Taichung Commercial Bank Co., Ltd. and Subsidiaries

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

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Taichung Commercial Bank Co., Ltd.

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

The following were the descriptions of the key audit matters in the audit of the consolidated financial statements of the Group for the year ended December 31, 2021:

Expected Credit Losses of Notes Discounted and Loans, Net

As described in Notes 13 and 32 to the consolidated financial statements, notes discounted and loans amounted to $479,806,373 thousand which accounted for 62% of total assets at December 31, 2021 and the expected credit losses of the notes discounted and loans amounted to $1,040,130 thousand which accounted for 8% of total net revenue for the year ended December 31, 2021. Due to the large amount, such accounts have a significant effect on the consolidated financial statements of the Group. In addition, the measurement of expected credit losses of notes discounted and loans involved various financial factors, such as probability of default and loss given default, which involved the management's critical estimations and judgments, and also required compliance with relevant laws and regulations. Therefore, the expected credit loss of notes discounted and loans was identified as a key audit matter.

The relevant accounting policies, estimates, assumptions and other information are referred to in Notes 4, 5, 13 and 32 to the consolidated financial statements.

The main audit procedures performed for the expected credit losses of notes discounted and loans were as follows:

- We understood the internal controls for the expected credit losses of notes discounted and loans of the Group. We checked the Group's compliance with relevant regulations issued by authorities on assessment of the expected credit losses.

- We understood and recalculated the key parameters (such as probability of default and loss given default) for the expected credit losses of notes discounted and loans assessed by the Bank to evaluate the reasonableness of expected credit losses.

Other Matter

We have also audited the parent company only financial statements of the Bank as of and for the years ended December 31, 2021 and 2020 on which we have issued an unmodified opinion.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

The engagement partners on the audits resulting in this independent auditors' report are Wen-Yea Shyu and Shu-Lin Liu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 24, 2022

Notice to Readers

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

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

TAICHUNG COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

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

	2021		2020	
ASSETS	**Amount**	**%**	**Amount**	**%**
CASH AND CASH EQUIVALENTS (Notes 4 and 6)	$ 17,964,974	2	$ 11,709,619	2
DUE FROM THE CENTRAL BANK AND CALL LOANS TO OTHER BANKS (Notes 4, 7 and 37)	38,193,986	5	40,371,218	5
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4 and 8)	33,675,502	4	30,867,825	4
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 4 and 9)	48,547,804	6	41,009,840	6
INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST (Notes 4, 10 and 37)	109,181,808	14	112,624,454	15
SECURITIES PURCHASED UNDER RESALE AGREEMENTS (Notes 4 and 11)	11,258,439	2	12,773,121	2
RECEIVABLES, NET (Notes 4, 12 and 37)	14,351,605	2	13,483,664	2
CURRENT TAX ASSETS (Notes 4 and 33)	-	-	3,279	-
NOTES DISCOUNTED AND LOANS, NET (Notes 4, 13 and 36)	479,806,373	62	456,541,322	62
INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD, NET (Notes 4 and 14)	165,124	-	163,148	-
RESTRICTED ASSETS, NET (Notes 4, 15 and 37)	394,621	-	439,283	-
OTHER FINANCIAL ASSETS, NET (Notes 4 and 16)	437,502	-	2,246	-
PROPERTIES AND EQUIPMENT, NET (Notes 4 and 17)	13,755,424	2	12,332,669	2
RIGHT-OF-USE ASSETS, NET (Notes 4 and 18)	817,320	-	978,218	-
INVESTMENT PROPERTIES, NET (Notes 4 and 19)	-	-	18,014	-
INTANGIBLE ASSETS, NET (Notes 4 and 20)	220,723	-	213,470	-
DEFERRED TAX ASSETS (Notes 4 and 33)	859,352	-	795,104	-
OTHER ASSETS (Notes 4, 21 and 37)	3,047,836	1	2,443,527	-
TOTAL	$ 772,678,393	100	$ 736,770,021	100
LIABILITIES AND EQUITY				
DUE TO THE CENTRAL BANK AND OTHER BANKS (Note 22)	$ 3,953,700	1	$ 7,037,338	1
FUNDS BORROWED FROM THE CENTRAL BANK AND OTHER BANKS (Notes 23 and 37)	10,459,156	2	8,510,652	1
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4 and 8)	512,399	-	785,819	-
SECURITIES SOLD UNDER REPURCHASE AGREEMENTS (Notes 4 and 24)	1,205,559	-	2,300,077	-
PAYABLES (Notes 4, 25 and 36)	11,092,958	2	7,349,384	1
CURRENT TAX LIABILITIES (Notes 4 and 33)	406,178	-	162,112	-
DEPOSITS AND REMITTANCES (Notes 26 and 36)	659,116,235	85	636,589,468	87
BANK DEBENTURES (Notes 27 and 36)	16,500,000	2	11,500,000	2
OTHER FINANCIAL LIABILITIES (Note 28)	2,648,169	-	1,695,813	-
PROVISIONS (Notes 4 and 29)	1,355,169	-	1,424,492	-
LEASE LIABILITIES (Notes 4 and 18)	853,218	-	1,006,781	-
DEFERRED TAX LIABILITIES (Notes 4 and 33)	109,486	-	111,021	-
OTHER LIABILITIES (Note 30)	1,006,181	-	975,311	-
Total liabilities	709,218,408	92	679,448,268	92
EQUITY ATTRIBUTABLE TO OWNERS OF THE BANK (Note 31)				
Ordinary shares	45,385,205	6	41,516,943	6
Capital surplus	1,054,006	-	803,606	-
Retained earnings				
Legal reserve	10,677,008	1	9,469,859	1
Special reserve	149,678	-	150,243	-
Unappropriated earnings	4,886,043	1	4,077,345	1
Other equity	1,308,045	-	1,303,757	-
Total equity attributable to owners of the Bank	63,459,985	8	57,321,753	8
Total equity	63,459,985	8	57,321,753	8
TOTAL	$ 772,678,393	100	$ 736,770,021	100

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

TAICHUNG COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

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

	2021		2020		Percentage Increase (Decrease)
	Amount	**%**	**Amount**	**%**	**%**
INTEREST REVENUE (Notes 4, 32 and 36)	$ 12,245,485	89	$ 12,129,429	104	1
INTEREST EXPENSE (Notes 32 and 36)	(2,967,855)	(21)	(3,850,336)	(33)	(23)
NET INTEREST	9,277,630	68	8,279,093	71	12
NET INCOME AND LOSS OTHER THAN INTEREST					
Service fee income, net (Notes 4, 32 and 36)	3,374,711	25	2,905,903	25	16
Gains (losses) on financial assets and liabilities at fair value through profit or loss (Note 32)	735,073	5	(26,390)	-	2,885
Realized gains on financial assets at fair value through other comprehensive income (Notes 4 and 32)	157,660	1	171,098	1	(8)
Foreign exchange gains, net (Note 4)	153,176	1	311,605	3	(51)
Impairment losses on assets (Notes 4, 9, 10 and 32)	(5,960)	-	(8,068)	-	(26)
Share of loss of associates for using the equity method (Notes 4 and 14)	(592)	-	(3,294)	-	(82)
Other non-interest gains, net (Notes 4, 29 and 32)	30,176	-	13,795	-	119
TOTAL NET REVENUE	13,721,874	100	11,643,742	100	18
PROVISION FOR BAD DEBTS EXPENSE, COMMITMENTS AND GUARANTEES (Notes 4, 12, 13, 29 and 32)	(1,368,511)	(10)	(519,032)	(4)	164

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TAICHUNG COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

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

	2021		2020		Percentage Increase (Decrease)
	Amount	**%**	**Amount**	**%**	**%**
OPERATING EXPENSES					
Employee benefits expenses (Notes 4, 29 and 32)	$ (4,305,442)	(31)	$ (3,970,323)	(34)	8
Depreciation and amortization expenses (Notes 4 and 32)	(498,065)	(4)	(490,795)	(4)	1
Other selling and administrative expenses (Notes 32 and 36)	(1,980,647)	(14)	(1,905,162)	(17)	4
Total operating expenses	(6,784,154)	(49)	(6,366,280)	(55)	7
PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS	5,569,209	41	4,758,430	41	17
INCOME TAX EXPENSE (Notes 4 and 33)	(772,935)	(6)	(732,897)	(7)	5
NET PROFIT FOR THE YEAR	4,796,274	35	4,025,533	34	19
OTHER COMPREHENSIVE INCOME					
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit plans (Notes 4 and 29)	14,745	-	(34,806)	-	142
Unrealized gains on investments in equity instruments at fair value through other comprehensive income (Note 4)	282,074	2	230,633	2	22
Share of the other comprehensive income of associates accounted for using the equity method	2,568	-	9,654	-	(73)
Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 4 and 33)	(2,512)	-	819	-	(407)
Items that will not be reclassified subsequently to profit or loss, net of income tax	296,875	2	206,300	2	44

