaries

Maximum credit risk exposure

The maximum risk exposure of assets in the consolidated balance sheet, without consideration of the collateral or other credit enhancements, is equivalent to the carrying amount. The maximum credit risk exposure relating to accounts off the balance sheet (without consideration of collaterals or the maximum exposure of other credit enhancements) are the unused loan commitments, unused credit commitments for credit cards, unused letters of credit and other guaranteed commitments. As of December 31, 2020 and 2019, please see Note 9 for details.

The management of the Bank and its subsidiaries believes that through a series of stringent evaluation procedures and follow-up reviews afterwards, credit risk exposure off the balance sheet of the Bank and its subsidiaries can be minimized and continuously controlled.

The total carrying amount of discounts and loans - The Bank’s and First Commercial Bank (USA) largest credit risk exposure as follows:

December 31, 2020	12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses (credit-impaired financial assets that were neither purchased nor originated)	Difference in impairment recognised under "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans"	Total
Level of risk					
Low risk	$ 1,652,410,144	$ 23,904,077	$ -	$ -	$ 1,676,314,221
Medium risk	170,359,256	27,175,005	-	-	197,534,261
Medium-high risk	8,905,985	12,860,764	-	-	21,766,749
High risk	578,134	22,986,482	1,801,888	-	25,366,504
Default	-	-	8,613,207	-	8,613,207
Gross carrying amount of financial assets	1,832,253,519	86,926,328	10,415,095	-	1,929,594,942
Allowance for bad debts (total impairment recognised under IFRS 9)	(5,951,571)	(2,669,039)	(1,858,423)	-	(10,479,033)
Difference in impairment recognised under "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans"	-	-	-	(13,452,082)	(13,452,082)
Net	$ 1,826,301,948	$ 84,257,289	$ 8,556,672	($ 13,452,082)	$ 1,905,663,827

December 31, 2019	12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses (credit-impaired financial assets that were neither purchased nor originated)	Difference in impairment recognised under "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans"	Total
Level of risk					
Low risk	$ 1,538,290,619	$ 22,319,445	$ -	$ -	$ 1,560,610,064
Medium risk	147,395,644	24,786,468	-	-	172,182,112
Medium-high risk	6,053,237	13,199,964	-	-	19,253,201
High risk	244,835	22,221,957	500,461	-	22,967,253
Default	-	-	12,241,436	-	12,241,436
Gross carrying amount of financial assets	1,691,984,335	82,527,834	12,741,897	-	1,787,254,066
Allowance for bad debts (total impairment recognised under IFRS 9)	(5,745,044)	(2,462,077)	(3,674,044)	-	(11,881,165)
Difference in impairment recognised under "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans"	-	-	-	(10,717,360)	(10,717,360)
Net	$ 1,686,239,291	$ 80,065,757	$ 9,067,853	($ 10,717,360)	$ 1,764,655,541

Credit risk concentration of the credit assets in the balance sheet

The credit risks are deemed significantly concentrated when the financial instrument transactions significantly concentrate on a single person, or when there are multiple trading counterparties engaging in similar business activities with similar economic characteristics making the effects on their abilities of fulfilling the contractual obligation due to economy or other forces similar.

The credit risks of the Bank and its subsidiaries concentrate on accounts in and off balance sheet that occurs through obligation fulfilling or implementation of transactions (either products or services), or through trans-type exposure portfolio, including loans, placements and call loan from the banks, securities investment, receivables and derivatives. The nature that the debtor engages in could be a sign of credit risk concentration. The credit business of bank and its subsidiaries is one of the core businesses; however, the Bank does not significantly carry out transactions with single client or single counterparty, nor does any of total trading volume to a single client or a single counterparty account for more than 5% the balance of discounts and loans and overdue receivable. The credit risk concentration of the bills discounted, overdue receivables and lease business of the Bank and its subsidiaries by industry, location and collateral are shown as follows:

Discounts and loans and overdue receivable of the Bank and its subsidiaries by industry are shown as follows:

Industry	December 31, 2020 Amount	%	December 31, 2019 Amount	%
Private enterprises	$ 955,153,517	49.50	$ 881,439,028	49.31
Private individual	674,358,279	34.95	625,674,791	35.01
Overseas and others	259,918,511	13.47	268,401,237	15.02
State-owned enterprises	1,478,068	0.08	4,382,944	0.25
Government institutions	35,179,219	1.82	4,096,824	0.23
Non-profit organizations	3,535,768	0.18	3,274,078	0.18
Total	$ 1,929,623,362	100.00	$ 1,787,268,902	100.00

Discounts and loans and overdue receivable of the Bank and its subsidiaries by location (Note) are shown as follows:

Geographical location	December 31, 2020 Amount	%	December 31, 2019 Amount	%
Asia	$ 1,801,027,266	93.34	$ 1,659,706,177	92.86
North America	69,942,086	3.62	67,999,437	3.81
Oceania	42,163,974	2.19	39,757,012	2.22
Europe	16,490,036	0.85	19,806,276	1.11
Total	$ 1,929,623,362	100.00	$ 1,787,268,902	100.00

Note: the above geographical location is made on the basis of the branch of debtor.

Discounts and loans and overdue receivable of the Bank and its subsidiaries by collateral are shown as follows:

Collateral type	December 31, 2020 Amount	%	December 31, 2019 Amount	%
Unsecured loans	$ 424,470,292	22.00	$ 398,578,445	22.30
Secured loans				
-Real estate	1,048,676,360	54.35	975,761,251	54.60
-Guarantee	134,756,398	6.98	85,163,079	4.76
-Financial collateral	47,120,642	2.44	43,548,004	2.44
-Other collateral	22,317,019	1.16	25,460,340	1.42
Overseas and others	252,282,651	13.07	258,757,783	14.48
Total	$ 1,929,623,362	100.00	$ 1,787,268,902	100.00

The affected financials from collateral, net settled master netting arrangements and other credit enhancement for the Bank and its subsidiaries assets exposed to credit risk are as follows :

Expressed: In thousands of New Taiwan Dollars

December 31, 2020	Collateral	Net settled master netting arrangements	Other credit enhancement	Total
On balance sheet items				
Financial assets measured at fair value through profit or loss				
Debt instruments	$ -	$ -	$ 15,678,826	$ 15,678,826
Derivative instruments	1,598,628	6,404,015	-	8,002,643
Receivables				
Credit card business	3,762	-	-	3,762
Others	3,781,114	-	302,276	4,083,390
Discounts and loans	1,277,672,377	-	141,708,325	1,419,380,702
Financial assets at fair value through other comprehensive income				
Bond investment	-	-	18,519,573	18,519,573
Investments in debt instruments at amortised cost				
Bond investment	-	-	19,416,723	19,416,723
Other financial assets				
Others	438	-	-	438
Off-balance sheet items				
Irrevocable loan commitments	6,447,606	-	296,622	6,744,228
Unused letters of credit issued	4,039,080	-	1,727,743	5,766,823
All types of guarantees	10,434,317	-	7,221,030	17,655,347
Total	$ 1,303,977,322	$ 6,404,015	$ 204,871,118	$ 1,515,252,455

Expressed: In thousands of New Taiwan Dollars

December 31, 2019	Collateral	Net settled master netting arrangements	Other credit enhancement	Total
On balance sheet items				
Financial assets measured at fair value through profit or loss				
Debt instruments	$ -	$ -	$ 11,316,390	$ 11,316,390
Derivative instruments	1,909,384	1,854,418	-	3,763,802
Others	-	-	299,900	299,900
Receivables				
Credit card business	10,700	-	-	10,700
Others	4,396,140	-	184,092	4,580,232
Discounts and loans	1,202,151,930	-	88,510,427	1,290,662,357
Financial assets at fair value through other comprehensive income				
Bond investment	-	-	17,660,305	17,660,305
Others	-	-	299,900	299,900
Investments in debt instruments at amortised cost				
Bond investment	-	-	2,363,737	2,363,737
Other financial assets				
Others	737	-	-	737
Off-balance sheet items				
Irrevocable loan commitments	4,126,302	-	297,001	4,423,303
Unused letters of credit issued	3,272,727	-	1,366,325	4,639,052
All types of guarantees	9,035,110	-	4,638,783	13,673,893
Total	$ 1,224,903,030	$ 1,854,418	$ 126,936,860	$ 1,353,694,308

Note 1:“Collateral” refers to fixed and non-fixed asset liens, as well as non-fixed asset or equity pledges and guarantees; Collateral for credit assets refer to the lower of appraisal value and maximum exposure.

Note 2: Details of improvement to net settlement master netting arrangements and other credits are provided in Note 12(2) C.(d).

The Bank and subsidiaries closely monitor the value of collateral of financial instruments, taking into account credit-impaired financial assets for which impairment should be recognised. Information on credit-impaired financial assets and the value of collateral that can offset potential losses was as follows:

December 31, 2020	Gross carrying amount	Total impairment recognised under IFRS 9	Total risk exposure (amortised cost)	Fair value of collateral
Impaired financial assets				
On balance sheet items				
Receivables				
Credit card business	$ 165,268	$ 75,617	$ 89,651	$ 100
Others	13,367	10,908	2,459	-
Discounts and loans	10,415,095	1,858,423	8,556,672	5,602,217
Off-balance sheet items				
Irrevocable loan commitments	1,171	469	702	-
Unused letters of credit issued	131	1	130	-
All types of guarantees	16,346	596	15,750	-
Total	$ 10,611,378	$ 1,946,014	$ 8,665,364	$ 5,602,317

December 31, 2019	Gross carrying amount	Total impairment recognised under IFRS 9	Total risk exposure (amortised cost)	Fair value of collateral
Impaired financial assets				
On balance sheet items				
Receivables				
Credit card business	$ 176,823	$ 93,356	$ 83,467	$ -
Others	4,281	4,281	-	-
Discounts and loans	12,741,897	3,674,044	9,067,853	6,132,704
Off-balance sheet items				
Irrevocable loan commitments	1,068	430	638	-
Unused letters of credit issued	721	-	721	-
All types of guarantees	10,022	383	9,639	-
Total	$ 12,934,812	$ 3,772,494	$ 9,162,318	$ 6,132,704

As of December 31, 2020 and 2019, the Bank’s written-off financial assets that are still under recourse procedures amounted to $5,944,327 and $4,936,528, respectively.

(F) The changes in the Bank's and its subsidiaries' allowance for bad debt, accumulative impairment and provision for financial assets are as follows:

a. Credit business

(a) For the years ended December 31, 2020 and 2019, the reconciliation of the balance of allowance for uncollectible accounts from expected credit losses was as follows:

I. Discounts and loans

For the year ended December 31, 2020	12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses (credit-impaired financial assets that were neither purchased nor originated)	Total impairment recognised under IFRS 9	Difference in impairment recognised under "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans"	Allowance for bad debts
Balance at the beginning of the period	$ 5,745,044	$ 2,462,077	$ 3,674,044	$ 11,881,165	$ 10,717,360	$ 22,598,525
Changes from financial instruments recognised at the beginning of the period:						
-Transferred to 12-month expected credit losses	97,367	(97,286)	(81)	-	-	-
-Transferred to lifetime expected credit losses	(1,010,274)	1,018,418	(8,144)	-	-	-
-Transferred to credit-impaired financial asset	(262,405)	(381,841)	644,246	-	-	-
-Additional provision and reversal	887,015	(393,174)	(544,768)	(50,927)	-	(50,927)
Originated or purchased	3,176,236	612,276	386,876	4,175,388	-	4,175,388
Derecognised	(2,630,222)	(357,450)	(177,085)	(3,164,757)	-	(3,164,757)
Difference in impairment recognised under "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans"	-	-	-	-	2,734,722	2,734,722
Write-off of uncollectible amount	(6,453)	(166,611)	(2,093,966)	(2,267,030)	-	(2,267,030)
Foreign exchange and other changes	(44,737)	(27,370)	(22,699)	(94,806)	-	(94,806)
Balance at the end of the period	$ 5,951,571	$ 2,669,039	$ 1,858,423	$ 10,479,033	$ 13,452,082	$ 23,931,115

For the year ended December 31, 2019	12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses (credit-impaired financial assets that were neither purchased nor originated)	Total impairment recognised under IFRS 9	Difference in impairment recognised under "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans"	Allowance for bad debts
Balance at the beginning of the period	$ 5,541,577	$ 2,192,411	$ 3,682,094	$ 11,416,082	$ 10,012,159	$ 21,428,241
Changes from financial instruments recognised at the beginning of the period:						
-Transferred to 12-month expected credit losses	50,607	(50,181)	(426)	-	-	-
-Transferred to lifetime expected credit losses	(817,690)	824,728	(7,038)	-	-	-
-Transferred to credit-impaired financial asset	(825,384)	(563,387)	1,388,771	-	-	-
-Additional provision and reversal	1,368,339	22,213	(16,384)	1,374,168	-	1,374,168
Originated or purchased	3,121,726	653,993	471,879	4,247,598	-	4,247,598
Derecognised	(2,658,995)	(587,958)	(254,141)	(3,501,094)	-	(3,501,094)
Difference in impairment recognised under "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans"	-	-	-	-	705,201	705,201
Write-off of uncollectible amount	(5,280)	(20,285)	(1,581,547)	(1,607,112)	-	(1,607,112)
Foreign exchange and other changes	(29,856)	(9,457)	(9,164)	(48,477)	-	(48,477)
Balance at the end of the period	$ 5,745,044	$ 2,462,077	$ 3,674,044	$ 11,881,165	$ 10,717,360	$ 22,598,525

II. Receivables

For the year ended December 31, 2020	12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses (credit-impaired financial assets that were neither purchased nor originated)	Total impairment recognised under IFRS 9	Difference in impairment recognised under "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans"	Allowance for bad debts
Balance at the beginning of the period	$ 63,995	$ 257,693	$ 211,403	$ 533,091	$ 77,291	$ 610,382
Changes from financial instruments recognised at the beginning of the period:						
-Transferred to 12-month expected credit losses	1,302	(1,297)	(5)	-	-	-
-Transferred to lifetime expected credit losses	(4,352)	4,397	(45)	-	-	-
-Transferred to credit-impaired financial asset	(6,778)	(13,814)	20,592	-	-	-
-Additional provision and reversal	7,872	12,295	(18,701)	1,466	-	1,466
Originated or purchased	48,631	4,368	31,473	84,472	-	84,472
Derecognised	(52,347)	(121,267)	(11,901)	(185,515)	-	(185,515)
Difference in impairment recognised under "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans"	-	-	-	-	13,549	13,549
Write-off of uncollectible amount	(177)	(665)	(23,354)	(24,196)	-	(24,196)
Foreign exchange and other changes	(158)	(1,951)	(159)	(2,268)	-	(2,268)
Balance at the end of the period	$ 57,988	$ 139,759	$ 209,303	$ 407,050	$ 90,840	$ 497,890