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TAICHUNG COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

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

	2021		2020		Percentage Increase (Decrease)
	Amount	**%**	**Amount**	**%**	**%**
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on the translation of financial statements of foreign operations (Note 4)	$ 36,023	1	$ (24,794)	-	245
Unrealized (losses) gains on investments in debt instruments designated as at fair value through other comprehensive income	(244,933)	(2)	264,206	2	(193)
Income tax relating to items that may be reclassified subsequently to profit (Notes 4 and 33)	-	-	3,151	-	(100)
Items that may be reclassified subsequently to profit or loss, net of income tax	(208,910)	(1)	242,563	2	(186)
Other comprehensive income for the year, net of income tax	87,965	1	448,863	4	(80)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 4,884,239	36	$ 4,474,396	38	9
EARNINGS PER SHARE (Note 34)					
Basic	$ 1.10		$ 0.98		
Diluted	$ 1.10		$ 0.98		

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

TAICHUNG COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Bank							
			Retained Earnings			Other Equity		
	Capital Stock Ordinary Shares	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of Financial Statements of Foreign Operations	Unrealized Gains (Losses) on Financial Assets at Fair Value Through Other Comprehensive Income	Total Equity
BALANCE AT JANUARY 1, 2020	$ 37,088,349	$ 726,981	$ 8,188,237	$ 150,243	$ 4,302,204	$ (96,316)	$ 949,508	$ 51,309,206
Appropriation of 2019 earnings								
Legal reserve	-	-	1,281,622	-	(1,281,622)	-	-	-
Cash dividends	-	-	-	-	(1,038,474)	-	-	(1,038,474)
Share dividends	1,928,594	-	-	-	(1,928,594)	-	-	-
Net profit for the year ended December 31, 2020	-	-	-	-	4,025,533	-	-	4,025,533
Other comprehensive (loss) income for the year ended December 31, 2020, net of income tax	-	-	-	-	(27,761)	(24,794)	501,418	448,863
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	3,997,772	(24,794)	501,418	4,474,396
Issuance of ordinary shares for cash (Note 31)	2,500,000	50,000	-	-	-	-	-	2,550,000
Issuance of ordinary shares under employee share options (Note 35)	-	26,625	-	-	-	-	-	26,625
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	26,059	-	(26,059)	-
BALANCE AT DECEMBER 31, 2020	41,516,943	803,606	9,469,859	150,243	4,077,345	(121,110)	1,424,867	57,321,753
Appropriation of 2020 earnings								
Legal reserve	-	-	1,207,149	-	(1,207,149)	-	-	-
Special reserve	-	-	-	(565)	565	-	-	-
Cash dividends	-	-	-	-	(996,407)	-	-	(996,407)
Share dividends	1,868,262	-	-	-	(1,868,262)	-	-	-
Net profit for the year ended December 31, 2021	-	-	-	-	4,796,274	-	-	4,796,274
Other comprehensive income for the year ended December 31, 2021, net of income tax	-	-	-	-	12,021	36,023	39,921	87,965
Total comprehensive income for the year ended December 31, 2021	-	-	-	-	4,808,295	36,023	39,921	4,884,239
Issuance of ordinary shares for cash (Note 31)	2,000,000	230,000	-	-	-	-	-	2,230,000
Issuance of ordinary shares under employee share options (Note 35)	-	20,400	-	-	-	-	-	20,400
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	71,656	-	(71,656)	-
BALANCE AT DECEMBER 31, 2021	$ 45,385,205	$ 1,054,006	$ 10,677,008	$ 149,678	$ 4,886,043	$ (85,087)	$ 1,393,132	$ 63,459,985

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

TAICHUNG COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

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

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 5,569,209	$ 4,758,430
Adjustments for:		
Depreciation expense	433,704	432,361
Amortization expense	64,361	58,434
Provision for bad debts expense, commitments and guarantees liabilities	1,368,511	519,032
(Gains) losses on financial assets and liabilities at fair value through profit or loss	(735,073)	26,390
Gain on disposal of properties and equipment	(11,163)	(8)
Interest expense	2,967,855	3,850,336
Interest revenue	(12,245,485)	(12,129,429)
Dividend income	(152,947)	(87,920)
Net changes in provision for losses on others	-	446
Compensation cost of employee share options	20,400	26,625
Share of loss of associates	592	3,294
Gains on disposal of investments in debt instruments at fair value through other comprehensive income	(4,713)	(83,178)
Impairment losses on financial assets	5,960	8,068
Unrealized loss on foreign currency exchange	433,605	1,280,144
Gain on lease suspension	(5,797)	(1,184)
Total adjustment	(7,860,190)	(6,096,589)
Net changes in operating assets and liabilities		
Due from the Central Bank and call loans to other banks	(1,445,572)	(1,452,847)
Financial assets at fair value through profit or loss	(1,224,701)	(5,670,776)
Receivables	(1,002,399)	(977,517)
Notes discounted and loans	(24,293,453)	(21,387,413)
Other financial assets	(534,192)	740
Other assets	(583,537)	(114,402)
Due to the Central Bank and other banks	(3,083,638)	510,278
Financial liabilities at fair value through profit or loss	(1,121,323)	(295,887)
Securities sold under repurchase agreements	(1,094,518)	(8,068,948)
Payables	3,787,213	1,498,838
Deposits and remittances	22,526,767	53,267,511
Other financial liabilities	477,247	107,246
Provision for employee benefits	(114,423)	(79,296)
Other liabilities	(43,979)	91,485
Changes in operating assets and liabilities	(7,750,508)	17,429,012
Cash (used in) generated from operations	(10,041,489)	16,090,853
Interest received	12,370,389	12,496,942
Dividends received	152,947	87,920
Interest paid	(3,006,494)	(3,974,263)
Income tax paid	(593,885)	(939,992)
Net cash (used in) generated from operating activities	(1,118,532)	23,761,460

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TAICHUNG COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

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

	2021	2020
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	$ (11,365,309)	$ (15,491,073)
Proceeds from disposal of financial assets at fair value through other comprehensive income	3,769,302	6,502,875
Purchase of financial assets at amortized cost	(907,585,588)	(793,961,984)
Proceeds from repayments of financial assets at amortized cost	910,515,784	787,997,560
Payments for properties and equipment	(1,619,357)	(1,871,092)
Proceeds from disposal of properties and equipment	16,308	779
Decrease (increase) in refundable deposits	19,890	(526,986)
Payments for intangible assets	(68,436)	(105,285)
Net cash used in investing activities	(6,317,406)	(17,455,206)
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings from Central Bank and other banks	1,948,504	2,418,612
Proceeds from commercial papers issued	475,109	414,484
Proceeds from issuance of bank debentures	5,000,000	-
Repayments of bank debentures	-	(2,500,000)
Proceeds from (refund of) guarantee deposits received	74,849	(14,916)
Repayments of principal portion of lease liabilities	(214,271)	(203,293)
Cash dividends distributed	(996,407)	(1,038,474)
Proceeds from issuance of ordinary shares	2,230,000	2,550,000
Net cash generated from financing activities	8,517,784	1,626,413
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	36,023	(24,794)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,117,869	7,907,873
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	46,249,219	38,341,346
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 47,367,088	$ 46,249,219

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TAICHUNG COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

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

	December 31	
	2021	**2020**
RECONCILIATIONS OF THE AMOUNTS IN THE CONSOLIDATED STATEMENTS OF CASH FLOWS WITH THE EQUIVALENT ITEMS REPORTED IN THE CONSOLIDATED BALANCE SHEETS AT DECEMBER 31, 2021 AND 2020		
Cash and cash equivalents in the consolidated balance sheets	$ 17,964,974	$ 11,709,619
Due from the central bank and call loans to other banks in accordance with cash and cash equivalents under IAS 7 “Statement of Cash Flows”	18,143,675	21,766,479
Securities purchased under resale agreements in accordance with cash and cash equivalents under IAS 7 “Statement of Cash Flows”	11,258,439	12,773,121
Cash and cash equivalents at the end of the year	$ 47,367,088	$ 46,249,219

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

TAICHUNG COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Taichung Commercial Bank Co., Ltd. (the "Bank"), formerly known as Taichung District Association Saving Co., Ltd. (Taichung District Association) was established on September 27, 1952 by the Taiwan Provincial Government. It was incorporated in April 1953 and started operations in August of the same year. In July of 1975, the Banking Act of the Republic of China was revised and implemented. On January 1, 1978, the Taichung District Association Saving Co., Ltd. (Taichung District Association) was restructured into Taichung SME Bank Co., Ltd. (Taichung SME Bank) and its shares were listed on May 15, 1984.

In line with the national financial policy to provide public and social financial services and support the economic construction as well as the development of industrial and commercial, Taichung SME Bank was renamed as Taichung Commercial Bank Co., Ltd. in December 1998. As of December 31, 2021, the Bank had a business department, a trust department, a foreign exchange transaction department, 81 domestic branches, a Malaysia Labuan branch and an offshore banking unit (OBU). The operations of the Bank consist of planning, managing, operating a trust business and overseas financial business. These operations are regulated under the Bank Law of the Republic of China ("ROC").

At the time of the establishment, the amount of capital invested by the Bank was $500 thousand. In line with the government degree, in order to improve the capital structure and cooperate with the government decree, the Bank has successively applied for increase and decrease of capital. As of December 31, 2021, the Bank's capital amount was $45,385,205 thousand.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Bank's board of directors on February 24, 2022.

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

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

   Except for the following, the initial application of the amendments to the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Group's accounting policies:

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

   The Group elected to apply the practical expedient provided in the amendments to deal with the changes in the basis for determining contractual cash flows of financial assets, financial liabilities or lease liabilities resulting from the interest rate benchmark reform. The changes are accounted for by updating the effective interest rate at the time the basis is changed, provided the changes are necessary as a direct consequence of the reform and the new basis is economically equivalent to the previous basis.

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

1) The changes to the hedging relationship that are needed to reflect the changes required by the reform are treated as a continuation of the existing hedging relationship.

2) If an alternative benchmark rate that is reasonably expected to be separately identifiable within a period of 24 months, the Group designates the rate as a non-contractually specified risk component.

3) After a cash flow hedging relationship is amended, the amount accumulated in the gain/(loss) on hedging instruments of cash flow hedge is deemed to be based on the alternative benchmark rate on which the hedged future cash flows are determined.

4) The Group allocates the hedged items of a group hedge that is subject to the reform to subgroups based on whether the hedged items have been changed to reference an alternative benchmark rate, and designates the hedged benchmark rate separately.

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

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

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

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

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

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

As of the date the consolidated financial statements were authorized for issue, the Group has assessed that the application of above standards and interpretations will not have a material impact on the Group's financial position and financial performance.

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 9 and IFRS 17 - Comparative Information”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 2)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 3)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 4)

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

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

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

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

Amendments to IAS 1 “Disclosure of Accounting Policies”

The amendments specify that the Group should refer to the definition of material to determine its material accounting policy information to be disclosed. Accounting policy information is material if it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments also clarify that:

- Accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed;

- The Group may consider the accounting policy information as material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial; and

- Not all accounting policy information relating to material transactions, other events or conditions is itself material.

The amendments also illustrate that accounting policy information is likely to be considered as material to the financial statements if that information relates to material transactions, other events or conditions and:

1) The Group changed its accounting policy during the reporting period and this change resulted in a material change to the information in the financial statements;

2) The Group chose the accounting policy from options permitted by the standards;

3) The accounting policy was developed in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" in the absence of an IFRS that specifically applies;

4) The accounting policy relates to an area for which the Group is required to make significant judgements or assumptions in applying an accounting policy, and the Group discloses those judgements or assumptions; or

5) The accounting is complex and users of the financial statements would otherwise not understand those material transactions, other events or conditions.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The consolidated financial statements 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 IFRSs as endorsed and issued into effect by the FSC.

b. Basis of preparation

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

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

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

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

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

c. Classification of current and non-current assets and liabilities

Accounts included in the Group's consolidated financial statements are not classified as current or non-current but are stated in the order of their liquidity. Refer to Note 40 for the maturity analysis of assets and liabilities.

d. Basis of consolidation

1) Principles for preparing consolidated financial statements

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

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

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

2) Subsidiaries included in the consolidated financial statements

The subsidiaries included in the consolidated financial statements are as follows:

			Percentage of Equity Held	
			December 31	
Investment Company	**Subsidiary**	**Main Business and Products**	**2021**	**2020**
Taichung Commercial Bank Co., Ltd.	Taichung Bank Insurance Brokers Co.	Insurance broker industry	100	100
	Taichung Bank Leasing Corporation Limited	Leasing business	100	100
	Taichung Commercial Bank Securities Co., Ltd.	Securities industry	100	100
Taichung Bank Leasing Corporation Limited	TCCBL Co., Ltd.	Financial leasing and investment business	100	100
TCCBL Co., Ltd.	Taichung Bank Financial Leasing (Suzhou) Co., Ltd.	Financial leasing business	100	100
Taichung Commercial Bank Securities Co., Ltd.	Taichung Bank Venture Capital Co., Ltd.	Venture capital business	100	100

Note: Taichung Bank Securities Co., Ltd. was newly established by a resolution of the board of directors of Taichung Bank Securities Co on June 12, 2020. Taichung Bank Venture Capital Co., Ltd. with the reinvestment amount is $210,000 thousand.

3) Subsidiaries not included in the consolidated financial statements: None.

e. Foreign currencies

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

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

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

Non-monetary item denominated in a foreign currency and measured at historical cost is stated at the reporting currency as originally translated from the foreign currency.

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

f. Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits, time deposits that can be readily terminated without the deduction of principal, and highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. For the consolidated statements of cash flows, cash and cash equivalents include cash and cash equivalents on the consolidated balance sheets, due from the Central Bank and call loans to other banks and securities purchased under resale agreements that are in conformity with the definition of cash and cash equivalents in IAS 7 "Statement of Cash Flows", as endorsed and issued into effect by the FSC.

g. Bonds purchased under resell/notes issued under repurchase agreements

A bond purchased under resell/a note issued under repurchase agreements is considered as a financing transaction if the risk and reward are attributed to the dealer. When a bond is purchased under a resale agreement, its purchase price is listed as "bonds purchased under resale agreements", an asset account. For a note issued under repurchase agreement, the selling price is listed as "notes issued under repurchase agreements", a liability account. The difference between purchase (sale) price under the agreement and actual sale (purchase) price is recorded as interest income (expense).

h. Investments in associates

An associate is an entity over which the Group has significant influence and which is neither a subsidiary nor an interest in a joint venture.

The Group uses the equity method to account for its investments in associates.

Under the equity method, investments in an associate are initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. The Group also recognizes the changes in the Group's share of the equity of associates attributable to the Group.

The entire carrying amount of an investment is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

When an entity in the Group transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements only to the extent that interests in the associate are not related to the Group.

i. Property and equipment

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

Depreciation of property and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

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

j. Investment properties

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

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

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

k. Intangible assets

1) Intangible assets acquired separately

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

2) Derecognition of intangible assets

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

l. Impairment of property, plant and equipment, right-of-use asset, investment properties, intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use asset, investment properties and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to the individual cash-generating units; otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the assets may be impaired.

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

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

m. Financial instruments

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

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

1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

a) Measurement categories

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

i. Financial assets at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value, and any dividends, interest earned and remeasurement gains or losses on such financial assets are recognized in gains on financial assets and liabilities at fair value through profit or loss. Fair value is determined in the manner described in Note 39.

ii. Financial assets at amortized cost

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

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

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

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, due from the Central Bank and call loans to other banks, securities purchased under resale agreements, notes discounted and loans, trade receivables at amortized cost, other financial assets and refundable deposits, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

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

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

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

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

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

ii) Breach of contract, such as a default;

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

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

iii. Investments in debt instruments at FVTOCI

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

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

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

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

iv. Investments in equity instruments at FVTOCI

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

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

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

b) Impairment of financial assets

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

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

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

For internal credit risk management purposes, the Group determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Group):

i. Internal or external information show that the debtor is unlikely to pay its creditors.

ii. When a financial asset is more than 90 days past due unless the Group has reasonable and corroborative information to support a more lagged default criterion.

According to the Regulations, the Group determines the allowance for credit losses by evaluating the recoverability of the outstanding balances of various loans at the balance sheet date. The allowances for doubtful accounts are determined based on management's evaluation of the collectability of individual accounts, the borrowers'/clients' financial condition and payment history. Such doubtful accounts are categorized into: Normal loans, need attention, less likely to be collectible in full, difficult to collect, and uncollectible accounts; and the allowance should be provided at 1%, 2%, 10%, 50%, and 100%, respectively, of the loan amount to meet the minimum requirement for each category. Under the rule No. 10010006830 issued by the Grouping Bureau of the FSC, additional allowance for doubtful accounts should be provided at 1% of the total loans. Under the rule No. 10300329440 issued by the Grouping Bureau of the FSC, allowance for doubtful accounts should be provided at 1.5% or more of the loans for real estate.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of such a financial asset.

c) Derecognition of financial assets

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

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

2) Equity instruments

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

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

3) Financial liabilities

a) Subsequent measurement

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

i. Financial liabilities at FVTPL

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

Financial liabilities at fair value through profit or loss are stated at fair value, and any dividends, interest earned and remeasurement gains or losses on such financial assets are recognized in gains on financial assets and liabilities at fair value through profit or loss. Fair value is determined in the manner described in Note 39.

ii. Financial guarantee contracts

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

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

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

b) Derecognition of financial liabilities

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

4) Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts, cross-currency swap contracts, cross-currency option contracts, interest structured instrument contracts, non-deliverable forward contracts and asset swap contracts.