For the year ended December 31, 2019	12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses (credit-impaired financial assets that were neither purchased nor originated)	Total impairment recognised under IFRS 9	Difference in impairment recognised under "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans"	Allowance for bad debts
Balance at the beginning of the period	$ 148,103	$ 304,682	$ 184,276	$ 637,061	$ 4,318	$ 641,379
Changes from financial instruments recognised at the beginning of the period:						
-Transferred to 12-month expected credit losses	734	(732)	(2)	-	-	-
-Transferred to lifetime expected credit losses	(4,290)	4,320	(30)	-	-	-
-Transferred to credit-impaired financial asset	(8,880)	(21,364)	30,244	-	-	-
-Additional provision and reversal	10,302	19,495	(1,794)	28,003	-	28,003
Originated or purchased	55,265	2,123	24,603	81,991	-	81,991
Derecognised	(137,047)	(42,002)	(9,546)	(188,595)	-	(188,595)
Difference in impairment recognised under "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans"	-	-	-	-	72,973	72,973
Write-off of uncollectible amount	(108)	(550)	(16,330)	(16,988)	-	(16,988)
Foreign exchange and other changes	(84)	(8,279)	(18)	(8,381)	-	(8,381)
Balance at the end of the period	$ 63,995	$ 257,693	$ 211,403	$ 533,091	$ 77,291	$ 610,382

III. Other financial assets

For the year ended December 31, 2020	12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses (credit-impaired financial assets that were neither purchased nor originated)	Total impairment recognised under IFRS 9	Difference in impairment recognised under "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans"	Allowance for bad debts
Balance at the beginning of the period	$ 18	$ -	$ 730,584	$ 730,602	$ 30,550	$ 761,152
Changes from financial instruments recognised at the beginning of the period:						
-Additional provision and reversal	-	-	(61,252)	(61,252)	-	(61,252)
Originated or purchased	2	-	527	529	-	529
Derecognised	(18)	-	(9,339)	(9,357)	-	(9,357)
Difference in impairment recognised under "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans"	-	-	-	-	(17,809)	(17,809)
Write-off of uncollectible amount	-	-	(70,481)	(70,481)	-	(70,481)
Foreign exchange and other changes	-	-	60	60	-	60
Balance at the end of the period	$ 2	$ -	$ 590,099	$ 590,101	$ 12,741	$ 602,842

For the year ended December 31, 2019	12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses (credit-impaired financial assets that were neither purchased nor originated)	Total impairment recognised under IFRS 9	Difference in impairment recognised under "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans"	Allowance for bad debts
Balance at the beginning of the period	$ 7	$ -	$ 725,357	$ 725,364	$ 14,771	$ 740,135
Changes from financial instruments recognised at the beginning of the period:						
-Additional provision and reversal	-	-	4,801	4,801	-	4,801
Originated or purchased	18	-	12,261	12,279	-	12,279
Derecognised	(7)	-	-	(7)	-	(7)
Difference in impairment recognised under "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans"	-	-	-	-	15,779	15,779
Write-off of uncollectible amount	-	-	(11,835)	(11,835)	-	(11,835)
Balance at the end of the period	$ 18	$ -	$ 730,584	$ 730,602	$ 30,550	$ 761,152

IV. Provision for loan commitments, provision for guarantee liabilities, and other provisions

For the year ended December 31, 2020	12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses (credit-impaired financial assets that were neither purchased nor originated)	Total impairment recognised under IFRS 9	Difference in impairment recognised under "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans"	Allowance for bad debts
Balance at the beginning of the period	$ 544,924	$ 55,558	$ 3,238	$ 603,720	$ 632,315	$ 1,236,035
Changes from financial instruments recognised at the beginning of the period:						
-Transferred to 12-month expected credit losses	1,195	(1,194)	(1)	-	-	-
-Transferred to lifetime expected credit losses	(6,521)	6,523	(2)	-	-	-
-Transferred to credit-impaired financial asset	(1,553)	(213)	1,766	-	-	-
-Additional provision and reversal	(10,338)	(23,288)	(437)	(34,063)	-	(34,063)
Originated or purchased	380,169	9,989	168	390,326	-	390,326
Derecognised	(355,714)	(9,281)	(2,349)	(367,344)	-	(367,344)
Difference in impairment recognised under "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans"	-	-	-	-	123,755	123,755
Write-off of uncollectible amount	-	(2,086)	(148)	(2,234)	-	(2,234)
Foreign exchange and other changes	(16,951)	(14)	-	(16,965)	-	(16,965)
Balance at the end of the period	$ 535,211	$ 35,994	$ 2,235	$ 573,440	$ 756,070	$ 1,329,510

For the year ended December 31, 2019	12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses (credit-impaired financial assets that were neither purchased nor originated)	Total impairment recognised under IFRS 9	Difference in impairment recognised under "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans"	Allowance for bad debts
Balance at the beginning of the period	$ 718,385	$ 69,443	$ 188,708	$ 976,536	$ 344,348	$ 1,320,884
Changes from financial instruments recognised at the beginning of the period:						
-Transferred to 12-month expected credit losses	1,916	(1,916)	-	-	-	-
-Transferred to lifetime expected credit losses	(14,450)	14,450	-	-	-	-
-Transferred to credit-impaired financial asset	(206)	(652)	858	-	-	-
-Additional provision and reversal	(113,350)	(25,634)	(239)	(139,223)	-	(139,223)
Originated or purchased	406,790	12,798	2,320	421,908	-	421,908
Derecognised	(452,866)	(12,910)	(188,409)	(654,185)	-	(654,185)
Difference in impairment recognised under "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans"	-	-	-	-	287,967	287,967
Foreign exchange and other changes	(1,295)	(21)	-	(1,316)	-	(1,316)
Balance at the end of the period	$ 544,924	$ 55,558	$ 3,238	$ 603,720	$ 632,315	$ 1,236,035

(b) Material changes to the total carrying amount for the years ended December 31, 2020 and 2019.

Material changes to the total carrying amount of allowance for uncollectible accounts for discounts and loans are described as follows:

The Board of Directors approved the write-off of uncollectible accounts for discounts and loans in the amounts of $6,085,976 and $5,289,071 for the years ended December 31, 2020 and 2019, respectively.

Changes to the gross amount of discounts and loans is as follows:

For the year ended December 31, 2020	12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses (credit-impaired financial assets that were neither purchased nor originated)	Total
Balance at the beginning of the period	$ 1,691,984,335	$ 82,527,834	$ 12,741,897	$ 1,787,254,066
Changes from financial instruments recognised at the beginning of the period:				
-Transferred to 12-month expected credit losses	20,725,106	(20,675,048)	(50,058)	-
-Transferred to lifetime expected credit losses	(28,465,595)	28,604,368	(138,773)	-
-Transferred to credit-impaired financial asset	(2,604,712)	(2,058,864)	4,663,576	-
-Additional provision and reversal	(57,409,505)	(4,514,649)	(646,569)	(62,570,723)
Originated or purchased	873,580,417	27,792,871	318,698	901,691,986
Derecognised discounts and loans	(656,446,546)	(23,096,113)	(2,226,428)	(681,769,087)
Write-off of uncollectible amount	(1,019,348)	(983,264)	(4,083,364)	(6,085,976)
Foreign exchange and other changes	(8,090,633)	(670,807)	(163,884)	(8,925,324)
Balance at the end of the period	$ 1,832,253,519	$ 86,926,328	$ 10,415,095	$ 1,929,594,942

For the year ended December 31, 2019	12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses (credit-impaired financial assets that were neither purchased nor originated)	Total
Balance at the beginning of the period	$ 1,617,825,688	$ 86,097,595	$ 13,206,996	$ 1,717,130,279
Changes from financial instruments recognised at the beginning of the period:				
-Transferred to 12-month expected credit losses	14,550,886	(14,498,522)	(52,364)	-
-Transferred to lifetime expected credit losses	(23,100,147)	23,214,835	(114,688)	-
-Transferred to credit-impaired financial asset	(2,344,778)	(2,141,650)	4,486,428	-
-Additional provision and reversal	(66,072,357)	(4,924,147)	(539,128)	(71,535,632)
Originated or purchased	820,488,004	27,268,414	798,266	848,554,684
Derecognised discounts and loans	(665,176,897)	(31,584,599)	(915,217)	(697,676,713)
Write-off of uncollectible amount	(560,866)	(629,287)	(4,098,918)	(5,289,071)
Foreign exchange and other changes	(3,625,198)	(274,805)	(29,478)	(3,929,481)
Balance at the end of the period	$ 1,691,984,335	$ 82,527,834	$ 12,741,897	$ 1,787,254,066

(c) The simplification of expected credit losses of loans, accounts receivable, contract assets and lease receivables

The Bank and FCBL included loans and accounts receivable in the impairment assessment, and the results were as follows:

For the year ended December 31, 2020	Overdue day of Loans and receivables					
	Not overdue	Overdue for 1–90 days	Overdue for 91-180 days	Overdue for 181-360 days	Overdue for more than 361 days	
Percentage of expected credit losses	1%	3%	10%	50%	100%	Total
Gross amount	$ 5,171,739	$ 7,942	$ 22,624	$ 25,419	$ 27,947	$ 5,255,671
Amount of expected credit losses	(71,536)	(238)	(2,262)	(12,710)	(27,947)	(114,693)
Net value of loans and receivables	$ 5,100,203	$ 7,704	$ 20,362	$ 12,709	$ -	$ 5,140,978

For the year ended December 31, 2019	Overdue day of Loans and receivables					
	Not overdue	Overdue for 1–90 days	Overdue for 91-180 days	Overdue for 181-360 days	Overdue for more than 361 days	
Percentage of expected credit losses	1%	3%	10%	50%	100%	Total
Gross amount	$ 4,828,831	$ 13,295	$ 72,112	$ 16,521	$ 110,256	$ 5,041,015
Amount of expected credit losses	(64,056)	(399)	(7,211)	(821)	(110,256)	(182,743)
Net value of loans and receivables	$ 4,764,775	$ 12,896	$ 64,901	$ 15,700	$ -	$ 4,858,272

b. Debt instruments

(a) The reconciliation of the balance of the cumulative impairment for the years ended December 31, 2020 and 2019 were as follows:

I. Financial assets at fair value through other comprehensive Income

For the year ended December 31, 2020	12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses (credit-impaired financial assets that were neither purchased nor originated)	Total impairment recognised under IFRS 9	Other equity
Balance at the beginning of the period	$ 67,030	$ -	$ -	$ 67,030	$ 67,030
Changes from financial instruments recognised at the beginning of the period:					
-Additional provision and reversal	10,098	-	-	10,098	10,098
Originated or purchased	15,713	-	-	15,713	15,713
Derecognised	(12,085)	-	-	(12,085)	(12,085)
Foreign exchange and other changes	(1,343)	-	-	(1,343)	(1,343)
Balance at the end of the period	$ 79,413	$ -	$ -	$ 79,413	$ 79,413

For the year ended December 31, 2019	12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses (credit-impaired financial assets that were neither purchased nor originated)	Total impairment recognised under IFRS 9	Other equity
Balance at the beginning of the period	$ 59,351	$ -	$ -	$ 59,351	$ 59,351
Changes from financial instruments recognised at the beginning of the period:					
-Additional provision and reversal	(3,328)	-	-	(3,328)	(3,328)
Originated or purchased	26,953	-	-	26,953	26,953
Derecognised	(13,582)	-	-	(13,582)	(13,582)
Foreign exchange and other changes	(2,364)	-	-	(2,364)	(2,364)
Balance at the end of the period	$ 67,030	$ -	$ -	$ 67,030	$ 67,030

II. Investments in debt instruments carried at amortised cost

For the year ended December 31, 2020	12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses (credit-impaired financial assets that were neither purchased nor originated)	Total impairment recognised under IFRS 9	Accumulated impairment
Balance at the beginning of the period	$ 42,526	$ -	$ -	$ 42,526	$ 42,526
Changes from financial instruments recognised at the beginning of the period:					
-Additional provision and reversal	(447)	-	-	(447)	(447)
Originated or purchased	52,404	-	-	52,404	52,404
Derecognised	(33,718)	-	-	(33,718)	(33,718)
Foreign exchange and other changes	(110)	-	-	(110)	(110)
Balance at the end of the period	$ 60,655	$ -	$ -	$ 60,655	$ 60,655

For the year ended December 31, 2019	12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses (credit-impaired financial assets that were neither purchased nor originated)	Total impairment recognised under IFRS 9	Accumulated impairment
Balance at the beginning of the period	$ 39,343	$ -	$ -	$ 39,343	$ 39,343
Changes from financial instruments recognised at the beginning of the period:					
-Additional provision and reversal	(6,826)	-	-	(6,826)	(6,826)
Originated or purchased	37,136	-	-	37,136	37,136
Derecognised	(26,950)	-	-	(26,950)	(26,950)
Foreign exchange and other changes	(177)	-	-	(177)	(177)
Balance at the end of the period	$ 42,526	$ -	$ -	$ 42,526	$ 42,526

(b) There have been no material changes to the cumulative impairment of debt instruments for the years ended December 31, 2020 and 2019.

(G) Policy for assumed collateral management

The collaterals assumed by the Bank and its subsidiaries as of December 31, 2020 and 2019 are of the nature of land and property and the carrying amounts were both $0.

The assumed collateral shall be disposed once it is disposable and the proceeds of disposal shall be used to offset the remaining unpaid loan. Collaterals are classified under other assets in the consolidated balance sheet.

(Blank below)

(H)Disclosures made in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks

a. Asset quality

Date & year			December 31, 2020				
Business / Items			Non-performing loans (Note 1)	Gross loans	Non-performing loan ratio (%) (Note 2)	Allowance for bad debts	Coverage ratio (Note 3)
Corporate Banking	Secured loans		$ 2,555,515	$ 695,564,577	0.37%	$ 8,213,899	321.42%
	Unsecured loans		1,081,354	663,264,737	0.16%	7,584,634	701.40%
Consumer Banking	Residential mortgage loans (Note 4)		757,275	496,520,916	0.15%	7,292,698	963.02%
	Cash cards		-	393	-	67	-
	Micro credit loans (Note 5)		1,857	7,313,770	0.03%	85,233	4589.82%
	Others (Note 6)	Secured	103,675	51,611,497	0.20%	550,971	531.44%
		Unsecured	-	26,895	-	358	-
Gross loans business			4,499,676	1,914,302,785	0.24%	23,727,860	527.32%
			Non-performing loans	Balance of receivables	Non-performing loan ratio (%)	Allowance for bad debts	Coverage ratio
Credit card services			2,409	7,482,076	0.03%	102,111	4238.73%
Without recourse factoring (Note 7)			-	4,544,543	-	45,472	-
Date & year			December 31, 2019				
Business / Items			Non-performing loans (Note 1)	Gross loans	Non-performing loan ratio (%) (Note 2)	Allowance for bad debts	Coverage ratio (Note 3)
Corporate Banking	Secured loans		$ 2,436,669	$ 607,748,424	0.40%	$ 7,181,070	294.71%
	Unsecured loans		830,536	648,157,793	0.13%	7,979,052	960.71%
Consumer Banking	Residential mortgage loans (Note 4)		882,876	475,095,307	0.19%	6,810,760	771.43%
	Cash cards		-	602	-	81	-
	Micro credit loans (Note 5)		4,389	4,409,311	0.10%	52,377	1193.37%
	Others (Note 6)	Secured	94,419	37,432,197	0.25%	390,376	413.45%
		Unsecured	-	9,683	-	182	-
Gross loans business			4,248,889	1,772,853,317	0.24%	22,413,898	527.52%
			Non-performing loans	Balance of receivables	Non-performing loan ratio (%)	Allowance for bad debts	Coverage ratio
Credit card services			9,156	7,345,825	0.12%	114,674	1252.45%
Without recourse factoring (Note 7)			-	3,225,624	-	34,987	-

Note:

1. The amount recognized as non-performing loans is in compliance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans". The amount included in overdue accounts for credit cards is in compliance with the Jin-Guan-Yin (4) Letter No. 0944000378 dated July 6, 2005.

2. Non-performing loan ratio=non-performing loans/gross loans. Non-performing loan ratio of credit cards ＝Non-performing loans of credit cards /balance of accounts receivable.

3. Coverage ratio for allowance for bad debts of loans=allowance for bad debts of loans/non-performing loans. Coverage ratio for allowance for bad debts of accounts receivable of credit cards＝allowance for bad debts for accounts receivable of credit cards/ Non-performing loan of credit cards.

4. For residential mortgage loans, the borrower provides his/her (or spouse's or minor child's) house as collateral in full and mortgages it to the financial institution for the purpose of obtaining funds to purchase or add improvements to own house.

5. Small amount of credit loans applies to the norms of the Jin-Guan-Yin (4) Letter No. 09440010950 dated December 19, 2005, excluding credit card and cash card services.

6. Other consumer banking is specified as secured or unsecured consumer loans other than residential mortgage loans, cash card services and small amount of credit loans, and excluding credit card services.

7. Pursuant to the Jin-Guan-Yin-Wai Letter No. 09850003180 dated August 24, 2009 amount of without recourse factoring will be recognized as overdue accounts within three months after the factor or insurance company resolves not to compensate the loss.

b. Non-performing loans and overdue receivables exempted from reporting to the competent authority

	December 31, 2020	
	Total amount of non-performing loans exempted from reporting to the competent authority	Total amount of overdue receivables exempted from reporting to the competent authority
Amounts exempted from reporting to the competent authority under debt negotiation and the contract (Note 1)	$ 263	$ 8,114
Perform in accordance with debt liquidation program and restructuring program (Note 2)	28,472	137,682
Total	$ 28,735	$ 145,796

	December 31, 2019	
	Total amount of non-performing loans exempted from reporting to the competent authority	Total amount of overdue receivables exempted from reporting to the competent authority
Amounts exempted from reporting to the competent authority under debt negotiation and the contract (Note 1)	$ 434	$ 10,917
Perform in accordance with debt liquidation program and restructuring program (Note 2)	25,759	137,293
Total	$ 26,193	$ 148,210

Note:

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

2. The supplementary disclosure about credit reporting and information disclosure is pursuant to provisions relating to cases such as preliminary negotiation, preliminary conciliation, restructuring and liquidation led by banks under the “Customer Debt Clearance Act”, as regulated in Jin-Guan-Yin-(I)-Zi Letter No. 09700318940 on September 15, 2008 and Jin-Guan-Yin-Fa Letter No. 10500134790 on September 20, 2016.

c.Profile of concentration of credit risk and credit extensions of the Bank

December 31, 2020			
Ranking (Note 1)	Type of industry (Note 2)	Total outstanding loan amount (Note 3)	Total outstanding loan amount/FCB net worth of the current year (%)
1	Group A–Marine Freight Forwarder	$ 17,369,182	7.92%
2	Group B–Other Holding Companies	16,999,043	7.75%
3	Group C–Real Estate Development	13,015,452	5.93%
4	Group D–Iron and Steel Rolls over Extends and Crowding	11,579,873	5.28%
5	Group E–Unclassified Financial Services	10,241,077	4.67%
6	Group F–Cardboard Manufacturing	8,884,881	4.05%
7	Group D–Iron and Steel Rolls over Extends and Crowding	8,878,815	4.05%
8	Group H–Hand-crafted Fiber Spinning	8,818,926	4.02%
9	Group I–Real Estate Development	8,422,777	3.84%
10	Group J–Real Estate Development	8,322,498	3.79%

December 31, 2019			
Ranking (Note 1)	Type of industry (Note 2)	Total outstanding loan amount (Note 3)	Total outstanding loan amount/FCB net worth of the current year (%)
1	Group A–Chemical Raw Material Manufacturing	$ 17,658,517	8.07%
2	Group B–Marine Freight Forwarder	17,272,374	7.89%
3	Group C–Real Estate Development	11,205,520	5.12%
4	Group D–Unclassified Electronic Components Manufacturing	10,814,445	4.94%
5	Group E–Iron and Steel Rolls over Extends and Crowding	10,540,010	4.81%
6	Group F–Hand-crafted Fiber Spinning	9,842,159	4.50%
7	Group G–Real Estate Development	8,916,122	4.07%
8	Group H–Cardboard Manufacturing	8,613,927	3.93%
9	Group I–Automobile Manufacturing	8,122,283	3.71%
10	Group J–Unclassified Financial Services	8,014,390	3.66%

Note:

1. Ranking the top 10 enterprise groups other than government and government enterprise according to their total outstanding loan amount.

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

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

D. Liquidity risk

(A) Definition and resource of liquidity risk

The liquidity risk of the Bank and its subsidiaries refer to a financial loss when assets are not convertible or not enough financing aid can be obtained to inject fund for the financial liabilities soon to be matured. For instance, the client terminates the deposit contract in advance, or financing channel of call loan becomes difficult due to market influence, or deterioration on the credit default rate giving rise to unusual fund collection, difficulty in converting the financial instrument and interest sensitive insurer exercise the right to terminate contract in advance. Above events may mitigate the cash inflows from loan origination, transactions and investing activities from the lease subsidiaries.

Liquidity risk exists in the Bank’s operation, which may be given rise by specific event of various industries or overall market movement, such as liquidation protocol of deposit or call loan payment, source of loan or time required for asset liquidation are affected by various industries or certain overall market events, including but not limited to insufficient depth of market, market disorder, low liquidity on funds, credit event, merging or acquisition activities, systematic impact and natural disasters.

Working capital of FCBL is sufficient, therefore there is no liquidity risk regarding inability to raise fund for meeting contractual obligations.

(B) Procedures and evaluation method used for liquidity risk management

In order to prevent liquid risk that gives rise to operating risk, crisis reaction procedures have been set up in relation to liquidity risk and fund liquidity gap shall be monitored on a regular basis.

Management procedure and evaluation method for the liquidity risk of the Bank and its subsidiaries are as follows:

<u>Procedure</u>

In consideration of the operating demand, the sources of fund need to be diverse and stable. The use of fund should avoid high concentration, and the liquid assets held should take precedence of highly liquid earning assets of high quality.

In accordance with the “Management policy of assets and liabilities” and “Management principle of liquidity and interest risk”, risk management division is the investigation unit for liquidity risk indicator. Finance division is the execution unit for fund transferring. Also, attention needs to be paid on the movement of market condition and day-to-day capital liquidity to ensure appropriate liquidity and long-term profitability. Unless otherwise indicated by offshore branches, sufficient liquidity shall be maintained in accordance with the local competent authorities.

Risk management division sets up liquid position or indicator limit by the duration and implements after obtaining the approval from assets and liabilities management committee and Board of Directors. Each liquidity risk monitoring indicator are assessed and appraised regularly in the meeting of assets and liabilities management committee.

Risk management division is responsible for reporting the liquidity risk and other monitoring result regulary to the assets and liabilities management committee, risk management committee and Board of Directors.

Evaluation method

The content of the liquidity risk report mainly used to estimate cash flow from various business line and the effects on fund transferring so that early warning area and target goal can be set up for cash gap and relevant indicator in order to control both under the tolerable risk limit.

Risk Management Division regularly makes "Analysis table for cash flow gap" and "Adjustment table for cash flow gap" to ensure that the cash flow gap is within the granted limit and reports to the management in relation to fund liquidity matters. Given that the limit has been reached or an obvious deteriorated indicator shown internally or externally, immediate escalation should be made to the assets and liabilities management committee for further response action and report to the Board of Directors. Given the liquidity risk, action shall be taken in accordance with "Contingent plan for liquidity risk".

(C) Duration analysis for the financial assets and liabilities held for liquidity risk management are as follows:

a. Financial assets held for the management of liquidity risk

The Bank and its subsidiaries hold cash and highly liquid, high quality interest generating assets to support payment obligations and potential emergency fund demands in the market. Assets hold for the management of liquidity risk include: cash and cash equivalents, due from the central bank and call loans to banks, financial assets measured at fair value through profit or loss, financial assets at fair value through other comprehensive income, investments in debt instruments at amortised cost, securities purchased under resell agreements, receivables and discounts and loans etc.

b. Duration analysis for the financial assets and liabilities held for liquidity risk management

The following table illustrates the cash inflow and outflow of financial assets and liabilities of the Bank and its subsidiaries held for liquidity risk management based on the remaining maturity from the balance sheet date to the contract expiration date. While the amounts disclosed in the table are not discounted by contract cash flow, certain accounts may differ from the responding accounts in the balance sheet.

December 31, 2020	0 - 30 days	31 - 90 days	91 - 180 days	181 days – 1 year	Over 1 year	Total
1.Primary capital inflow upon maturity						
Non-derivative financial instruments						
Cash and due from other banks	$ 83,203,880	$ 9,180,140	$ 5,223,030	$ 9,936,587	$ 40,645,429	$ 148,189,066
Call loans and overdrafts	83,904,589	38,471,836	6,986,736	3,035,272	-	132,398,433
Securities investment	477,434,731	64,577,777	38,630,428	160,610,041	349,433,604	1,090,686,581
Discounts and loans	176,174,586	197,951,863	205,817,278	209,659,463	1,140,093,641	1,929,696,831
Other capital inflow upon maturity	82,536,183	6,947,382	3,191,442	2,330,559	8,645,021	103,650,587
Derivative financial instruments	2,401,925	3,843,069	2,080,232	1,505,638	1,053,104	10,883,968
Total	905,655,894	320,972,067	261,929,146	387,077,560	1,539,870,799	3,415,505,466
2.Primary capital outflow upon maturity						
Non-derivative financial instruments						
Call loans, overdrafts and due to other banks	163,781,996	96,495,659	6,733,412	7,437,894	-	274,448,961
Demand deposits	75,571,355	91,691,784	83,784,728	119,764,409	1,349,791,624	1,720,603,900
Time deposits	175,867,463	240,318,739	211,075,532	333,232,072	29,454,090	989,947,896
Bank notes payable	-	1,650,000	500,000	-	36,800,000	38,950,000
Lease liabilities	64,369	114,798	155,703	330,128	1,924,175	2,589,173
Other capital outflow upon maturity	91,516,924	21,010,033	9,364,168	2,996,854	45,991,034	170,879,013
Derivative financial instruments	7,196,794	4,779,139	2,863,828	4,889,380	1,246,349	20,975,490
Total	513,998,901	456,060,152	314,477,371	468,650,737	1,465,207,272	3,218,394,433
3.Gap upon maturity	$ 391,656,993	($ 135,088,085)	($ 52,548,225)	($ 81,573,177)	$ 74,663,527	$ 197,111,033

December 31, 2019	0 - 30 days	31 - 90 days	91 - 180 days	181 days – 1 year	Over 1 year	Total
1.Primary capital inflow upon maturity						
Non-derivative financial instruments						
Cash and due from other banks	$ 81,052,258	$ 7,427,447	$ 6,661,070	$ 11,615,571	$ 34,189,449	$ 140,945,795
Call loans and overdrafts	114,606,860	40,720,349	6,957,758	4,150,996	-	166,435,963
Securities investment	358,292,278	39,764,577	30,196,983	180,732,165	307,811,327	916,797,330
Discounts and loans	176,279,442	188,923,142	195,423,315	187,145,986	1,039,750,626	1,787,522,511
Other capital inflow upon maturity	57,192,888	7,006,984	2,789,721	2,384,132	6,401,439	75,775,164
Derivative financial instruments	773,218	1,052,927	256,358	269,096	2,468,973	4,820,572
Total	788,196,944	284,895,426	242,285,205	386,297,946	1,390,621,814	3,092,297,335
2.Primary capital outflow upon maturity						
Non-derivative financial instruments						
Call loans, overdrafts and due to other banks	178,697,923	96,784,945	7,965,227	585,459	-	284,033,554
Demand deposits	61,392,250	68,778,085	65,880,318	111,631,137	1,152,823,255	1,460,505,045
Time deposits	167,429,671	217,785,138	204,351,767	328,524,383	24,213,702	942,304,661
Financial liabilities at fair value through profit and loss – non-derivatives	-	15,023,029	6,748,306	-	3,177,583	24,948,918
Bank notes payable	-	-	-	-	27,950,000	27,950,000
Lease liabilities	70,102	119,773	166,374	332,304	2,243,502	2,932,055
Other capital outflow upon maturity	72,577,001	11,735,785	6,475,009	2,654,468	46,253,071	139,695,334
Derivative financial instruments	2,134,067	3,245,986	1,972,785	1,110,588	1,033,767	9,497,193
Total	482,301,014	413,472,741	293,559,786	444,838,339	1,257,694,880	2,891,866,760
3.Gap upon maturity	$ 305,895,930	($ 128,577,315)	($ 51,274,581)	($ 58,540,393)	$ 132,926,934	$ 200,430,575

Note: Derivative financial instruments and financial liabilities are disclosed at present value.

Maturity analysis for above demand deposits are amortized to each period based on historical experience of banking subsidiary. Given that all the demand deposits have to be paid in the shortest period, as of December 31, 2020 and 2019, the payment on period of 0-30 days will be increased by $1,645,032,545 and $1,399,112,795, respectively.

(D)Maturity analysis for items off the balance sheet

The loans, loan commitment and letters of credit include unused loan commitments and unused letters of credit issued. Financial guarantee contract refers that the Bank and its subsidiaries represent a guarantor or the issuer of the guaranteed letter of credit.

Please refer to the below table for maturity analysis for items off the balance sheet of the Bank and its subsidiaries:

Financial instruments contracts	December 31, 2020		
	Within one year	More than one year	Total
Unused loan commitments (Note)	$ 12,902,815	$ 170,312,043	$ 183,214,858
Unused credit commitments for credit cards	98,582,265	-	98,582,265
Unused letters of credit issued	34,160,760	450,712	34,611,472
Guarantees	42,280,977	46,311,475	88,592,452
Total	$ 187,926,817	$ 217,074,230	$ 405,001,047

Financial instruments contracts	December 31, 2019		
	Within one year	More than one year	Total
Unused loan commitments (Note)	$ 8,229,962	$ 98,258,163	$ 106,488,125
Unused credit commitments for credit cards	93,094,415	-	93,094,415
Unused letters of credit issued	25,625,054	981,633	26,606,687
Guarantees	29,982,776	47,789,515	77,772,291
Total	$ 156,932,207	$ 147,029,311	$ 303,961,518

Note: Above unused loan commitments include irrevocable loan commitment, and revocable loan commitment in response to significant adverse movement.