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

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

5) Modification of financial instruments

For the changes in the basis for determining contractual cash flows of financial assets or financial liabilities resulting from the interest rate benchmark reform, the Group elects to apply the practical expedient in which the changes are accounted for by updating the effective interest rate at the time the basis is changed, provided the changes are necessary as a direct consequence of the reform and the new basis is economically equivalent to the previous basis. When multiple changes are made to a financial asset or a financial liability, the Group first applies the practical expedient to those changes required by interest rate benchmark reform, and then applies the requirements of modification of financial instruments to the other changes that cannot apply the practical expedient.

n. Provisions (excluding amounts in provision for employee benefits)

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

o. Revenue recognition

The Group identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

1) Interest income

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably.

2) Service fee and commissions income

The Group identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied. Service fee income and expenses are recognized when loans or other services are provided. If the contract between the labor service and the collection of consideration is within one year, the major financial components of the contract will not be adjusted.

3) Dividend income

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

p. Leases

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

1) The Group as lessor

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

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

When a lease includes both land and building elements, the Group assesses the classification of each element separately as a finance or an operating lease based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the lessee. The lease payments are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of a contract. If the allocation of the lease payments can be made reliably, each element is accounted for separately in accordance with its lease classification. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease unless it is clear that both elements are operating leases; in which case, the entire lease is classified as an operating lease.

2) The Group as lessee

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

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

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

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

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

The Group negotiates with the lessor for rent concessions as a direct consequence of the Covid-19 to change the lease payments originally due by June 30, 2022, that results in the revised consideration for the lease less than the consideration for the lease immediately preceding the change. There is no substantive change to other terms and conditions. The Group elects to apply the practical expedient to these rent concessions and, therefore, does not assess whether the rent concessions are lease modifications. Instead, the Group recognizes the reduction in lease payment in profit or loss as other non-interest gains, net in the period in which the events or conditions that trigger the concession occur, and makes a corresponding adjustment to the lease liability.

q. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered services entitling them to the contributions.

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

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

3) Employee benefit - employees' preferential deposits

The Group has granted a preferential interest rate to its current employees and retired employees for their deposits within a prescribed amount. The preferential interest rate in excess of market interest rate is considered employee benefits.

Under Article 30 of the "Regulations Governing the Preparation of Financial Reports by Public Bank", if the Bank's preferential deposit interest rate for an employee as stated in the employment contract exceeds the market interest rate, the excess will be subject to IAS 19 "Employee Benefits" upon the employee's retirement. The actuarial valuation assumptions and parameters are based on the guidelines announced by authority.

4) Other long-term employee benefits

Other long-term employee benefits are accounted for in the same way as the accounting required for defined benefit plans except that remeasurement is recognized in profit or loss.

r. Share-based payment arrangements

Employee share options granted to employees

The fair value at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Group's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options. The expense is recognized in full at the grant date if the grants are vested immediately. The grant date of issued ordinary shares for cash which are reserved for employees is the date on which the board of directors approves the transaction.

At the end of each reporting period, the Group revises its estimate of the number of employee share options that are expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expenses reflect the revised estimate, with a corresponding adjustment to capital surplus - employee share options.

s. Taxation

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

1) Current tax

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

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

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

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and unused loss carryforwards to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

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

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

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

3) Current and deferred taxes for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The Group considers the recent development of the COVID-19 in Taiwan and its economic environment implications when making its critical accounting estimates in cash flow projections, growth rate, discount rate, profitability, etc. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

Key Sources of Estimation Uncertainty

Estimated impairment of financial assets

The provision for impairment of loans, notes discounted, trade receivables, investments in debt instruments, and financial guarantee contracts is based on probability of default and loss given default. The Group uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Group's historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. For details of the key assumptions and inputs used, see Notes 39 and 40. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2021	2020
Cash on hand	$ 4,365,955	$ 4,414,344
Checks for clearing	4,589,463	1,249,821
Due from banks	9,009,556	6,045,454
	$ 17,964,974	$ 11,709,619

a. The loss allowance is measured at an amount equal to 12-month ECLs per historical experience and forward-looking information; there was no loss allowance on cash and cash equivalents as of December 31, 2021 and 2020.

b. Reconciliations of cash and cash equivalents between the consolidated statements of cash flows and the consolidated balance sheets as of December 31, 2021 and 2020 were shown in the consolidated statements of cash flows.

c. The amount of time deposits due from other banks as the operating deposit of Taichung Commercial Bank Securities Co., Ltd. was $200,000 thousand on December 31, 2021 and 2020, which were transferred to the refundable deposits. Refer to Note 21.

7. DUE FROM THE CENTRAL BANK AND CALL LOANS TO OTHER BANKS

	December 31	
	2021	2020
Deposit reserves		
Deposit reserves for checking accounts	$ 11,580,438	$ 19,301,038
Deposit reserves for demand accounts	19,903,431	18,458,399
Inter-bank clearing account	5,015,409	2,017,397
Deposit reserves for foreign currency deposits	74,739	73,057
Call loans to banks	1,559,969	461,327
Deposit reserves for trust compensation	60,000	60,000
	$ 38,193,986	$ 40,371,218

a. The loss allowance is measured at an amount equal to 12-month ECLs per historical experience and forward-looking information; there was no loss allowance on due from the Central Bank and call loans to other banks as of December 31, 2021 and 2020.

b. The monthly depository reserves to be deposited in the Central Bank of the Republic of China are calculated by applying the legally required reserve ratio to the monthly average balance of the reserve accounts. These reserve accounts can be used at any time but the demand accounts can only be used for monthly deposit reserve adjustments. In addition, the Group deposited reserves in the amount of $5,000,000 thousand for demand accounts on deposits paid to other securities lender project from Central Bank on December 31, 2021 and 2020. Refer to Note 37.

c. The Group deposited the reserves for trust compensation on government bonds measured at amortized cost on December 31, 2021 and 2020, with a nominal amount of $60,000 thousand. Refer to Note 37.

8. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2021	**2020**
Financial assets at FVTPL		
Commercial papers	$ 26,680,732	$ 24,872,947
Domestic listed shares and emerging market shares	919,500	862,462
Domestic unlisted shares	81,611	7,508
Foreign listed shares	-	88,533
PEM group policy assets	806,522	799,269
Beneficiary certificates	757,683	363,744
Corporate bonds	422,471	203,112
Asset swap contracts	3,555,430	3,048,884
Cross-currency swap contracts	44,915	96,053
Foreign exchange forward contracts	96,335	168,822
Cross-currency option contracts	266,875	354,336
Interest rate-linked structured instrument	43,428	2,155
	$ 33,675,502	$ 30,867,825
Financial liabilities at FVTPL		
Cross-currency swap contracts	$ 166,970	$ 369,085
Foreign exchange forward contracts	32,840	66,415
Cross-currency option contracts	269,161	348,164
Interest rate-linked structured instrument	43,428	2,155
	$ 512,399	$ 785,819

a. The Group engages in exchange rate related derivative financial contracts, mainly to provide customers and the Group with hedging instruments for foreign exchange positions arising from transactions such as import/export and currency exchange, to avoid the risks arising from the business and to flatten the demand for foreign exchange funds arising from non-transactional operations.

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

	December 31			
	2021		2020	
	Contract Amounts	**Interest Rate Range**	**Contract Amounts**	**Interest Rate Range**
Asset swap contracts	$ 3,549,800	0.80%-4.25%	$ 3,039,300	0.90%-3.50%
Cross-currency swap contracts	11,403,926	-	9,459,647	-
Foreign exchange forward contracts	9,905,735	-	7,224,302	-
Cross-currency option contracts	34,792,260	-	23,537,713	-
Interest rate-linked structured instrument contracts	584,493	4.50%-7.00%	109,938	5.25%-6.20%

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2021	**2020**
Investments in equity instruments at FVTOCI	$ 4,255,289	$ 3,176,107
Investments in debt instruments at FVTOCI	44,292,515	37,833,733
	$ 48,547,804	$ 41,009,840

a. Investments in equity instruments at FVTOCI

	December 31	
	2021	**2020**
Domestic listed shares	$ 3,136,272	$ 2,113,147
Domestic unlisted shares	810,234	751,556
Foreign listed shares	308,783	311,404
	$ 4,255,289	$ 3,176,107

These investments in equity instruments are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes.

The ordinary shares sold had a fair value of $710,791 thousand and $308,326 thousand and their related unrealized valuation gains of $71,656 thousand and $26,059 thousand were transferred from other equity to retained earnings in 2021 and 2020.

Dividend income of $152,947 thousand and $87,920 thousand was recognized in profit or loss for the years ended December 31, 2021 and 2020, respectively.

b. Investments in debt instruments at FVTOCI

	December 31	
	2021	2020
Corporate bonds	$ 34,101,503	$ 26,959,132
Government bonds	4,865,736	5,379,466
Foreign bonds	3,121,222	3,486,270
Bank debentures	2,204,054	2,008,865
	$ 44,292,515	$ 37,833,733

Foreign bonds denominated in foreign currencies were as follows:

	December 31	
	2021	2020
USD	$ 39,000	$ 50,000
CNY	445,000	445,000
AUD	6,000	6,000

1) The Group recognized impairment loss of $9,198 thousand and $5,318 thousand in 2021 and 2020, respectively, after assessing the expected credit losses of the investments in debt instruments at FVTOCI.

2) Refer to Note 40 for information relating to their credit risk management and impairment.

10. INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST

	December 31	
	2021	2020
Foreign bonds	$ 24,252,423	$ 24,794,803
Government bonds	11,580,851	12,654,717
NCDs issued by the CBC	63,790,000	64,970,000
Corporate bonds	10,505,597	11,159,474
	110,128,871	113,578,994
Less: Allowance for impairment loss	(30,663)	(34,140)
Less: Withdrawal of reserves for trust compensation and refundable deposits	(916,400)	(920,400)
	$ 109,181,808	$ 112,624,454

a. The foreign bonds denominated in foreign currencies were as follows:

	December 31	
	2021	2020
USD	$ 683,197	$ 661,159
CNY	740,000	890,000
AUD	67,000	66,000
ZAR	450,000	490,000

b. As of December 31, 2021 and 2020, the government bonds and the foreign bonds at amortized cost amounted to $1,200,000 thousand and $0 thousand (US$0 thousand), $1,200,000 thousand and $1,123,960 thousand (US$40,000 thousand), respectively, which had been sold under repurchase agreements. Refer to Note 41 for information relating to their carrying amount.

c. The Group recognized gain on reversal of impairment loss of $3,238 thousand and impairment loss of $2,750 thousand and in 2021 and 2020, respectively, after assessing the expected credit losses of the investments in debt instruments at amortized cost.

d. Refer to Note 40 for information relating to their credit risk management and impairment.

11. SECURITIES PURCHASED UNDER RESALE AGREEMENTS

Securities purchased under resale agreements in the amounts of $11,258,439 thousand and $12,773,121 thousand as of December 31, 2021 and 2020 would be subsequently resold for $11,259,518 thousand and $12,774,072 thousand, respectively, with interest rate ranging from 0.32% and 0.21% to 0.25%, respectively.

12. RECEIVABLES, NET

	December 31	
	2021	2020
Notes receivable	$ 5,627,820	$ 4,694,417
Receivables on credit cards	738,121	742,251
Accounts receivable factored without recourse	271,434	154,805
Acceptances	975,287	443,447
Interest receivables	1,089,421	1,049,138
Receivables on foreign currency settlement	1,559	1,082,521
Lease receivables	3,893,833	3,461,743
Assignment receivables	918,556	991,861
Receivables on securities settlement	1,545,956	1,324,586
Other receivables	406,093	584,053
	15,468,080	14,528,822
Less: Unrealized interest income	(756,154)	(722,637)
Less: Allowance for doubtful accounts	(360,321)	(322,521)
	$ 14,351,605	$ 13,483,664

a. Movements in the total carrying amount of receivables for the years ended December 31, 2021 and 2020 were as follows:

2021

	12-month ECLs	Lifetime ECL	Credit-impaired Financial Assets	Total
Balance at January 1, 2021	$ 73,430,829	$ 371,436	$ 313,418	$ 74,115,683
Transfers to lifetime ECL	(139,893)	140,190	(297)	-
Transfers to credit-impaired financial assets	(612,409)	(35,290)	647,699	-
Transfers to 12-month ECLs	35,338	(35,127)	(211)	-
New receivables purchased or originated	12,436,131	5,566	29,029	12,470,726
Write-offs	-	(33,311)	(127,217)	(160,528)
Derecognition	(10,000,439)	(83,894)	(79,665)	(10,163,998)
Foreign exchange differences and other changes	(401,118)	4,920	19,192	(377,006)
Balance at December 31, 2021	$ 74,748,439	$ 334,490	$ 801,948	$ 75,884,877

2020

	12-month ECLs	Lifetime ECL	Credit-impaired Financial Assets	Total
Balance at January 1, 2020	$ 62,904,165	$ 557,317	$ 315,071	$ 63,776,553
Transfers to lifetime ECL	(168,938)	169,381	(443)	-
Transfers to credit-impaired financial assets	(60,834)	(135,950)	196,784	-
Transfers to 12-month ECLs	8,573	(8,352)	(221)	-
New receivables purchased or originated	17,811,257	27,469	35,974	17,874,700
Write-offs	-	(430)	(133,345)	(133,775)
Derecognition	(7,174,494)	(237,307)	(128,195)	(7,539,996)
Foreign exchange differences and other changes	111,100	(692)	27,793	138,201
Balance at December 31, 2020	$ 73,430,829	$ 371,436	$ 313,418	$ 74,115,683

The above-mentioned carrying amounts of receivables include due from the banks, due from the Central Bank and call loans to other banks, securities purchased under resale agreements, notes receivable, receivables on credit cards, accounts receivable factored without recourse, acceptances, interest receivables, lease receivables, assignment receivables, receivables on securities settlement, other receivables, other financial assets (including delinquent receivables not arising from loans) and refundable deposits.

b. Movements in the allowance for doubtful accounts of receivables for the years ended December 31, 2021 and 2020 were as follows:

2021

	12-month ECLs	Lifetime ECL	Credit-impaired Financial Assets	Impairment Loss Assessed under IFRS 9	Difference of Impairment Loss under Regulations	Total
Balance at January 1, 2021	$ 91,312	$ 9,199	$ 174,311	$ 274,822	$ 49,220	$ 324,042
Reconciliation arising from financial instruments recognized at the beginning of the year:						
Transfers to lifetime ECL	(2,161)	2,250	(89)	-	-	-
Transfers to credit-impaired financial assets	(63,716)	(854)	64,570	-	-	-
Transfers to 12-month ECLs	2,354	(2,236)	(118)	-	-	-
Derecognition of financial assets in current period	(48,882)	(2,532)	(35,435)	(86,849)	-	(86,849)
New financial assets purchased or originated	154,653	778	21,809	177,240	-	177,240
Difference of impairment loss under regulations	-	-	-	-	92,367	92,367
Write-offs	(8,086)	(35,211)	(64,708)	(108,005)	(52,523)	(160,528)
Recovery of written-offs	-	435	7,731	8,166	15,421	23,587
Foreign exchange differences and other changes	(17,007)	36,071	71,855	90,919	-	90,919
Balance at December 31, 2021	$ 108,467	$ 7,900	$ 239,926	$ 356,293	$ 104,485	$ 460,778

2020

	12-month ECLs	Lifetime ECL	Credit-impaired Financial Assets	Impairment Loss Assessed under IFRS 9	Difference of Impairment Loss under Regulations	Total
Balance at January 1, 2020	$ 95,880	$ 11,625	$ 165,224	$ 272,729	$ 23,828	$ 296,557
Reconciliation arising from financial instruments recognized at the beginning of the year:						
Transfers to lifetime ECL	(1,842)	2,120	(278)	-	-	-
Transfers to credit-impaired financial assets	(505)	(2,511)	3,016	-	-	-
Transfers to 12-month ECLs	1,290	(1,115)	(175)	-	-	-
Derecognition of financial assets in current period	(65,036)	(4,856)	(38,360)	(108,252)	-	(108,252)
New financial assets purchased or originated	71,065	1,947	17,365	90,377	-	90,377
Difference of impairment loss under regulations	-	-	-	-	94,872	94,872
Write-offs	-	(430)	(47,750)	(48,180)	(85,595)	(133,775)
Recovery of written-offs	-	-	-	-	16,115	16,115
Foreign exchange differences and other changes	(9,540)	2,419	75,269	68,148	-	68,148
Balance at December 31, 2020	$ 91,312	$ 9,199	$ 174,311	$ 274,822	$ 49,220	$ 324,042

The allowance for doubtful accounts of the abovementioned receivables includes allowances for delinquent receivables not arising from loans, refer to Note 16.

c. Refer to Note 37 for information relating to notes receivable as a guarantee for interbank financing.