(E)Disclosure required by the Regulations Governing the Preparation of Financial Reports by Public Banks

a. Structure analysis of NTD time to maturity of the Bank

Expressed In Thousands of New Taiwan Dollars

	December 31, 2020						
	Total	0~10 days	11~30 days	31~90 days	91~180 days	181 days ~ 1 year	Over 1 year
Primary capital inflow upon maturity	$ 3,037,748,040	$ 400,720,561	$ 410,761,416	$ 332,469,218	$ 290,749,817	$ 394,141,071	$1,208,905,957
Primary capital outflow upon maturity	(3,878,258,458)	(177,165,400)	(324,063,414)	(578,373,436)	(554,875,898)	(728,167,924)	(1,515,612,386)
Gap	($ 840,510,418)	$ 223,555,161	$ 86,698,002	($ 245,904,218)	($ 264,126,081)	($ 334,026,853)	($ 306,706,429)

	December 31, 2019						
	Total	0~10 days	11~30 days	31~90 days	91~180 days	181 days ~ 1 year	Over 1 year
Primary capital inflow upon maturity	$ 2,461,147,558	$ 384,962,434	$ 238,821,348	$ 255,605,470	$ 189,755,592	$ 341,999,925	$1,050,002,789
Primary capital outflow upon maturity	(3,168,555,477)	(149,942,424)	(175,739,661)	(466,035,805)	(503,091,483)	(555,316,896)	(1,318,429,208)
Gap	($ 707,407,919)	$ 235,020,010	$ 63,081,687	($ 210,430,335)	($313,335,891)	($ 213,316,971)	($ 268,426,419)

b. Structure analysis of USD time to maturity of the Bank

Expressed In Thousands of US Dollars

	December 31, 2020					
	Total	0~30 days	31~90 days	91~180 days	181 days ~ 1 year	Over 1 year
Primary capital inflow upon maturity	$ 45,595,687	$ 15,209,640	$ 10,181,817	$ 5,188,923	$ 7,497,323	$ 7,517,984
Primary capital outflow upon maturity	(50,559,450)	(14,281,225)	(11,497,087)	(8,060,395)	(8,090,080)	(8,630,663)
Gap	($ 4,963,763)	$ 928,415	($ 1,315,270)	($ 2,871,472)	($ 592,757)	($ 1,112,679)

December 31, 2019

	Total	0~30 days	31~90 days	91~180 days	181 days ~ 1 year	Over 1 year
Primary capital inflow upon maturity	$ 33,619,315	$ 10,478,195	$ 8,590,151	$ 5,150,054	$ 2,314,009	$ 7,086,906
Primary capital outflow upon maturity	(39,330,235)	(11,739,691)	(10,802,476)	(5,367,661)	(5,938,954)	(5,481,453)
Gap	($ 5,710,920)	($ 1,261,496)	($ 2,212,325)	($ 217,607)	($ 3,624,945)	$ 1,605,453

E. Market risk

(A) Market risk definition

Market risk occurs when the market price fluctuates leading to movement in fair value of financial instrument held by the Bank and its subsidiaries in or off the balance sheet or the future cash flow. The risk factors that could give rise to market price movement usually include interest rate, exchange rate, equity securities and instrument price. Any movement in above risk factors could result in risk of fluctuation on net profit or value of investment portfolio held by the Bank and its subsidiaries.

The market risks that the Bank and First Commercial Bank (USA) faces mainly are equity securities, interest rate and exchange rate risk. Market risk position of equity securities mainly include domestic listed stocks, domestic stock index options and stock index futures and call and put warrants, etc. Positions with interest rate risk mainly include: bonds and interest-derivative instruments, such as fixed and floating interest swap and bond option, etc. Positions with exchange rate risk mainly include: the consolidated positions invested by the subsidiaries, indirect subsidiaries of the Bank and its subsidiaries, such as various derivatives denominated in foreign currency, credit-linked bonds, US government bonds, and other foreign bonds, etc.

The subsidiary, FCB Leasing, is engaged in interest rate swap contracts for the purpose of financial hedging Gains or losses arising from changes in interest rates and gains or losses on hedged items are offset substantially. As a result, market price risk is deemed insignificant.

(B) Goal of market risk management

The Bank and First Commercial Bank (USA) have various market risk management policies, standards, key points and the regulations from competent authorities and the Bank to comply.

The Bank sets up “Management policy for market risk”, “Management standards for market risk”, “Management standards for liquidity and interest rate risk” and “Management guidelines for market risk” and others in an attempt to effectively regulate market risk and ensure that the market risk is under the Bank and the First Commercial Bank (USA)’s bearable capacity.

The Bank divided market risk management into trading book and banking book. Interest rate risk management in relation to trading book and banking book is provided in Note 12(2)E(F), (G) and (H). ‘Trading book’ refers to :

a. positions held with an intention to earn profit from interest rate movement or price variance between the purchase price and selling price,

b. positions held for hedging purpose, and

c. interest rate related instruments positions and equity securities positions held for brokerage or proprietary trading on which regular market value assessment and capital provision against market risk shall be made. Financial instrument positions not classified as trading book are classified into the scope of ‘banking book’.

(C) Policy and procedure for market risk management

In order to identify, evaluate, control and monitor market risks that the Bank and its subsidiaries faces and strengthen managing mechanism for market risks, management policies and procedures have been set up to effectively manage market risk and ensure that market risk is controlled under a bearable capacity.

<u>Policy</u>

The Board of the bank is the highest command and supervisory unit in charge of the granting of risk management policy, major risk bearing limit and relevant authorization. The Risk Management Committee under the Board of Directors executes various risk management implementations as resolved and granted by the Board and performs risk supervision. In addition, risk management division set up independent from the business unit is responsible for establishing market risk management structure for the market risk management.

<u>Procedures</u>

The risk management division of the Bank assesses various risk indicators regularly as required by the policies and monitors various risk indicators to be within the limits authorized by the Board of Directors. Any excess over the limits and the usage level of risk limits are summarized and reported to the Board of Directors, risk management committee, general manager, vice-general manager and other related segments.

Business unit, before the engagement in new transaction or developing new market, should identify and evaluate risk in compliance with related procedures. The evaluation module before adoption should be verified through module testing technicians in order to effectively identify various market risks. For financial instruments that cannot be assessed by market price or module evaluation, the risks should be transferred by back-to-back method to avoid that the Bank may assume uncertain market risk.

(D) Management procedure for market risk

The Bank’s management procedure for market risk of interest rate risk, exchange risk and equity securities are as follows:

a. Identification and evaluation

Risk identification: When there is any new product, market or currency of a financial instrument, market risk factors and market risk source should first be identified before the underwriting is permitted.

Risk evaluation: Establish appropriate risk indicators and prescribe risk limits for management. The significant risk indicators of the subsidiaries include, but are not limited to positions, gains and losses, and sensitivity measures (PV01, Delta, Vega, and Gamma). The evaluation of investment portfolios are affected by interest risk, exchange rate risk and equity securities.

b. Monitoring and report

For financial instrument evaluated by the market price, the information of independent source should be assessed at least once a day. For those evaluated by modules, the assumption and input used in the evaluation module as provided by the market data of Reuters and Bloomberg, after the module experience is tested and granted, the calculation on evaluation and sensitivity may be carried on, which is used to control the risk incurred through investment portfolio.

The Bank establishes risk reporting programs and procedures. The risk management division should regularly present the daily report, monthly report and other risk management report to the Board of Directors and senior management based on the needs of segment heads, general manager, general president or the Board of Directors to report interest risk, exchange risk and equity securities exposure, including gain and loss, trading position, various risk indicators, risk limit usage, all limit excess or fault and so on, and regularly follow-up and send out warning reminder to ensure corrective action has been taken in a timely manner and in compliance with regulations.

(E) Risk evaluation method (market risk evaluation technique)

In order to effectively evaluate the market risks, the Bank establishes appropriate risk indicators and measurement instruments based on each investment portfolio and business characteristics of trading book and banking book. Meanwhile, by setting up risk limits and controlling mechanism, risk limit control is regularly reported to each responsible segment and reported to the Board of Directors. Above risk indicators include: positions, gains and losses, sensitivity indexes (PV01, Delta, Gamma, Vega), stress losses and others.

Definitions of various indicators:

PV01: It is the relative change in the value of interest rate instrument when the interest rate moves by 1 basis point (1bp = 0.01%).

Delta: When the price of underlying asset moves by 1 unit that leads to related movement in Delta ratio of the derivative, by which is multiplied the nominal amount to measure to Delta position.

Vega: It is the relative change in the value of derivative instrument when the value of underlying asset moves by 100 basis point.

Gamma: It is the relative change in Delta when the underlying asset value moves by 1 unit.

Interest rate-sensitive instruments are the relative change in the amount of PV01 that incurred to the interest rate instrument when interest rate moves by 1 basis point.

Exchange rate-sensitive instruments are the relative change in the amount of Delta that incurred to the exchange rate instrument when exchange rate moves by 1% of the unit.

Stress loss: Provided that all other conditions remain constant, it is the effects from ±100bp interest rate movement, ±15% overall market movement of equity securities, ±3% exchange rate fluctuation on New Taiwan Dollars versus major currencies or ±5% exchange rate fluctuation on New Taiwan Dollars versus other currencies.

(F) Policy and procedures of trading book risk management

Trading book includes financial instruments held for trading or financial instruments and physical commodity positions held for hedging purposes against trading book positions. Positions of financial instruments held for trading refers to positions held for a short-term period with the intention of selling or with the intention of profiting or fixing arbitrage profits from actual or expected short-term price fluctuations. For example, proprietary positions, agency positions (such as transaction match-making brokerage) or positions generated through market making transaction, or positions held to offset all or the majority of risks of asset or portfolio positions on the trading book. Positions not included in the above trading book positions are banking book position.

The Bank establishes specific policies and procedures for their trading strategy of trading book position in order to manage the potential market risk of trading positions and control the risk within limits.

a. Strategy

In order to effectively control market risk and ensure the mobility and adaptability of the trading strategy implemented by sale units, market risk limit of the trading book is set at the level of “investment portfolio” to carry out various assessments and controls. In addition, risk limits of each portfolio are set up according to the trading strategy, types of trading instruments and annual profit objective for better management.

b. Policy and procedure of risk management

In principle, management policy is carried out based on annually revised risk limits of each investment portfolio.

c. Evaluation policy and procedure

Generally, financial instruments are assessed through Mark-to-Market, however, Mark-to-Model may be adopted if there is no fair value in the market. Nonetheless, the model should be independently verified before adoption and relevant guideline model management needs to be set up and implemented accordingly.

Evaluation procedure: The risk management unit confirms that the risk evaluation is consistent with the position information posted on the evaluation system at day-end and the market data adopted. In addition, the risk management unit monitors daily evaluation and risk limit and regularly report risk quota usage and limit exceeding event.

d. Evaluation method

The Bank executes stress testing on ±100bp interest rate movement, ±15% equity securities movement, ±3% exchange rate fluctuation and ±5% circumstance movement on a monthly basis and reports to the risk management committee regularly.

(G) Interest risk management for trading book

Risk management on the interest rate of trading book for the Bank is as follows:

a. Interest risk definition

Interest risk occurs when there is an adverse movement of interest rate resulting in change in fair value of trading book position held.

b. Management objective

The management objective of interest risk lies in effective identification, evaluation, controlling and monitoring of interest rate to enhance managing mechanism of market risk.

c. Management policy and procedure

In principle, annual risk limits are controlled based on investment portfolio of trading book with interest rate revised annually.

d. Evaluation method

Evaluation is calculated based on the risk-sensitive index verified by system calculation. In addition, stress testing is performed based on +/-100bp annual interest rate movement and reported to the risk management committee regularly.

(H) Risk management for banking book interest

Interest risk is the risk that a bank suffers from an adverse movement of interest rate or financial condition of the Bank. Interest movement might change the Bank's net interest revenue and other interest-sensitive incomes which further affects the Bank’s earnings. Meanwhile, interest movement could also affect positions in and off the Bank’s balance sheet.

The banking book risk management of the Bank is as follows:

a. Strategy

The objective of interest rate management is to improve banks’ adaptability so that the earnings and economic value in the balance sheet can be assessed and managed through avoiding the impact from interest rate movement.

b. Policy and procedure of risk management

According to “Management policy of asset and liability” and “Management guideline for liquidity and interest risk” of the Bank, risk management division is the monitoring unit that is responsible for interest risk index, analysis and monitoring interest-sensitive position, and regular reporting the monitoring result of interest risk to the asset and liability management committee, risk management committee and Board of Directors.

If various interest risk indexes and stress testing results fall in the warning threshold, risk management division should issue warning notice to the asset and liability management committee. However, if interest risk index exceed the planned threshold, it should be reported to the asset and liability management committee for discussing the responding measures, which is followed by relevant business unit and reported to the Board of Directors.

c. Evaluation method

The interest rate risk of the Bank is mainly the repricing gap risk resulting from the difference between maturities and repricing date of banking book assets and liabilities and off balance sheet accounts. In order to stabilize long-term profit and business development at the same time, Risk Management Division sets up various monitoring indicators for interest rate of most common period and executes stress testing, and tests the effects on net interest revenue and net fair economic value within one year when the market interest rate moves by +/-200 bps, that is Interest Rate Shock from the perspective of earnings and economic value. Every interest rate risk indicator and stress testing result should be reported to management for review.

(I) Risk management for foreign exchange

a. Definition of foreign exchange risk

Foreign exchange risk occurs when the net foreign position held fluctuates with the currency exchange rate giving rise to an exchange gain or loss. The foreigner exchange risks of financial instruments held by the Bank and its subsidiaries mainly include foreign investment position, spot exchange and forward contract, FX option and other derivative or non-derivative instruments. Major currencies involving foreign exchange risks include: USD, EUR, JPY, HKD, AUD, CAD, RMB, etc.

b. Objective

The objective of foreign exchange lies in effective identification, evaluation, controlling and monitoring foreign exchange risk of the Bank and enhancement of management mechanism for market risk.

c. Management policy and procedure

Management policy for market risk is adjusted based on the annual risk limit revised by foreign exchange trading investment portfolio annually.

d. Evaluation method

Through risk sensitive indicators calculated by the validated system as a benchmark, the Bank regularly carries out testing and reports the results to the risk management committee given that the major currency movement is provided at +/-3% and other currency movement at +/-5%.

(J) Risk management for equity securities

a. Definition of equity securities risk

The market risk of the equity securities held by the Bank includes the individual risk resulting from market price movement of each equity securities and general market risk resulting from overall market price movement.

b. Risk management objective

The objective for equity risk management lies in effective identification, evaluation, risk controlling and monitoring for the equity securities of the Bank and its subsidiaries and enhancement of managing mechanism for market risk.

c. Management policy

Management policy for market risk is adjusted based on the annual risk limit revised by stock trading investment portfolio annually.

d. Evaluation method

The Bank executes stress testing on +/-15% weighted average index of Taiwan stock movement on a monthly basis and reports to the risk management committee regularly.

(K) Market risk assessment techniques
Vale at Risk (VaR)

The VaR model is utilised to measure the maximum potential loss, caused by changes in market risk factors, for investment portfolios under a specific time frame and confidence level. For transaction positions, the Bank utilise the VaR model as an instrument to control market risk. Currently, the Bank's standard of measuring market risk is electing the historical simulation method to estimate VaR and setting the maximum potential loss under a 99% confidence interval. The VaR of the Bank continually undertakes backtesting in order to assess the accuracy of the model. The Board of Directors of the Bank resets the limit for the VaR every year, which is controlled daily by the Bank's risk management department.

Expressed in Thousands of New Taiwan Dollars

	December 31, 2020		
	Average	Maximum	Minimum
Foreign exchange VaR	45,744	89,732	16,527
Interest VaR	22,990	33,564	9,129
Equity securities VaR	8,855	28,248	993
Total VaR	77,589	151,544	26,649

Expressed in Thousands of New Taiwan Dollars

	December 31, 2019		
	Average	Maximum	Minimum
Foreign exchange VaR	29,261	44,514	6,401
Interest VaR	20,416	31,173	14,079
Equity securities VaR	11,549	38,474	2,000
Total VaR	61,226	114,161	22,480

(L) Foreign exchange risk gap

As of December 31, 2020 and 2019, the following table summarizes financial instruments of foreign denominated assets and liabilities by currency of which the foreign exchange exposure is presented by the carrying amount:

Expressed In Thousands of New Taiwan Dollars

	December 31, 2020	
	USD	RMB
Foreign dominated financial assets		
Cash and cash equivalents	$ 12,367,415	$ 4,596,077
Due from the central bank and call loans to other banks	69,563,724	10,853,592
Financial assets at fair value through profit or loss	37,563,979	4,751,081
Financial assets at fair value through other comprehensive income	68,916,477	9,936,636
Discounts and loans	239,627,076	16,950,071
Receivables	24,958,424	1,330,732
Investments in debt instruments at amortised cost	29,467,374	20,159,894
Other financial assets	469	2,162,500
Subtotal- foreign dominated financial assets	$ 482,464,938	$ 70,740,583
Foreign dominated financial liabilities		
Due to central bank and others	$ 154,811,782	$ 5,894,975
Deposits and remittances	576,513,576	52,766,782
Financial liabilities at fair value through profit or loss	761,402	9
Other financial liabilities	24,758,189	704,889
Payables	44,910,373	725,713
Subtotal- foreign dominated financial liabilities	$ 801,755,322	$ 60,092,368

Expressed In Thousands of New Taiwan Dollars

	December 31, 2019	
	USD	RMB
Foreign dominated financial assets		
Cash and cash equivalents	$ 8,477,840	$ 4,517,246
Due from the central bank and call loans to other banks	87,198,807	33,440,001
Financial assets at fair value through profit or loss	39,716,524	918,570
Financial assets at fair value through other comprehensive income	82,706,044	12,641,508
Discounts and loans	255,345,728	17,989,721
Receivables	23,031,149	2,013,112
Investments in debt instruments at amortised cost	11,398,481	2,563,944
Other financial assets	11,411	3,006,500
Subtotal- foreign dominated financial assets	$ 507,885,984	$ 77,090,602
Foreign dominated financial liabilities		
Due to central bank and others	$ 181,701,685	$ 15,095,433
Deposits and remittances	492,117,892	54,571,376
Financial liabilities at fair value through profit or loss	25,316,884	23
Other financial liabilities	27,475,835	289,732
Payables	23,155,687	1,788,373
Subtotal- foreign dominated financial liabilities	$ 749,767,983	$ 71,744,937

Note: As of December 31, 2020 and 2019, the exchange rate of USD to NTD were 28.100 and 29.990, respectively. In addition, as of December 31, 2020 and 2019, the exchange rate of RMB to NTD were 4.325 and 4.295, respectively.

(M) Sensitivity analysis

a. Interest rate risk

If the market yield curve shifts upwards or downwards by 20 bps, it could affect the assessed fair value and interest income. Items being assessed include all assets of the trading book position and banking book position, of which the interest income of banking book assets that could be affected is one year.

The Bank and its subsidiaries assume that yield curve is the only variable when all the other interest curves remain constant and sums up the gain and loss resulting from changes in each yield curve. According to the above estimated net interest revenue and assessed gain and loss on fair value, sensitivity analysis is as follows:

b. Foreign exchange risk

Assuming that all the other variables remain constant, for the year ended December 31, 2020, if NTD to USD depreciates/appreciates by 3%; EUR depreciates/appreciates by 3%; RMB and other currencies depreciates/appreciates by 4%; and for the year ended December 31, 2019, if NTD to USD depreciates/appreciates by 3%; AUD depreciates/appreciates by 3%; RMB and other currencies depreciates/appreciates by 4%; then the gain or loss sensitivity analysis for the Bank holding the above foreign exchange net positions is as the table below.

c. Equity securities risk

Assuming that all the other variables remain constant, if equity prices rise/fall by 5% (the average rate of rises or falls in the Taiwan Stock Exchange Market Index in the most recent three years); then fair value valuation gains or losses of investment positions in listed and over-the-counter stocks in the trading book held by the Bank are as the table below.

d. Sensitivity analysis is summarized as follows:

December 31, 2020 (Expressed In Thousands of New Taiwan Dollars)

Main risk	Movements	Effect on gain or loss	Effect on equity
Foreign exchange risk	NTD to USD depreciate by 3%, NTD to EUR depreciate by 3%, NTD to RMB and other currencies depreciate by 4%.(Note 1)	101,944	-
Foreign exchange risk	NTD to USD appreciate by 3%, NTD to EUR appreciate by 3%, NTD to RMB and other currencies appreciate by 4%.(Note 2)	(101,944)	-
Interest rate risk	Main interest rate curve increases by 20 bps	(563,606)	(2,698,140)
Interest rate risk	Main interest rate curve decreases by 20 bps	543,021	2,812,386
Equity securities risk	Weighted average index of Taiwan Stock Exchange Market rises by 5%.	6,345	665,138
Equity securities risk	Weighted average index of Taiwan Stock Exchange Market falls by 5%.	(6,345)	(665,138)

December 31, 2019 (Expressed In Thousands of New Taiwan Dollars)

Main risk	Movements	Effect on gain or loss	Effect on equity
Foreign exchange risk	NTD to USD depreciate by 3%, NTD to AUD depreciate by 3%, NTD to RMB and other currencies depreciate by 4%.(Note 3)	79,372	-
Foreign exchange risk	NTD to USD appreciate by 3%, NTD to AUD appreciate by 3%, NTD to RMB and other currencies appreciate by 4%.(Note 4)	(79,372)	-
Interest rate risk	Main interest rate curve increases by 20 bps	(404,022)	(2,336,518)
Interest rate risk	Main interest rate curve decreases by 20 bps	322,299	2,393,563
Equity securities risk	Weighted average index of Taiwan Stock Exchange Market rises by 5%.	12,716	342,584
Equity securities risk	Weighted average index of Taiwan Stock Exchange Market falls by 5%.	(12,716)	(342,584)

Note 1: NTD to USD depreciate by 3%, NTD to EUR depreciate by 3%, NTD to RMB and other currencies respectively depreciate by 4%, the effects on profit (loss) will be ($519), ($1,147), ($44,441) and $148,051, respectively.

Note 2: NTD to USD appreciate by 3%, NTD to EUR appreciate by 3%, NTD to RMB and other currencies respectively appreciate by 4%, the effects on profit (loss) will be $519, $1,147, $44,441 and ($148,051), respectively.

Note 3: NTD to USD depreciate by 3%, NTD to AUD depreciate by 3%, NTD to RMB and other currencies respectively depreciate by 4%, the effects on profit (loss) will be $83,834, $8,670, ($139,125) and $125,993, respectively.

Note 4: NTD to USD appreciate by 3%, NTD to AUD appreciate by 3%, NTD to RMB and other currencies respectively appreciate by 4%, the effects on profit (loss) will be ($83,834), ($8,670), $139,125 and ($125,993), respectively.

(N) Disclosure made in accordance with Regulations Governing the Preparation of Financial Reports by Public Banks

Sensitivity analysis of interest rate for assets and liabilities (NTD)
December 31, 2020
(Expressed In Thousands of New Taiwan Dollars, %)

Item	1~90 days	91~180 days	181 days~1 year	Over 1 year	Total
Interest-rate-sensitive assets	2,033,324,503	50,463,799	171,816,848	237,890,478	2,493,495,628
Interest-rate-sensitive liabilities	422,240,707	1,416,712,211	173,747,909	48,443,198	2,061,144,025
Interest-rate-sensitive gap	1,611,083,796	(1,366,248,412)	(1,931,061)	189,447,280	432,351,603
Net					219,312,681
Ratio of interest-rate-sensitive assets to interest-rate-sensitive liabilities (%)					120.98%
Ratio of interest-rate-sensitive gap to stockholders' equity (%)					197.14%

Sensitivity analysis of interest rate for assets and liabilities (NTD)
December 31, 2019
(Expressed In Thousands of New Taiwan Dollars, %)

Item	1~90 days	91~180 days	181 days~1 year	Over 1 year	Total
Interest-rate-sensitive assets	1,741,688,801	35,801,437	184,331,301	202,385,964	2,164,207,503
Interest-rate-sensitive liabilities	377,571,006	1,214,204,182	165,506,261	37,436,561	1,794,718,010
Interest-rate-sensitive gap	1,364,117,795	(1,178,402,745)	18,825,040	164,949,403	369,489,493
Net					218,924,286
Ratio of interest-rate-sensitive assets to interest-rate-sensitive liabilities (%)					120.59%
Ratio of interest-rate-sensitive gap to stockholders' equity (%)					168.78%

Note: The amounts listed above represent the items denominated in NTD for the Bank, excluding contingent assets and contingent liabilities.

Sensitivity analysis of interest rate for assets and liabilities (USD)
December 31, 2020
(Expressed In Thousands of USD, %)

Item	1~90 days	91~180 days	181 days~1 year	Over 1 year	Total
Interest-rate-sensitive assets	30,482,316	5,462,129	6,606,043	1,777,174	44,327,662
Interest-rate-sensitive liabilities	22,926,802	14,405,259	4,847,944	641	42,180,646
Interest-rate-sensitive gap	7,555,514	(8,943,130)	1,758,099	1,776,533	2,147,016
Net					7,804,722
Ratio of interest-rate-sensitive assets to interest-rate-sensitive liabilities (%)					105.09%
Ratio of interest-rate-sensitive gap to stockholders' equity (%)					27.51%

Sensitivity analysis of interest rate for assets and liabilities (USD)
December 31, 2019

(Expressed In Thousands of USD, %)

Item	1~90 days	91~180 days	181 days~1 year	Over 1 year	Total
Interest-rate-sensitive assets	24,356,180	5,379,076	1,688,113	1,070,974	32,494,343
Interest-rate-sensitive liabilities	20,543,734	8,472,206	2,256,106	32,851	31,304,897
Interest-rate-sensitive gap	3,812,446	(3,093,130)	(567,993)	1,038,123	1,189,446
Net					7,299,910
Ratio of interest-rate-sensitive assets to interest-rate-sensitive liabilities (%)					103.80%
Ratio of interest-rate-sensitive gap to stockholders' equity (%)					16.29%

Explanation: The amounts listed above represent the items denominated in USD for the Bank, excluding contingent assets and contingent liabilities.

Note：

A. Interest-rate-sensitive assets and liabilities are those interest earned assets and interest bearing liabilities, revenues and costs which are sensitive to changes in interest rates.

B. Ratio of interest-rate-sensitive assets to interest-rate-sensitive liabilities =Interest-rate-sensitive assets / interest-rate-sensitive liabilities.

C. Interest-rate-sensitive gap = Interest-rate-sensitive assets － interest-rate-sensitive liabilities.

F. Transfer of financial assets

Transferred financial assets that are not derecognised in their entirety.

During the Bank's and its subsidiaries' activities, the transferred financial assets that do not meet derecognition conditions are mainly debt instruments with purchase agreements. The cash flow of the contract has been transferred and related liabilities of transferred financial assets that will be repurchased at a fixed price in the future have been reflected. The Bank and its subsidiaries may not use, sell or pledge the transferred financial assets during the valid period of the transaction. The financial assets were not derecognised as the Bank and its subsidiaries are still exposed to interest rate risk and credit risk.

December 31, 2020 Expressed in Thousands of New Taiwan Dollars

Category of financial asset	Carrying amount of transferred financial assets	Carrying amount of related financial liabilities
Financial assets at fair value through profit or loss		
Repurchase agreement	$ 281,000	$ 283,338
Financial assets at fair value through other comprehensive income		
Repurchase agreement	17,775,926	16,988,605
Debt instruments at amortised cost		
Repurchase agreement	7,682,400	7,831,756

December 31, 2019 Expressed in Thousands of New Taiwan Dollars

Category of financial asset	Carrying amount of transferred financial assets	Carrying amount of related financial liabilities
Financial assets at fair value through profit or loss		
Repurchase agreement	$ 299,900	$ 306,030
Financial assets at fair value through other comprehensive income		
Repurchase agreement	13,580,822	13,176,169
Debt instruments at amortised cost		
Repurchase agreement	2,352,116	2,329,054

G. Offsetting financial assets and financial liabilities

The Bank and its subsidiaries have financial instruments that meet the offsetting criteria in paragraph 42 of IAS 32, the gross financial liability is set off against the gross financial asset, resulting in the presentation of a net amount presented in the balance sheet.

The Bank and its subsidiaries have transactions that do not meet the offsetting criteria but follow the net settled master netting arrangements or other similar arrangements, i.e. global master repurchase agreement, global securities lending agreement or similar agreement with repurchase agreements or reverse repurchase agreement. The above transactions are settled on a net basis after offsetting financial assets with financial liabilities if both parties of the transaction choose to use net settlement; the above transactions are settled on a gross basis if both parties do not choose to use net settlement. However, if one party breaches the contract, the counterparty can choose to use net settlement.

The offsetting of financial assets and financial liabilities are set as below:

December 31, 2020 | Expressed in Thousands of New Taiwan Dollars

Financial assets that are offset, or can be settled under agreements of net settled master netting arrangements or similar arrangements						
Description	Gross amounts of recognised financial assets (a)	Gross amounts of recognised financial liabilities set off in the balance sheet (b)	Net amounts of financial assets presented in the balance sheet (c)=(a)-(b)	Not set off in the balance sheet (d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash collateral received	
Derivative financial instruments	$ 10,781,618	$ -	$ 10,781,618	$ 6,404,015	$ 1,598,628	$ 2,778,975
Total	$ 10,781,618	$ -	$ 10,781,618	$ 6,404,015	$ 1,598,628	$ 2,778,975

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

Financial liabilities that are offset, or can be settled under agreements of net settled master netting arrangements or similar arrangements						
Description	Gross amounts of recognised financial assets (a)	Gross amounts of recognised financial liabilities set off in the balance sheet (b)	Net amounts of financial assets presented in the balance sheet (c)=(a)-(b)	Not set off in the balance sheet (d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash collateral received	
Derivative financial instruments	$ 20,975,490	$ -	$ 20,975,490	$ 6,404,015	$ 3,886,085	$ 10,685,390
Repurchase arrangements	25,103,699	-	25,103,699	25,103,699	-	-
Total	$ 46,079,189	$ -	$ 46,079,189	$ 31,507,714	$ 3,886,085	$ 10,685,390

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

December 31, 2019 Expressed in Thousands of New Taiwan Dollars

Financial assets that are offset, or can be settled under agreements of net settled master netting arrangements or similar arrangements						
Description	Gross amounts of recognised financial assets (a)	Gross amounts of recognised financial liabilities set off in the balance sheet (b)	Net amounts of financial assets presented in the balance sheet (c)=(a)-(b)	Not set off in the balance sheet (d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash collateral received	
Derivative financial instruments	$ 4,736,222	$ -	$ 4,736,222	$ 1,854,418	$ 1,909,384	$ 972,420
Resell arrangements	500,000	-	500,000	-	500,000	-
Total	$ 5,236,222	$ -	$ 5,236,222	$ 1,854,418	$ 2,409,384	$ 972,420

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

Financial liabilities that are offset, or can be settled under agreements of net settled master netting arrangements or similar arrangements						
Description	Gross amounts of recognised financial assets (a)	Gross amounts of recognised financial liabilities set off in the balance sheet (b)	Net amounts of financial assets presented in the balance sheet (c)=(a)-(b)	Not set off in the balance sheet (d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash collateral received	
Derivative financial instruments	$ 9,497,193	$ -	$ 9,497,193	$ 1,854,418	$ 1,853,843	$ 5,788,932
Repurchase arrangements	15,811,253	-	15,811,253	15,811,253	-	-
Total	$ 25,308,446	$ -	$ 25,308,446	$ 17,665,671	$ 1,853,843	$ 5,788,932

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

(3)Capital management

In addition, in order to establish evaluation process for capital adequacy and maintain proper self-owned capital structure, also to develop business and control risk on both sides for better improvement of capital utilization, the Bank has established capital management policies to implement the strategies of senior management and the related information shall be disclosed or reported accordingly.