13. NOTES DISCOUNTED AND LOANS, NET

	December 31 2021	December 31 2020
Bills negotiated	$ 704,340	$ 293,388
Overdrafts	1,559	1,310
Secured overdrafts	11,066	30,988
Accounts receivable financing	78,137	51,149
Securities margin loans receivables	1,365,546	1,099,366
Short-term unsecured loans	42,802,949	39,175,727
Short-term secured loans	98,958,147	101,315,539
Medium-term unsecured loans	60,207,188	54,480,676
Medium-term secured loans	119,015,102	110,808,195
Long-term unsecured loans	9,202,678	6,842,847
Long-term secured loans	153,535,754	147,939,346
Delinquent loans	574,674	814,242
	486,457,140	462,852,773
Add: Adjustment of premium or discount	30,683	23,940
Less: Allowance for doubtful accounts	(6,681,450)	(6,335,391)
	$ 479,806,373	$ 456,541,322

a. As of December 31, 2021 and 2020, the delinquent loans on which interest ceased to accrue amounted to $574,674 thousand and $814,242 thousand, respectively. The unrecognized interest revenues on these loans were $13,887 thousand and $18,132 thousand for the years ended December 31, 2021 and 2020, respectively.

b. There was no credit loan written off without a lawsuit for the years ended December 31, 2021 and 2020.

c. Movements in the total carrying amount of notes discounted and loans for the years ended December 31, 2021 and 2020 were as follows:

2021

	12-month ECLs	Lifetime ECL	Credit-impaired Financial Assets	Total
Balance at January 1, 2021	$ 439,608,628	$ 14,857,468	$ 8,410,617	$ 462,876,713
Transfers to lifetime ECL	(4,982,303)	5,027,179	(44,876)	-
Transfers to credit-impaired financial assets	(1,689,406)	(1,752,054)	3,441,460	-
Transfers to 12-month ECLs	2,691,249	(2,667,827)	(23,422)	-
New notes discounted and loans purchased or originated	245,927,708	1,426,322	207,855	247,561,885
Write-offs	-	-	(1,392,778)	(1,392,778)
Derecognition	(194,237,690)	(3,886,855)	(1,471,421)	(199,595,966)
Foreign exchange differences and other changes	(21,772,879)	(760,411)	(428,741)	(22,962,031)
Balance at December 31, 2021	$ 465,545,307	$ 12,243,822	$ 8,698,694	$ 486,487,823

2020

	12-month ECLs	Lifetime ECL	Credit-impaired Financial Assets	Total
Balance at January 1, 2020	$ 415,543,744	$ 16,873,865	$ 9,554,442	$ 441,972,051
Transfers to lifetime ECL	(6,082,112)	6,325,653	(243,541)	-
Transfers to credit-impaired financial assets	(691,922)	(1,670,809)	2,362,731	-
Transfers to 12-month ECLs	3,710,454	(3,688,229)	(22,225)	-
New notes discounted and loans purchased or originated	242,052,505	2,407,137	412,670	244,872,312
Write-offs	(86,432)	(119,711)	(882,681)	(1,088,824)
Derecognition	(200,050,154)	(5,008,302)	(2,839,452)	(207,897,908)
Foreign exchange differences and other changes	(14,787,455)	(262,136)	68,673	(14,980,918)
Balance at December 31, 2020	$ 439,608,628	$ 14,857,468	$ 8,410,617	$ 462,876,713

d. Movements in the allowance for doubtful accounts of notes discounted and loans for the years ended December 31, 2021 and 2020 were as follows:

2021

	12-month ECLs	Lifetime ECL	Credit-impaired Financial Assets	Impairment Loss Assessed under IFRS 9	Difference of Impairment Loss under Regulations	Total
Balance at January 1, 2021	$ 1,725,305	$ 925,826	$ 1,856,155	$ 4,507,286	$ 1,828,105	$ 6,335,391
Reconciliation arising from financial instruments recognized at the beginning of the year:						
Transfers to lifetime ECL	(8,771)	12,448	(3,677)	-	-	-
Transfers to credit-impaired financial assets	(6,230)	(189,407)	195,637	-	-	-
Transfers to 12-month ECLs	110,495	(108,205)	(2,290)	-	-	-
Derecognition of financial assets in current period	(971,123)	(160,890)	(281,228)	(1,413,241)	-	(1,413,241)
New financial assets purchased or originated	959,821	55,188	51,057	1,066,066	-	1,066,066
Difference of impairment loss under regulations	-	-	-	-	1,289,596	1,289,596
Write-offs	-	-	(314,807)	(314,807)	(1,077,971)	(1,392,778)
Recovery of written-offs	-	-	-	-	710,435	710,435
Foreign exchange differences and other changes	(344,206)	73,695	356,492	85,981	-	85,981
Balance at December 31, 2021	$ 1,465,291	$ 608,655	$ 1,857,339	$ 3,931,285	$ 2,750,165	$ 6,681,450

2020

	12-month ECLs	Lifetime ECL	Credit-impaired Financial Assets	Impairment Loss Assessed under IFRS 9	Difference of Impairment Loss under Regulations	Total
Balance at January 1, 2020	$ 1,776,628	$ 852,354	$ 2,468,257	$ 5,097,239	$ 1,476,478	$ 6,573,717
Reconciliation arising from financial instruments recognized at the beginning of the year:						
Transfers to lifetime ECL	(13,847)	183,729	(169,882)	-	-	-
Transfers to credit-impaired financial assets	(4,145)	(91,716)	95,861	-	-	-
Transfers to 12-month ECLs	148,413	(145,767)	(2,646)	-	-	-
Derecognition of financial assets in current period	(1,028,000)	(207,309)	(621,706)	(1,857,015)	-	(1,857,015)
New financial assets purchased or originated	1,120,880	160,030	199,554	1,480,464	-	1,480,464
Difference of impairment loss under regulations	-	-	-	-	381,150	381,150
Write-offs	(245)	(20,452)	(432,530)	(453,227)	(635,597)	(1,088,824)
Recovery of written-offs	-	-	-	-	606,074	606,074
Foreign exchange differences and other changes	(274,379)	194,957	319,247	239,825	-	239,825
Balance at December 31, 2020	$ 1,725,305	$ 925,826	$ 1,856,155	$ 4,507,286	$ 1,828,105	$ 6,335,391

14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD, NET

The following table shows the Group's proportion of ownership and voting right of associates at the end of the reporting date:

	December 31			
	2021		2020	
	Amount	Proportion of Ownership (%)	Amount	Proportion of Ownership (%)
Associates that are not individually material				
Taichung Bank Securities Investment Trust Co., Ltd.	$ 165,124	38.46	$ 163,148	38.46

The share of profit (loss) of the investments in associates accounted for using the equity method was as follows:

	For the Year Ended December 31	
Investee Company	2021	2020
Taichung Bank Securities Investment Trust Co., Ltd.	$ (592)	$ (3,294)

Investment was accounted for using the equity method and the share of profit (loss) of the investment was calculated based on financial statements which have been audited.

The Group is the single largest shareholder of Taichung Bank Securities Investment Trust Co., Ltd. with 38.46% interest in the investee, in which the remaining interest is held by several other shareholders. The Group considered the absolute size of its holding, and the relative size and dispersion of the other shareholdings in Taichung Bank Securities Investment Trust Co., Ltd. and concluded that it does not have control over Taichung Bank Securities Investment Trust Co., Ltd. The management of the Group considered the Group as exercising significant influence over Taichung Bank Securities Investment Trust Co., Ltd. and, therefore, classified Taichung Bank Securities Investment Trust Co., Ltd. as associate of the Group.

15. RESTRICTED ASSETS, NET

	December 31	
	2021	**2020**
Restricted assets - cash in banks	$ 384,756	$ 436,106
Payments pending settlement	9,865	3,177
	$ 394,621	$ 439,283

Refer to Note 37 for information relating to the restricted assets - cash in banks, which are used as collateral for financing to other banks.