The management objectives and procedures for capital management of the Bank are as follows:

A. Objective of capital management

(A) To comply with statutory minimum requirement of eligible capital, and statutory minimum self-owned capital and risk assets ratio as shown in "Regulations Governing the Capital Adequacy and Capital Category of Banks" of competent authority.

(B) To attain capital requirement for the business plan, to have sufficient capital for acceptance of various risks including credit risk, market risk, and operating risk, and to manage risk through capital allocation to realize risk-adjusted performance management and optimal capital allocation.

(C) To have sufficient capital and provisions in response to possible losses in stress scenario while performing regular stress testing in accordance with relevant regulations by competent authority.

B. Capital management procedures

The Board of Directors of the Bank is the highest authority of the Bank. The general manager supervises all units of the head office to ensure the implementation of the Board of Directors' capital strategy. The responsible segments of significant banking effectively identify, evaluate, monitor and control credit risk, market risk, and operating risk, banking book interest rate risk, liquidity risk, legal and compliance risk, and disclose relevant information according to the requirements of the competent authorities with an attempt to reflect evaluation and management situation on the capital required. The Bank also sets up separately a team for capital planning and holds a meeting to ensure the implementation of the Board's capital strategies every month in respect of capital adequacy managing objectives, fund gap, responding measures that could impose an effect on risk assets or qualifying self-owned capital and so on.

Major procedures of evaluation on capital included:

(A) Before the start of each fiscal year, the Bank follows the business plan to set up capital adequacy ratio target in compliance with relevant regulations. The target will be implemented upon approval of the Board of Directors.

(B) To assess capital requirements for various key risks according to the capital adequacy ratio target on a monthly basis.

(C) To perform regular stress testing in order to assess whether current capital and provisions that have been made are sufficient to cope with possible losses in stress scenario.

(D) Besides, to estimate impact on self-owned capital, risk-weighted assets, and capital adequacy ratio target based on significant capital utilization, changes in market and business, and plans such as capital increase/reduction or bonds issuance in order to take countermeasures timely.

C. Capital adequacy ratio

Combined capital adequacy ratio

Expressed in Thousands of New Taiwan Dollars

Items			December 31, 2020	December 31, 2019
Self-owned capital	Tier 1 Capital of common equity		$ 198,364,756	$ 187,265,580
	Other Tier 1 Capital		22,000,000	10,386,082
	Tier 2 Capital		40,934,130	37,247,742
	Self-owned capital		261,298,886	234,899,404
Total risk - weighted assets	Credit risk	Standardized Approach	1,760,868,548	1,652,426,389
		Internal Ratings Based Approach	-	-
		Asset securitization	1,384,981	1,700,591
	Operation risk	Basic Indicator Approach	-	-
		Standardized Approach/Alternative Standardized Approach	86,290,940	84,898,123
		Advanced Measurement Approaches	-	-
	Market risk	Standardized Approach	33,433,459	29,802,885
		Internal Models Approach	-	-
	Total risk-weighted assets		1,881,977,928	1,768,827,988
Capital adequacy ratio			13.88%	13.28%
Total risk assets based Tier 1 Capital of Common equity, net Ratio			10.54%	10.59%
Total risk assets based Tier 1 Capital, net Ratio			11.71%	11.17%
Leverage ratio			6.01%	5.98%

Note 1: The self-owned capital, risk-weighted assets and exposures amount in the table above should be filled in accordance with “Regulations Governing the Capital Adequacy and Capital Category of Banks” and “the method for calculating Bank’s regulatory capital and risk weighted assets”.

Note 2: The relevant formulas are as follows:

(1) Self-owned capital = Tier 1 Capital of Common equity + Other Tier 1 Capital + Tier 2 Capital
(2) Total risk-weighted assets = credit risk-weighted assets + (operation risk + market risk) * 12.5
(3) Capital adequacy ratio = Self-owned capital / Total risk-weighted assets
(4) Total risk assets based Tier 1 Capital of Common equity Ratio＝ Tier 1 Capital of Common equity / Total risk-weighted assets
(5) Total risk assets based Tier 1 Capital Ratio＝(Tier 1 Capital of Common equity + Other Tier 1 Capital) / Total risk-weighted assets
(6) Leverage ratio = Tier 1 capital/ exposures amount

(4) Profitability

Units：%

Items		For the years ended December 31,	
		2020	2019
Return on total assets (%)	Before tax	0.56	0.76
	After tax	0.48	0.64
Return on stockholders' equity (%)	Before tax	8.43	10.76
	After tax	7.16	8.97
Net profit margin ratio (%)		35.04	39.69

Note 1: Return on total assets = Income before (after) income tax/average total assets.
Note 2: Return on stockholders' equity = Income before (after) income tax / average stockholders' equity.
Note 3: Net profit margin ratio = Income after income tax / net revenue.
Note 4: The term "Income before (after) income tax" represents net income from January 1 to the balance sheet date of the reporting period.

(5) Content and amount of investment trust business in accordance with Trust Enterprise Act

Expressed in Thousands of New Taiwan Dollars

Balance Sheet of Trust Accounts

Trust assets	December 31, 2020	December 31, 2019
Bank deposits	$ 28,208,472	$ 15,377,401
Bonds	3,732,682	3,394,203
Stocks	92,387,453	92,238,796
Mutual funds	204,664,519	214,685,542
Accounts receivable	-	117
Structured notes	3,398,430	3,184,596
Real estate(Net)		
Land	23,282,096	17,633,633
Buildings and structures	15,291	15,291
Construction in progress	4,620,745	5,578,122
Customers' securities under custody	496,590,709	475,345,190
Total	$ 856,900,397	$ 827,452,891
Trust liabilities		
Payables-customers securities under custody	$ 496,590,709	$ 475,345,190
Payables	184	128
Trust capital	359,988,214	351,838,484
Various reserves and accumulated profit or loss		
Net income	6,674,245	6,280,173
Accumulated profit or loss	264,284	260,257
Deferred transferred amount	(6,617,239)	(6,271,341)
Total	$ 856,900,397	$ 827,452,891

As of December 31, 2020 and 2019, the Offshore Banking Unit had book balance of $3,830,790 and $3,249,705 for designated money trust funds investing in foreign securities; the Offshore Banking Unit had book balance of $669,345 and $707,585 for designated money trust funds investing in local securities, respectively.

Expressed in Thousands of New Taiwan Dollars

Property List of Trust Accounts

Investment items	December 31, 2020	December 31, 2019
Bank deposits	$ 28,208,472	$ 15,377,401
Bonds	3,732,682	3,394,203
Stocks	92,387,453	92,238,796
Mutual funds	204,664,519	214,685,542
Accounts receivable	-	117
Structured notes	3,398,430	3,184,596
Real estate(Net)		
Land	23,282,096	17,633,633
Buildings and structures	15,291	15,291
Construction in progress	4,620,745	5,578,122
Customers' securities under custody	496,590,709	475,345,190
Total	$ 856,900,397	$ 827,452,891

Expressed in Thousands of New Taiwan Dollars

Income Statement of Trust Accounts

	For the years ended December 31,	
Trust revenues	2020	2019
Interest income	$ 6,445,896	$ 6,992,046
Dividend income	28,709	15,461
Realized gain on bonds	1,123	3,138
Realized gain on stocks	1,030	8,294
Realized gain on mutual funds	5,804,838	2,611,587
Other income	-	27
Total trust revenues	12,281,596	9,630,553
Trust expenses		
Management fee	(1,927)	(1,215)
Other expense	(279)	(835)
Service fee	(3,642)	(998)
Realized loss on bonds	-	(4,695)
Realized loss on stocks	(941)	(1,179)
Realized loss on mutual funds	(5,600,545)	(3,341,355)
Loss on translation	-	(103)
Total trust expenses	(5,607,334)	(3,350,380)
Profit before tax	6,674,262	6,280,173
Income tax expense	(17)	-
Profit	$ 6,674,245	$ 6,280,173

(6) Information with respect to the transferring of financial assets and extinguishing of liabilities:

Please refer to Note 12(2) F for the transfer of financial assets.

(7) Adjustment of key organization and significant change in regulatory system:

None.

(8) Significant impact arising from changes in government laws and regulations:

None.

(9) Information with respect to the subsidiary holding the capital stock of parent company:

None.

(10) Information for private placement securities:

None.

(11) Information for discontinued operations:

None.

(12) Major operating assets or liabilities transferred from (or to) other financial institutions:

None.

(13) Information of the Bank's and its subsidiaries' engagement in co-marketing:

The Bank has entered into co-marketing contracts with First-Aviva Life Insurance Co., Ltd., First Securities Inc., First Venture Capital Co., Ltd., First Financial Management Consulting Co., Ltd., First Financial Asset Management Co., Ltd., and FCB Leasing Co., Ltd. The contracts are effective from the respective contract dates but are not allowed to be terminated except with the written consent of FFHC. The contracts cover joint usage of operation sites and facilities as well as the arrangement of personnel for co-marketing affairs. Expenses arising from joint usage of operation sites or facilities are allocated in accordance with separate agreements of the contracting parties. Remuneration apportionment and expenses allocation for co-marketing personnel follow the provisions under the "First Financial Group Integrated Co-marketing Scope and Remuneration Rules".

The Bank has entered into cooperative contracts with First Financial Holding Co., Ltd., First-Aviva Life Insurance Co., Ltd., and First Financial Asset Management Co., Ltd. for the joint usage of information equipment and the planning, development, implementation, operation, maintenance and management of information systems. Calculation methodologies for remuneration apportionment and expenses allocation have also been established.

13.Supplementary disclosures

(1) Significant transaction information

A. Cumulative purchases or sales of the same investee's capital stock over the amount of NT $300 million dollars or 10% of issued capital stock as of December 31, 2020:

None.

B. Acquisition of real estate over the amount of NT $300 million dollars or 10% of issued capital stock as of December 31, 2020:

None.

C. Disposal of real estate over the amount of NT $300 million dollars or 10% of issued capital stock as of December 31, 2020:

None.

D. Handling fee discounts for transactions with related parties over the amount of NT $5 million dollars as of December 31, 2020:

None.

E. Receivables from related parties over the amount of NT $300 million dollars or 10% of issued capital stock as of December 31, 2020:

The company listed current income tax assets	Counterparty	Relationship	Accounts receivable from related party as of December 31, 2020	Turnover rate	Amount overdue		Accounts receivable from related party	Amount of allowance
					Amount	Action taken		
First Commercial Bank	First Financial Holding Co., Ltd.	Parent company of the Bank	$ 741,710	-	$ -	-	$ -	$ -

F. Information regarding non-performing loans of subsidiaries:

None.

G. Information and categories of securitized assets which are approved by authority pursuant to Financial Asset Securitization Act or the Real Estate Securitization Act :

None.

H. Significant transactions between parent company and subsidiaries for the year ended December 31, 2020:

(Expressed In Thousands of New Taiwan Dollars)

No. (Note 1)	Company	Counterparty	Relationship (Note 2)	Details of transactions			
				Account	Amount	Conditions	Percentage (%) of total consolidated net revenues or assets (Note 3)
0	FCB	First Commercial Bank (USA)	1	Nostro account	$ 66,010	No significant difference from general customers	0.00%
0	FCB	First Commercial Bank (USA)	1	Vostro account	221	No significant difference from general customers	0.00%
0	FCB	First Commercial Bank (USA)	1	Interest income	1	No significant difference from general customers	0.00%
1	First Commercial Bank (USA)	FCB	2	Nostro account	221	No significant difference from general customers	0.00%
1	First Commercial Bank (USA)	FCB	2	Vostro account	66,010	No significant difference from general customers	0.00%
1	First Commercial Bank (USA)	FCB	2	Interest expense	1	No significant difference from general customers	0.00%
0	FCB	FCBL	1	Receivables	8	No significant difference from general customers	0.00%
0	FCB	FCBL	1	Other assets	73,000	No significant difference from general customers	0.00%
0	FCB	FCBL	1	Deposits and remittances	370,313	No significant difference from general customers	0.01%
0	FCB	FCBL	1	Payables	1	No significant difference from general customers	0.00%
0	FCB	FCBL	1	Other liabilities	1	No significant difference from general customers	0.00%
0	FCB	FCBL	1	Lease liabilities	2,185	No significant difference from general customers	0.00%
0	FCB	FCBL	1	Right-of-use asset-net	2,030	No significant difference from general customers	0.00%

(Expressed In Thousands of New Taiwan Dollars)

No. (Note 1)	Company	Counterparty	Relationship (Note 2)	Details of transactions			
				Account	Amount	Conditions	Percentage (%) of total consolidated net revenues or assets (Note 3)
0	FCB	FCBL	1	Interest income	$ 125	No significant difference from general customers	0.00%
0	FCB	FCBL	1	Interest expense	97	No significant difference from general customers	0.00%
0	FCB	FCBL	1	Net service fee revenue	419	No significant difference from general customers	0.00%
0	FCB	FCBL	1	Net other revenue other than interest income	4,963	No significant difference from general customers	0.01%
0	FCB	FCBL	1	Depreciation and amortization expense	1,687	No significant difference from general customers	0.00%
2	FCBL	FCB	2	Cash and cash equivalents	370,313	No significant difference from general customers	0.01%
2	FCBL	FCB	2	Receivables	1	No significant difference from general customers	0.00%
2	FCBL	FCB	2	Other assets	1	No significant difference from general customers	0.00%
2	FCBL	FCB	2	Payables	8	No significant difference from general customers	0.00%
2	FCBL	FCB	2	Other liabilities	73,000	No significant difference from general customers	0.00%
2	FCBL	FCB	2	Interest income	52	No significant difference from general customers	0.00%
2	FCBL	FCB	2	Interest expense	125	No significant difference from general customers	0.00%
2	FCBL	FCB	2	Net service fee revenue	13	No significant difference from general customers	0.00%
2	FCBL	FCB	2	Net other revenue other than interest income	1,728	No significant difference from general customers	0.00%
2	FCBL	FCB	2	Other general and administrative expense	5,369	No significant difference from general customers	0.01%

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

(1)Parent company is ‘0’.

(2)The subsidiaries are numbered in order starting from ‘1’.

Note 2: Relationship between transaction company and counterparty is classified into the following two categories:

(1)Parent company to subsidiary.

(2)Subsidiary to parent company.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

I. Other significant transactions that may affect the decisions made by financial statement users as of December 31, 2020:

None.

(Blank below)

(2) Information on investees

A. Loans to others:

The Bank's subsidiary, First Commercial Bank (USA), engages in banking businesses regulated under The Banking Act of The Republic of China, belonging to financial industry. Thus, it is not applicable to this form; in addition, aside from those of the following table, other subsidiaries of the Bank have not provided loan to others.

(Expressed In Thousands Of New Taiwan Dollars)

Number	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31, 2020	Balance at December 31, 2020	Actual amount drawn down	Interest Rate (%)	Nature of Loan (Note)	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted
													Item	Value		
1	FCB Leasing Co. Ltd.	Chong Yu International Co., Ltd.	Other receivables-direct financing	N	$ 10,400	$ 5,600	$ 5,600	4.34~5.34	Short-term financing	$ -	Operation turnover	$ -	Real estate	$ 24,000	$ 1,215,713	$ 1,620,951
2	FCB Leasing Co. Ltd.	Billion Best Co. Ltd.	Other receivables-direct financing	N	35,720	31,878	31,878	4.16~5.16	Short-term financing	-	Operation turnover	-	Real estate	69,371	1,215,713	1,620,951
3	FCB Leasing Co. Ltd.	An Chien Technologies Co., Ltd.	Other receivables-direct financing	N	1,714	700	700	4.42~5.42	Short-term financing	-	Operation turnover	-	Real estate	3,600	1,215,713	1,620,951
4	FCB Leasing Co. Ltd.	Zhenyan Construction Co., Ltd.	Other receivables-direct financing	N	230,000	216,200	216,200	4.30~5.30	Short-term financing	-	Operation turnover	-	Real estate	287,676	1,215,713	1,620,951
5	FCB Leasing Co. Ltd.	Fengxin Development Co. Ltd.	Other receivables-direct financing	N	20,000	12,300	12,300	4.26~5.26	Short-term financing	-	Operation turnover	-	Stock	21,978	1,215,713	1,620,951
6	FCB Leasing Co. Ltd.	Wan Li Construction Co., Ltd.	Other receivables-direct financing	N	80,000	74,312	74,312	3.56~4.56	Short-term financing	-	Operation turnover	-	Real estate	60,899	1,215,713	1,620,951
7	FCB Leasing Co. Ltd.	Yuan Ge Pharmaceuticals Co., Ltd.	Other receivables-direct financing	N	5,000	3,931	3,931	6.00~7.00	Short-term financing	-	Operation turnover	-	Deposit	100	1,215,713	1,620,951
8	FCB Leasing Co. Ltd.	Soo Ing Fuite Co.	Other receivables-direct financing	N	10,000	6,214	6,214	4.10~5.10	Short-term financing	-	Operation turnover	-	Deposit	100	1,215,713	1,620,951
9	FCB Leasing Co. Ltd.	UNION OPTICAL & INSTRUMENTS LTD.	Other receivables-direct financing	N	8,000	6,036	6,036	4.26~5.26	Short-term financing	-	Operation turnover	-	Deposit	1,200	1,215,713	1,620,951
10	FCB Leasing Co. Ltd.	Herzu Development Co. Ltd.	Other receivables-direct financing	N	36,500	35,769	35,769	4.50~5.50	Short-term financing	-	Operation turnover	-	Real estate	36,500	1,215,713	1,620,951
11	FCB Leasing Co. Ltd.	DA CHENG LI Construction Co., Ltd.	Other receivables-direct financing	N	100,000	100,000	100,000	2.50~3.50	Short-term financing	-	Operation turnover	-	Real estate	328,629	1,215,713	1,620,951

(Expressed In Thousands Of New Taiwan Dollars)

Number	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31, 2020	Balance at December 31, 2020	Actual amount drawn down	Interest Rate	Nature of Loan (Note)	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted
													Item	Value		
12	FCB Leasing Co. Ltd.	KUEEN YANG ENTERPRISE CO., LTD.	Other receivables-direct financing	N	$ 99,415	$ 99,415	$ 99,415	4.00~5.00	Short-term financing	$ -	Operation turnover	$ -	None	$ -	$ 1,215,713	$ 1,620,951
13	FCB Leasing Co. Ltd.	Uni Wagon Marine Co., Ltd	Other receivables-direct financing	N	290,000	290,000	290,000	4.65~5.65	Short-term financing	-	Operation turnover	-	Vessel	360,000	1,215,713	1,620,951
14	FCB Leasing Co. Ltd.	HE FA FOOD GRAINS FIRM	Other receivables-direct financing	N	15,000	10,934	10,934	3.56~4.56	Short-term financing	-	Operation turnover	-	Real estate	5,638	1,215,713	1,620,951
15	FCB Leasing Co. Ltd.	VIE SHOW CINEMAS CO., LTD.	Other receivables-direct financing	N	100,000	100,000	100,000	2.50~3.50	Short-term financing	-	Operation turnover	-	None	-	1,215,713	1,620,951
16	FCB Leasing Co. Ltd.	Emerald Bay Biotechnology Co., Ltd.	Other receivables-direct financing	N	117,300	115,500	115,500	3.86~4.86	Short-term financing	-	Operation turnover	-	Real estate	34,619	1,215,713	1,620,951
17	FCB Leasing Co. Ltd.	Songyuan Co., Ltd.	Other receivables-direct financing	N	1,128	494	494	4.02~5.02	Short-term financing	-	Operation turnover	-	Real estate	5,347	1,215,713	1,620,951
18	FCB Leasing Co. Ltd.	Hongshunshin Marine Transport Co. Ltd.	Other receivables-direct financing	N	37,042	24,280	24,280	6.57~7.57	Short-term financing	-	Operation turnover	-	Vessel	$75,530	1,215,713	1,620,951
19	FCB Leasing Co. Ltd.	Xiang Hao Fishery Co., Ltd.	Other receivables-direct financing	N	70,000	30,000	30,000	3.48~4.48	Short-term financing	-	Operation turnover	-	Vessel	144,000	1,215,713	1,620,951
20	FCB Leasing Co. Ltd.	AI SHENG Medical Clinic	Other receivables-direct financing	N	7,375	6,763	6,763	5.24~6.24	Short-term financing	-	Operation turnover	-	Real estate	8,550	1,215,713	1,620,951
21	FCB Leasing Co. Ltd.	An Li Marine Transport Co., Ltd..	Other receivables-direct financing	N	8,154	4,881	4,881	3.75~4.75	Short-term financing	-	Operation turnover	-	Pledged stock	10,906	1,215,713	1,620,951
22	FCB Leasing Co. Ltd.	Thousands Trucking Ltd.	Other receivables-direct financing	N	15,196	5,199	5,199	5.28~6.28	Short-term financing	-	Operation turnover	-	Real estate and personal Property	5,863	1,215,713	1,620,951
23	FCB Leasing Co. Ltd.	Fengda Ltd.	Other receivables-direct financing	N	14,089	10,904	10,904	5.84~6.84	Short-term financing	-	Operation turnover	1,225	Real estate	18,000	1,215,713	1,620,951
24	FCB Leasing Co. Ltd.	Kuo Yang Environmental Technology Co., Ltd	Other receivables-direct financing	N	60,000	20,457	20,457	4.06~5.06	Short-term financing	-	Operation turnover	-	Deposit	9,000	1,215,713	1,620,951
25	FCB Leasing Co. Ltd.	JING SHENG Co., Ltd	Other receivables-direct financing	N	5,000	428	428	5.36~6.36	Short-term financing	-	Operation turnover	-	Real estate	5,012	1,215,713	1,620,951

(Expressed In Thousands Of New Taiwan Dollars)

Number	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31, 2020	Balance at December 31,2020	Actual amount drawn down	Interest Rate	Nature of Loan (Note)	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted
													Item	Value		
26	FCB Leasing Co. Ltd.	ZHU-CHENG Ltd	Other receivables-direct financing	N	$ 12,000	$ 10,399	$ 10,399	8.54~9.54	Short-term financing	$ -	Operation turnover	$ -	Deposit	$ 3,000	$ 1,215,713	$ 1,620,951
27	FCB Leasing Co. Ltd.	Zongsheng Industrial Co., Ltd.	Other receivables-direct financing	N	14,435	9,514	9,514	5.47~6.47	Short-term financing	-	Operation turnover	-	Real estate	25,910	1,215,713	1,620,951
28	FCB Leasing Co. Ltd.	OP-Future International Co., Ltd.	Other receivables-direct financing	N	4,436	904	904	3.74~4.74	Short-term financing	-	Operation turnover	-	Real estate	7,180	1,215,713	1,620,951
29	FCB Leasing Co. Ltd.	Power Home Co., Ltd.	Other receivables-direct financing	N	80,346	14,614	14,614	4.99~5.99	Short-term financing	-	Operation turnover	-	Real estate	67,000	1,215,713	1,620,951
30	FCB Leasing Co. Ltd.	Hae-wan International Co., Ltd.	Other receivables-direct financing	N	117,374	70,364	70,364	4.38~5.38	Short-term financing	-	Operation turnover	-	Real estate	90,045	1,215,713	1,620,951
31	FCB Leasing Co. Ltd.	Ji - Gi Shoe Co., Ltd.	Other receivables-direct financing	N	48,000	42,000	42,000	4.99~5.99	Short-term financing	-	Operation turnover	-	Real estate	77,190	1,215,713	1,620,951
32	FCB Leasing Co. Ltd.	Jutang Construction Co., Ltd.	Other receivables-direct financing	N	18,068	7,905	7,905	4.04~5.04	Short-term financing	-	Operation turnover	-	Real estate	31,111	1,215,713	1,620,951
33	FCB Leasing Co. Ltd.	LU-YUAN-JIA Construction Ltd.	Other receivables-direct financing	N	20,000	18,400	18,400	3.50~4.50	Short-term financing	-	Operation turnover	-	Real estate	24,000	1,215,713	1,620,951
34	FCB Leasing Co. Ltd.	YU-GUAN Construction Ltd.	Other receivables-direct financing	N	85,000	83,300	83,300	3.52~4.52	Short-term financing	-	Operation turnover	-	Real estate	120,000	1,215,713	1,620,951
35	FCB Leasing Co. Ltd.	DA-ZHUANG Construction Ltd	Other receivables-direct financing	N	50,000	49,000	49,000	3.21~4.21	Short-term financing	-	Operation turnover	-	Real estate	50,000	1,215,713	1,620,951
36	FCB Leasing Co. Ltd.	SHAN-DE-LI Construction Ltd	Other receivables-direct financing	N	20,000	19,600	19,600	5.29~6.29	Short-term financing	-	Operation turnover	-	Real estate	78,000	1,215,713	1,620,951
37	FCB Leasing Co. Ltd.	GUANG-XUAN Construction Development Ltd	Other receivables-direct financing	N	40,000	40,000	40,000	3.35~4.35	Short-term financing	-	Operation turnover	-	Real estate	46,509	1,215,713	1,620,951

Note: 1. The amount of loans granted to individual companies or firms due to business transactions shall not exceed 10% of the Bank's subsidiaries' net asset value of its latest financial statements. The total amount of loans granted due to business transactions shall not exceed 40% of the Bank's subsidiaries' net value of its latest financial statements.

2. The amount of necessary short-term facilitations to individual companies or firms which do not have business transactions with the Bank's subsidiaries shall not exceed 30% of the Bank's subsidiaries' net asset value of its latest financial statements. The amount of necessary short-term facilitations to individual companies or firms with business transactions with the Bank's subsidiaries shall not exceed 40% of the Bank's subsidiaries' net asset value of its latest financial statements. If the borrower of the loan is a subsidiary, the amount of loans shall not exceed 40% of the Bank's subsidiaries' net asset value of its latest financial statements.

3. The total amount of loans of the above two shall not exceed 40% of the Bank's subsidiaries' net asset value of its latest financial statements.

B. Endorsements and guarantees provided for others:

The Bank's subsidiary, First Commercial Bank (USA), engages in banking businesses regulated under The Banking Act of The Republic of China, belonging to financial industry. Thus, it is not applicable to this form; in addition, aside from those of the following table, other subsidiaries of the Bank have not provided endorsements and guarantees to others.

No.	Endorsing and guarantee company	Endorsed and guaranteed company		Limit for endorsement and guarantee for single enterprise	Maximum balance accumulated as of the month	Ending balance of endorsement and guarantee	Actually used amount	Property-backed endorsement and guarantee	The ratio of accumulated endorsement and guarantee amount and the net value of the latest financial statements	Maximum limit	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland China
		Name of company	Relationship										
1	FCB Leasing Co., Ltd.	FCBL Capital International (B.V.I) Ltd.	Subsidiary	$ 12,157,131	$ 4,305,440	$ 3,934,000	$ 969,450	None	97.08%	$ 40,523,770	N	N	N
2	FCB Leasing Co., Ltd.	FCB International Leasing Ltd.	Sub-Subsidiary	12,157,131	1,340,500	758,700	346,000	None	18.72%	40,523,770	N	N	Y
3	FCB Leasing Co., Ltd.	FCB Leasing (Xiamen) Ltd.	Sub-Subsidiary	12,157,131	302,200	281,000	-	None	6.93%	40,523,770	N	N	Y
4	FCB Leasing Co., Ltd.	FCB Leasing (Chengdu) Ltd.	Sub-Subsidiary	12,157,131	947,625	834,450	216,250	None	20.59%	40,523,770	N	N	Y

Note: Subsidiaries of the Bank, for business needs, may resolve through its Board of Directors to provided guarantees for external parties.

C. Securities held at the end of period:

The Bank's subsidiary, First Commercial Bank (USA), belongs to financial industry. Thus, it is not applicable to this form. Other subsidiaries of the Bank held securities at the end of the period are as follows:

(Expressed In Thousands of New Taiwan Dollars, Unless Otherwise Indicated)

Investor	Name Of Investee And Type Of Securities		Relationship	Account	Shares / Units (in thousands)	Carrying value	Ownership Percentage (%)	Market Value (Note 1)	Note
FCBL	FCBL Capital International (B.V.I) Ltd.	Stocks	An investee of FCBL under the equity method	Equity investments accounted for under the equity method	60,050	$ 1,970,312	100%	$ 1,970,312	Note 2
FCBL	First Financial Assets Management (B.V.I) Ltd.	Stocks	An investee of FCBL under the equity method	Equity investments accounted for under the equity method	30,000	616,875	100%	616,875	Note 2
FCBL Capital International (B.V.I) Ltd	FCB International Leasing Ltd.	Stocks	An investee of FCBL Capital International (B.V.I) Ltd under the equity method	Equity investments accounted for under the equity method	USD 30,000 thousands	663,979	100%	663,979	Note 2
FCBL Capital International (B.V.I) Ltd	FCB Leasing (Xiamen) Ltd.	Stocks	An investee of FCBL Capital International (B.V.I) Ltd under the equity method	Equity investments accounted for under the equity method	USD 30,000 thousands	941,195	100%	941,195	Note 2
First Financial Assets Management (B.V.I.) Ltd	FCB Leasing (Chengdu) Ltd.	Stocks	An investee of FCBL Capital International (B.V.I.) Ltd under the equity method	Equity investments accounted for under the equity method	USD 30,000 thousands	586,680	100%	586,680	Note 2

Note 1：No transactions in active market, no clear market price.

Note 2：Long-term investments in the above table remain free of pledge or guarantee.

D. Cumulative purchases or sales of the marketable securities up to NT$300 million or over 10% of the issued capital stock:

The Bank's subsidiary, First Commercial Bank (USA), belongs to financial industry. Thus, it is not applicable to this form. Other subsidiaries and indirect investment subsidiaries have no such situation.

E. Information of derivative instrument transactions:

None.

F. Information regarding reinvested business and consolidated stock holdings:

Name of investee company (Note1)	Address	Major operating activities	Percentage of ownership (%) at the end of current period	Carrying value of investment	Investment income (loss) recognized by the Company for current period	The combined ownership of the investee company's common shares held by the Bank and its related parties (Note 1): Number of owned shares (in thousands)	Number of pro forma shares (Note 2)	Total: Number of shares (in thousands)	Total: Percentage of ownership (%)
FIRST COMMERCIAL BANK(USA)	200 East Main Street, Alhambra, CA91801, USA	Note 3	100	$ 3,941,902	$ 192,161	7,000	-	7,000	100
FCBL	4F, No. 38, Yanping S. Rd., Taipei City 100001, Taiwan	Note 4	100	4,113,804	141,196	400,000	-	400,000	100
EAREM	9F, 94, ChungHsiaoE.Road., Sec.2, Taipei, Taiwan	Note 5	30	16,018	9,334	1,500	-	1,500	30
FCBL Capital International (B.V.I) Ltd.	Citco Building, Wickhams Cay, P. O. Box 662, Road Town, Tortola, British Virgin Islands	Note 4	100	1,970,312	-	60,050	-	60,050	100
FFAM (B.V.I) Ltd.	Portcullis TrustNET(BVI) Limited, Portcullis TrustNet Chambers, P.O. Box 3444, Road Town, Tortola British Virgin Islands	Note 4	100	616,875	-	30,000	-	30,000	100
FCB International Leasing Ltd.	Rm. 1008, Jianwu Building, No. 188, Wangdun Rd., Suzhou, China	Note 4	100	663,979	-	USD 30,000 thousands	-	USD 30,000 thousands	100
FCB Leasing (Xiamen) Ltd.	20-21F., Huli Building, Wuyuanwan Business Operations Center, Huli District, Xiamen City, China	Note 4	100	941,195	-	USD 30,000 thousands	-	USD 30,000 thousands	100
FCB Leasing (Chengdu) Ltd.	04~05F., 18F., No.7, Guang Hua St., Jin Jiang Dist., Chengdu City, Sihchuan, China	Note 4	100	586,680	-	USD 30,000 thousands	-	USD 30,000 thousands	100

Note 1:All the owned shares and pro forma shares of investee company held by the Bank, directors, supervisors, president, executive vice presidents, and its related parties defined under the R.O.C. Company Law shall be included.

Note 2:

(1) Pro forma shares are those shares obtained through a transfer, on the assumption of share transfer, from equity securities purchased or derivative instrument contracts have not yet signed linked to Investee Company's equity based on agreed transaction terms and undertaking intention, and for the purpose of investing in company under the provisions of Article 74 of the R.O.C. Company Law.

(2) The equity securities mentioned above are referred to as those securities under the provision of Article 11, Item 1 of the bylaws to the R.O.C. Securities and Exchange Law, for example, convertible bond and warrant.

(3) The derivative instrument contracts mentioned above are specified as those derivative instruments defined by the IFRS9, for example, stock option.

Note 3: Banking industry.

Note 4: Leasing, investment consulting, and business consulting.

Note 5: Examination and advisory on construction plans and certification of contracts.

(3) Information on investments in Mainland China

A. Information on the Bank's investment in Shanghai branch:

(Expressed In Thousands Of New Taiwan Dollars/ Thousands Of US Dollars/ Thousands Of CNY)

Investee Company	Major Businesses and Products	Total Amount of Paid-in Capital	Method of Investment (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2020	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2020	Profit of investee	Percentage of Ownership	Investment gains (losses) recognised by the Bank for the year ended December 31, 2020 (Note 2)
					Outflow	Inflow				
First Commercial Bank Shanghai Branch	Banking businesses approved by local government	$ 4,676,508 (CNY 1,000,000)	(1)	$ 4,676,508 (USD 157,440)	$ -	$ -	$ 4,676,508 (USD 157,440)	$ 133,323	N/A	$ 133,323 2(A)

Carrying value as of December 31, 2020	Accumulated Inward Remittance of Earnings as of December 31, 2020	Accumulated Investments in Mainland China as of December 31, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
$ 5,798,704	$ -	$ 4,676,508 (USD 157,440)	$ 4,676,508 (USD 157,440)	$ 131,587,609

B. Information on the Bank's investment in Chengdu branch:

(Expressed In Thousands Of New Taiwan Dollars/ Thousands Of US Dollars/ Thousands Of CNY)

Investee Company	Major Businesses and Products	Total Amount of Paid-in Capital	Method of Investment (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2020	Investment Flows: Outflow	Investment Flows: Inflow	Accumulated Outflow of Investment from Taiwan as of December 31, 2020	Profit of investee	Percentage of Ownership	Investment gains (losses) recognised by the Bank for the year ended December 31, 2020 (Note 2
First Commercial Bank Chengdu Branch	Banking businesses approved by local government	$ 4,896,697 (CNY 1,000,000)	(1)	$ 4,896,697 (USD 162,269)	$ -	$ -	$ 4,896,697 (USD 162,269)	$ 57,125	N/A	$ 57,125 2(A)

Carrying value as of December 31, 2020	Accumulated Inward Remittance of Earnings as of December 31, 2020	Accumulated Investments in Mainland China as of December 31, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
$ 5,277,312	$ -	$ 4,896,697 (USD 162,269)	$ 4,896,697 (USD 162,269)	$ 131,587,609

C. Information on the Bank's investment in Xiamen branch:

(Expressed In Thousands Of New Taiwan Dollars/ Thousands Of US Dollars/ Thousands Of CNY)

Investee Company	Major Businesses and Products	Total Amount of Paid-in Capital	Method of Investment (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2020	Investment Flows: Outflow	Investment Flows: Inflow	Accumulated Outflow of Investment from Taiwan as of December 31, 2020	Profit of investee	Percentage of Ownership	Investment gains (losses) recognised by the Bank for the year ended December 31, 2020 (Note 2
First Commercial Bank Xiamen branch	Banking businesses approved by local government	$ 5,132,801 (CNY 1,000,000)	(1)	$ 5,132,801 (USD 162,946)	$ -	$ -	$ 5,132,801 (USD 162,946)	$ 83,442	N/A	$ 83,442 2(A)

Carrying value as of December 31, 2020	Accumulated Inward Remittance of Earnings as of December 31, 2020	Accumulated Investments in Mainland China as of December 31, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
$ 5,168,131	$ -	$ 5,132,801 (USD 162,946)	$ 5,132,801 (USD 162,946)	$ 131,587,609

D. Information on the Bank's investment in FCB International Leasing Ltd. through the indirect subsidiary-FCBL Capital International (B.V.I.) Ltd.:

(Expressed In Thousands Of New Taiwan Dollars/ Thousands Of US Dollars)

Investee Company	Major Businesses and Products	Total Amount of Paid-in Capital	Method of Investment (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2020	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2020	Profit of investee	Percentage of Ownership	Investment gains (losses) recognised by the Bank for the year ended December 31, 2020 (Note 2
					Outflow	Inflow				
FCB International Leasing Ltd.	Financial Leasing	$ 886,103 (USD 30,000)	(2)	$ 886,103 (USD 30,000)	$ -	$ -	$ 886,103 (USD 30,000)	$ 9,365	100%	$ 9,365 2(A)

Carrying value as of December 31, 2020	Accumulated Inward Remittance of Earnings as of December 31, 2020	Accumulated Investments in Mainland China as of December 31, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
$ $663,979	$ -	$ 886,103 (USD 30,000)	$ 886,103 (USD 30,000)	$ 2,431,426

E. Information on the Bank's investment in FCB Leasing (Xiamen) Ltd. through the indirect subsidiary-FCBL Capital International (B.V.I) Ltd.:

(Expressed In Thousands Of New Taiwan Dollars/ Thousands Of US Dollars)

Investee Company	Major Businesses and Products	Total Amount of Paid-in Capital	Method of Investment (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2020	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2020	Profit of investee	Percentage of Ownership	Investment gains (losses) recognised by the Bank for the year ended December 31, 2020 (Note 2
					Outflow	Inflow				
FCB Leasing (Xiamen) Ltd	Financial Leasing	$ 903,495 (USD30,000)	(2)	$ 903,495 (USD30,000)	$ -	$ -	$ 903,495 (USD30,000)	$ 28,759	100%	$ 28,759 2(A)

Carrying value as of December 31, 2020	Accumulated Inward Remittance of Earnings as of December 31, 2020	Accumulated Investments in Mainland China as of December 31, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
$ 941,195	$ -	$ 903,495 (USD30,000)	$ 903,495 (USD30,000)	$ 2,431,426

F. Information on the Bank's investment in FCB Leasing (Chengdu) Ltd through the indirect subsidiary-FFAM (B.V.I.) Ltd.:

(Expressed In Thousands Of New Taiwan Dollars/ Thousands Of US Dollars)

Investee Company	Major Businesses and Products	Total Amount of Paid-in Capital	Method of Investment (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2020	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2020	Profit of investee	Percentage of Ownership	Investment gains (losses) recognised by the Bank for the year ended December 31, 2020 (Note 2)
					Outflow	Inflow				
FCB Leasing (Chengdu) Ltd	Financial Leasing	$ 908,634 (USD30,000)	(2)	$ 908,634 (USD30,000)	$ -	$ -	$ 908,634 (USD30,000)	$ 14,180	100%	$ 14,180 2(A)

Carrying value as of December 31, 2020	Accumulated Inward Remittance of Earnings as of December 31, 2020	Accumulated Investments in Mainland China as of December 31, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
$ 586,680	$ -	$ 908,634 (USD30,000)	$ 908,634 (USD30,000)	$ 2,431,426

Note 1: Investment methods are classified into the following three categories; fill in the number of category each case belongs to:

(1) Directly invest in a company in Mainland China.

(2) Through investing in an existing company in the third area (FCBL Capital International (B.V.I.) Ltd. and FFAM (B.V.I) Ltd.), which then invested in the investee in Mainland China.

(3) Others.

Note 2: In the 'Investment gains (losses) recognised by the Bank for the year ended December 31, 2020' column:

(1)It should be indicated if the investee was still in the incorporation arrangements and had not yet any profit during this period.

(2)Indicate the basis for investment income (loss) recognition in the number of one of the following three categories:

A.The financial statements that are audited and attested by international accounting firm which has cooperative relationship with accounting firm in R.O.C.(For interim and annual financial reports. For quarterly financial reports, they are financial statements that are reviewed by international accounting firm which has cooperative relationship with accounting firm in R.O.C.)

B.The financial statements that are audited and attested by R.O.C. parent company's CPA.(For interim and annual financial reports. For quarterly financial reports, they are financial statements that are reviewed by R.O.C. parent company's CPA.)

C.Others.

Note 3: The numbers in this table are expressed in New Taiwan Dollars.

(4) Major shareholders information

Not applicable.

14. Disclosure of financial information by segments

(1) General information

The Bank's and its subsidiaries' operation segment reports are consistent with the internal reports provided to the chief operating decision-maker ("CODM"). The CODM is a team that allocates resources to operating segments and evaluates their performance. The Bank's CODM is the Bank's Board of Directors.

Inter-segmental transactions are arm's length transactions, and gains or losses arising from such transactions are eliminated by the parent company upon the preparation of the consolidated financial statements. Gain or loss directly attributable to each segment has been considered when segment performance is being evaluated.

The operating segments of the Bank comprise of loan businesses, deposit businesses, wealth management businesses, treasury businesses, overseas business (excluding OBU), and other businesses. The operating results are reviewed by the Bank's Board of Directors (CODM) regularly and are referenced when allocating resources and evaluating operational performances.

The Bank and its subsidiaries have a global market, comprising six major business segments; there was no change in the reporting segments during the period.

The operating results of the Bank's operating segments are from interest income and the Bank's Board of Directors evaluates segment performance based on the net interest revenue. Therefore, performance of all reporting segments is presented by the net value of interest income less interest expense. Income from external clients provided for the CODM to review is measured on the same basis of the statement of comprehensive income.

Adjustments of internal pricing and transfer pricing are reflected in segment performance evaluation. Income from external clients has been allocated based on the regulated allocation standard between segments.

The internal management's operating reports are prepared based on net operating profit, including net interest revenue, net service fee revenue, recovered bad debts (provision), and loan impairment loss, net gain (loss) on financial instruments and other operating gain (loss). Measurement basis does not include non-recurring items, e.g. litigation expenses.

Segment information is mainly based on the internal management reports provided by each operating segment to the CODM, including segmental gains (losses), segmental assets, segmental liabilities and other related information.

(2)Information about segment gains (losses), assets and liabilities:

Financial information of the Bank and its subsidiaries by business for the years ended December 31, 2020 and 2019 were as follows:

	For the year ended December 31, 2020						
	Loan business	Deposit business	Wealth management business	Treasury business	Overseas business (excluding OBU)	Other businesses	Consolidated
Net interest revenue	$ 11,659,076	$ 4,603,943	$ -	$ 2,479,489	$ 6,572,205	$ 4,021,175	$ 29,335,888
Net service fee revenue	2,007,350	1,755	3,971,216	(45,958)	639,257	785,015	7,358,635
Net financial instruments income	28,487	436,887	43,708	6,959,965	(185,672)	694,977	7,978,352
Other net revenue	63	12,298	135	32,070	5,641	32,988	83,195
Bad debts expense, commitment and guarantee liability provision	(2,499,163)	-	-	-	(1,099,888)	(915,123)	(4,514,174)
Operating gross margin after provision	$ 11,195,813	$ 5,054,883	$ 4,015,059	$ 9,425,566	$ 5,931,543	$ 4,619,032	40,241,896
Operating expense							(21,769,507)
Net profit before tax after provision							$ 18,472,389

	For the year ended December 31, 2019						
	Loan business	Deposit business	Wealth management business	Treasury business	Overseas business (excluding OBU)	Other businesses	Consolidated
Net interest revenue	$ 17,441,449	$ 4,123,270	$ -	($ 2,964,219)	$ 7,237,237	$ 2,853,236	$ 28,690,973
Net service fee revenue	1,768,515	3,243	4,528,543	(35,933)	742,179	873,832	7,880,379
Net financial instruments income	32,250	462,636	39,786	9,594,556	148,897	856,772	11,134,897
Other net revenue	381	9,689	2,211	17,333	3,561	221,918	255,093
Bad debts expense, commitment and guarantee liability provision	(3,563,341)	-	-	-	(471,592)	174,336	(3,860,597)
Operating gross margin after provision	$ 15,679,254	$ 4,598,838	$ 4,570,540	$ 6,611,737	$ 7,660,282	$ 4,980,094	44,100,745
Operating expense							(21,252,568)
Net profit before tax after provision							$ 22,848,177

	December 31, 2020						
	Loan business	Deposit business	Treasury business	Overseas business (excluding OBU)	Other businesses	Reconciliation and elimination	Consolidated
Segment assets	$ 1,683,124,503	$ -	$ 1,356,075,959	$ 367,334,510	$ 221,865,607	($ 184,082,304)	$ 3,444,318,275
Segment liabilities	4,258,748	2,589,928,425	344,527,270	313,987,746	148,330,178	(176,026,773)	3,225,005,594

	December 31, 2019						
	Loan business	Deposit business	Treasury business	Overseas business (excluding OBU)	Other businesses	Reconciliation and elimination	Consolidated
Segment assets	$ 1,533,202,912	$ -	$ 1,207,233,880	$ 378,552,845	$ 188,255,687	($ 190,283,611)	$ 3,116,961,713
Segment liabilities	2,877,560	2,268,254,950	362,556,020	327,048,161	119,539,756	(182,239,020)	2,898,037,427

(3) Geographical information

The Bank and its subsidiaries' geographical information for the years ended December 31, 2020 and 2019 are as follows:

	For the year ended December 31, 2020	For the year ended December 31, 2019
Taiwan	$ 37,325,838	$ 39,321,116
Asia	4,661,151	5,544,377
North America	1,831,455	2,263,129
Others	937,626	832,720
Total	$ 44,756,070	$ 47,961,342

(4) Information on products

The Bank and its subsidiaries' information on products is consistent with their segment, please refer to Note 14(2).

(5) Major customer information

No single external customer is deemed significant by its transactions with the Bank generating revenues which accounted for more than 10% of the net profit of the Bank and its subsidiaries.