16. OTHER FINANCIAL ASSETS, NET

	December 31	
	2021	**2020**
Other delinquent receivables, net	$ 437,502	$ 2,246

Other delinquent receivables, net were as follows:

	December 31	
	2021	**2020**
Delinquent receivables not arising from loans	$ 537,959	$ 3,767
Less: Allowance for doubtful accounts (Note 12)	(100,457)	(1,521)
	$ 437,502	$ 2,246

17. PROPERTIES AND EQUIPMENT, NET

	2021						
	Land	Building and Structures	Transportation Equipment	Miscellaneous Equipment	Lease Improvements	Construction in Progress	Total
Cost							
Balance, beginning of year	$ 7,847,588	$ 2,101,530	$ 59,101	$ 2,009,496	$ 8,975	$ 3,250,482	$ 15,277,172
Additions	227	9,583	1,793	149,564	14,289	1,443,901	1,619,357
Disposals	(4,468)	(6,603)	(2,110)	(33,337)	-	-	(46,518)
Reclassifications	15,801	5,972	6,297	(6,254)	1,946	(5,187)	18,575
Exchange differences, net	-	-	5	127	-	-	132
Balance, end of year	7,859,148	2,110,482	65,086	2,119,596	25,210	4,689,196	16,868,718
Accumulated depreciation							
Balance, beginning of year	-	1,231,486	36,075	1,596,941	3,001	-	2,867,503
Additions	-	38,780	7,126	157,494	2,766	-	206,166
Disposals	-	(6,603)	(2,083)	(32,687)	-	-	(41,373)
Reclassifications	-	3,832	2,277	(2,277)	-	-	3,832
Exchange differences, net	-	-	6	160	-	-	166
Balance, end of year	-	1,267,495	43,401	1,719,631	5,767	-	3,036,294
Impairment							
Balance, beginning of year	77,000	-	-	-	-	-	77,000
Balance, end of year	77,000	-	-	-	-	-	77,000
Balance, end of year, net	$ 7,782,148	$ 842,987	$ 21,685	$ 399,965	$ 19,443	$ 4,689,196	$ 13,755,424

	2020						
	Land	Building and Structures	Transportation Equipment	Miscellaneous Equipment	Lease Improvements	Construction in Progress	Total
Cost							
Balance, beginning of year	$ 7,847,588	$ 2,101,530	$ 54,053	$ 1,900,254	$ 7,799	$ 1,526,236	$ 13,437,460
Additions	-	-	5,187	135,391	1,176	1,729,338	1,871,092
Disposals	-	-	(126)	(25,585)	-	-	(25,711)
Reclassifications	-	-	-	-	-	(5,092)	(5,092)
Exchange differences, net	-	-	(13)	(564)	-	-	(577)
Balance, end of year	7,847,588	2,101,530	59,101	2,009,496	8,975	3,250,482	15,277,172
Accumulated depreciation							
Balance, beginning of year	-	1,191,481	29,932	1,453,794	1,632	-	2,676,839
Additions	-	40,005	6,267	168,109	1,369	-	215,750
Disposals	-	-	(126)	(24,814)	-	-	(24,940)
Exchange differences, net	-	-	2	(148)	-	-	(146)
Balance, end of year	-	1,231,486	36,075	1,596,941	3,001	-	2,867,503
Impairment							
Balance, beginning of year	77,000	-	-	-	-	-	77,000
Balance, end of year	77,000	-	-	-	-	-	77,000
Balance, end of year, net	$ 7,770,588	$ 870,044	$ 23,026	$ 412,555	$ 5,974	$ 3,250,482	$ 12,332,669

The above items of property and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Building and structures	
Building	30 to 60 years
Renovation	10 to 29 years
Transportation equipment	3 to 5 years
Miscellaneous equipment	2 to 15 years
Lease improvements	2 to 5 years

18. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2021	2020
Carrying amount		
Land and buildings	$ 794,069	$ 789,200
Transportation equipment	23,251	189,018
	$ 817,320	$ 978,218

	For the Year Ended December 31	
	2021	2020
Additions to right-of-use assets	$ 255,729	$ 367,498
Depreciation charge for right-of-use assets		
Land and buildings	$ 134,828	$ 132,754
Transportation equipment	92,637	83,768
	$ 227,465	$ 216,522

The Group suspended the leases of some land and buildings and transportation equipment before the leases expired. The amount of right-of-use assets derecognized was $189,098 thousand and $53,865 thousand for the years ended December 31, 2021 and 2020, respectively. The disposal gain of $5,797 thousand and $1,184 thousand was recognized for the years ended December 31, 2021 and 2020.

Except for the aforementioned suspension and addition and recognized depreciation, the Group did not have significant sublease or impairment of right-of-use assets for the years ended December 31, 2021 and 2020.

b. Lease liabilities

	December 31	
	2021	2020
Carrying amount	$ 853,218	$ 1,006,781

Range of discount rates for lease liabilities was as follows:

	December 31	
	2021	2020
Land	1.01%-4.14%	1.01%-4.14%
Buildings	1.01%-5.95%	1.01%-5.95%
Transportation equipment	1.01%-5.96%	1.01%-5.96%

c. Material lease-in activities and terms

The Group leases domestic offices, ATM sites and transportation equipment with lease terms of 1 to 15 years. The lease contract specifies that lease payments will be adjusted on the basis of changes in market rental rates. The Group does not have bargain purchase options to acquire the leasehold land and buildings at the end of the lease terms.

d. Other lease information

Lease arrangements under operating leases for the leasing out of freehold properties are set out in Note 19.

	For the Year Ended December 31	
	2021	2020
Expenses relating to short-term leases	$ 2,439	$ 2,837
Expenses relating to low-value asset leases	$ 9,316	$ 7,797
Total cash outflow for leases	$ (263,173)	$ (249,236)

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

19. INVESTMENT PROPERTIES, NET

	2021		
	Land	Structures	Total
Cost			
Balance, beginning of year	$ 15,801	$ 5,972	$ 21,773
Reclassifications	(15,801)	(5,972)	(21,773)
Balance, end of year	-	-	-
Accumulated depreciation			
Balance, beginning of year	-	3,759	3,759
Additions	-	73	73
Reclassifications	-	(3,832)	(3,832)
Balance, end of year	-	-	-
Balance, end of year, net	$ -	$ -	$ -

	2020		
	Land	Structures	Total
Cost			
Balance, beginning of year	$ 15,801	$ 5,972	$ 21,773
Balance, end of year	15,801	5,972	21,773
Accumulated depreciation			
Balance, beginning of year	-	3,670	3,670
Additions	-	89	89
Balance, end of year	-	3,759	3,759
Balance, end of year, net	$ 15,801	$ 2,213	$ 18,014

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

Building and structures	
Building	60 years
Renovation	10 to 25 years

b. The fair value of the investment properties of the Group on December 31, 2020 was $53,579 thousand. The fair value was not evaluated by independent qualified professional valuers. The valuation was arrived at by reference to the market evidence of transaction price for similar properties, and the fair value was measured by using Level 3 inputs.

c. The abovementioned investment properties were leased out for 5 years. The lessees do not have bargain purchase options to acquire the investment properties at the expiry of the lease periods.

d. The maturity analysis of lease payments receivable under operating leases of investment properties as of December 31, 2020 is as follows:

	December 31, 2020
Year 1	$ 864

20. INTANGIBLE ASSETS, NET

	December 31	
	2021	2020
Business rights	$ 28,000	$ 28,000
Computer software	192,723	185,470
	$ 220,723	$ 213,470

a. Business rights of the Group arose from the transfer of Fengxing Securities Co., Ltd., which was classified as intangible assets with indefinite useful lives and not subject to amortization. As of December 31, 2021, there was no impairment loss of the business rights.

b. Movements of intangible assets were as follows:

	For the Year Ended December 31	
	2021	2020
Balance, beginning of year	$ 213,470	$ 153,125
Additions	68,436	105,285
Amortization	(64,361)	(58,434)
Reclassifications	3,198	13,049
Exchange differences, net	(20)	445
Balance, end of year	$ 220,723	$ 213,470

Computer software is amortized on a straight-line basis over its estimated useful life as follows:

Computer software	1-5 years

21. OTHER ASSETS, NET

	December 31	
	2021	2020
Refundable deposits	$ 2,174,569	$ 2,198,459
Prepayments	146,868	136,226
Receipts under payment for shares underwriting	724,125	107,826
Others	2,274	1,016
	$ 3,047,836	$ 2,443,527

As of December 31, 2021 and 2020, the time deposits and government bonds at amortized cost in the amounts of $1,056,400 thousand and $1,060,400 thousand, respectively, were pledged as collateral to the district court for litigation related to the overdraft of the U.S. dollar clearing account and the guarantee deposits of business operations. These amounts were stated as refundable deposits. Refer to Note 37.

22. DUE TO THE CENTRAL BANK AND OTHER BANKS

	December 31	
	2021	2020
Call loans from banks	$ 3,900,000	$ 6,411,231
Due to Chunghwa Post Co., Ltd.	53,687	326,094
Due to banks	13	300,013
	$ 3,953,700	$ 7,037,338

23. FUNDS BORROWED FROM THE CENTRAL BANK AND OTHER BANKS

	December 31	
	2021	2020
Funds borrowed from the Central Bank	$ 3,489,540	$ 2,167,280
Funds borrowed from other banks	6,969,616	6,343,372
	$ 10,459,156	$ 8,510,652
Funds borrowed from the Central Banks (%)	0.10	0.10
Funds borrowed from other banks (%)	0.95-5.66	0.95-5.23

Refer to Note 37 for information relating to collateral provided for funds borrowed from the Central Bank and other banks.

24. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

	December 31	
	2021	2020
Government bonds	$ 1,205,559	$ 1,203,592
Foreign bonds	-	1,096,485
	$ 1,205,559	$ 2,300,077

The details of repurchase price and interest rate at the end of the period were as follows:

	December 31	
	2021	**2020**
Government bonds	$ 1,205,924	$ 1,203,981
Foreign bonds	-	1,097,527
	$ 1,205,924	$ 2,301,508
Government bonds	0.19%-0.21%	0.20%-0.21%
Foreign bonds	-	0.38%

The foreign bonds denominated in foreign currencies were as follows:

	December 31	
	2021	**2020**
USD	$ -	$ 39,022

25. PAYABLES

	December 31	
	2021	**2020**
Notes and checks in clearing	$ 4,589,463	$ 1,249,821
Accrued expenses	2,011,711	1,653,548
Accounts payable for delivery	1,614,594	1,526,955
Acceptances	975,865	455,797
Collections payable	774,831	144,075
Interest payable	283,882	327,521
Factored accounts payable	34,642	105,876
Foreign currency settlement payable	1,210	1,083,053
Other payables	806,760	802,738
	$ 11,092,958	$ 7,349,384

26. DEPOSITS AND REMITTANCES

	December 31	
	2021	**2020**
Checking	$ 11,427,355	$ 8,826,292
Demand	192,808,322	171,324,169
Demand savings	160,450,666	150,643,016
Time	140,475,464	150,519,288
Time savings	153,899,040	155,188,149
Remittances	55,388	88,554
	$ 659,116,235	$ 636,589,468

27. BANK DEBENTURES

	December 31	
	2021	2020
Subordinated financial debenture	$ 16,500,000	$ 11,500,000

a. The Bank issued first subordinated financial debenture and second subordinated financial debenture on June 25, 2013 and December 16, 2013, respectively, which were approved under ruling reference No. 10200089330 issued by the Banking Bureau of the FSC on April 8, 2013. Details of the financial subordinated debenture's issuance are summarized as follows:

1) Total approved principal: $6,000,000 thousand.

2) Principal issued:

a) Debenture I on 2013: $2,500,000 thousand.
b) Debenture II on 2013: $3,000,000 thousand.

3) Denomination:

a) Debenture I on 2013: $500 thousand, issued at par.
b) Debenture II on 2013: $500 thousand, issued at par.

4) Period:

a) Debenture I on 2013: 7 years with maturities on June 25, 2020.
b) Debenture II on 2013: 6 years with maturities on December 16, 2019.

5) Nominal interest rate:

a) Debenture I on 2013: Fixed interest rate, 2.1%.
b) Debenture II on 2013: Fixed interest rate, 2.1%.

6) Repayment: The subordinated financial debenture will be paid on the maturity date.

7) The interest will be paid semi-annually from the issuance date.

b. The Bank issued first subordinated financial debenture on December 28, 2015, which was approved under ruling reference No. 10400200460 issued by the Banking Bureau of the FSC on August 26, 2015. Details of the subordinated financial debenture's issuance are summarized as follows:

1) Total approved principal: $1,500,000 thousand.

2) Principal issued: $1,500,000 thousand.

3) Denomination: $10,000 thousand, issued at par.

4) Period: No due date.

5) Nominal interest rate: According to the interest rate of one-year time savings deposit of Chunghwa Post Co., Ltd., plus 3.08%.

6) Repayment: To be executed according to the issuance.

7) The interest will be paid annually from the issuance date.

c. The Bank issued first no due date non-cumulative subordinated financial debenture, second no due date non-cumulative subordinated financial debenture, third no due date non-cumulative subordinated financial debenture and first no due date non-cumulative subordinated financial debenture on March 28, 2017, May 18, 2017, August 28, 2017 and December 28, 2016, respectively, which were approved under ruling reference No. 10500210950 issued by the Banking Bureau of the FSC on September 2, 2016. Details of the subordinated financial debenture's issuance are summarized as follows:

1) Total approved principal: $3,500,000 thousand.

2) Principal issued:

   a) Debenture I on 2016: $1,500,000 thousand.
   b) Debenture I on 2017: $1,000,000 thousand.
   c) Debenture II on 2017: $500,000 thousand.
   d) Debenture III on 2017: $500,000 thousand.

3) Denomination:

   a) Debenture I on 2016: $10,000 thousand, issued at par.
   b) Debenture I on 2017: $10,000 thousand, issued at par.
   c) Debenture II on 2017: $10,000 thousand, issued at par.
   d) Debenture III on 2017: $10,000 thousand, issued at par.

4) Period: No due date.

5) Nominal interest rate: According to the interest rate of one-year time savings deposit of Chunghwa Post Co., Ltd., plus 3.08%.

6) Repayment: To be executed according to the issuance.

7) The interest will be paid annually from the issuance date.

d. The Bank issued first no due date non-cumulative subordinated financial debenture, fourth no due date non-cumulative subordinated financial debenture and fifth no due date non-cumulative subordinated financial debenture on April 25 2018, December 5, 2017 and December 27, 2017, respectively, which were approved under ruling reference No. 10600229120 issued by the Banking Bureau of the FSC on September 22, 2017. Details of the subordinated financial debenture's issuance are summarized as follows:

1) Total approved principal: $5,000,000 thousand.

2) Principal issued:

   a) Debenture IV on 2017: $1,350,000 thousand.
   b) Debenture V on 2017: $2,650,000 thousand.
   c) Debenture I on 2018: $1,000,000 thousand.

3) Denomination:

   a) Debenture IV on 2017: $10,000 thousand, issued at par.
   b) Debenture V on 2017: $10,000 thousand, issued at par.
   c) Debenture I on 2018: $10,000 thousand, issued at par.

4) Period: No due date.

5) Nominal interest rate: According to the interest rate of one-year time savings deposit of Chunghwa Post Co., Ltd., plus 3.08%.

6) Repayment: To be executed according to the issuance.

7) The interest will be paid annually from the issuance date.

e. The Bank issued second no due date non-cumulative subordinated financial debenture on December 18, 2018, which was approved under ruling reference No. 10702156550 issued by the Banking Bureau of the FSC on August 23, 2018. Details of the subordinated financial debenture issuance are summarized as follows:

1) Total approved principal: $1,500,000 thousand.

2) Principal issued: $1,500,000 thousand.

3) Denomination: $10,000 thousand, issued at par.

4) Period: No due date.

5) Nominal interest rate: According to the interest rate of one-year time savings deposit of Chunghwa Post Co., Ltd., plus 3.08%.

6) Repayment: To be executed according to the issuance.

7) The interest will be paid annually from the issuance date.

f. The Bank issued first subordinated financial debenture on December 27, 2021, which was approved under ruling reference No. 1100226929 issued by the Banking Bureau of the FSC on October 12, 2021. Detail of the subordinated financial debenture issuance is summarized as follows:

1) Total approved principal: $5,000,000 thousand.

2) Principal issued: $5,000,000 thousand.

3) Denomination: $10,000 thousand, issued at par.

4) Period: 7 years with maturities on 27 December 2028.

5) Nominal interest rate: Fixed interest, 1.2%.

6) Repayment: The subordinated financial debenture will be paid on the maturity date.

7) The interest will be paid annually from the issuance date.

28. OTHER FINANCIAL LIABILITIES

	December 31	
	2021	**2020**
Commercial papers payable	$ 2,063,676	$ 1,588,567
Structured commodity principal	584,493	107,246
	$ 2,648,169	$ 1,695,813

29. PROVISIONS

	December 31	
	2021	2020
Provision for employee benefits	$ 960,114	$ 1,089,282
Provision for losses on guarantees	297,963	235,963
Provision for loan commitments	65,147	72,060
Provision for outstanding loss	19,090	14,090
Other provision	12,855	13,097
	$ 1,355,169	$ 1,424,492

a. Details of provision for employee benefits were as follows:

	December 31	
	2021	2020
Benefit plans	$ 775,848	$ 913,854
Preferential interest on employees' deposits	147,633	139,406
Other long-term employee benefit liabilities	36,633	36,022
	$ 960,114	$ 1,089,282

1) Defined contribution plans

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

The amounts of contributions paid by the Group in 2021 and 2020 in accordance with the defined contribution plan and recognized in the statements of comprehensive income were $109,539 thousand and $101,385 thousand for the years ended December 31, 2021 and 2020, respectively.

2) Defined benefit plans

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

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

	December 31	
	2021	2020
Present value of defined benefit obligation	$ 1,676,309	$ 1,763,272
Fair value of plan assets	(900,461)	(849,418)
Deficit	775,848	913,854
Net defined benefit liabilities	$ 775,848	$ 913,854

Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2020	$ 1,817,070	$ (844,250)	$ 972,820
Service cost			
Current service cost	9,810	-	9,810
Net interest expense (income)	13,628	(6,810)	6,818
Recognized in profit or loss	23,438	(6,810)	16,628
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(24,070)	(24,070)
Actuarial loss - changes in financial assumptions	45,236	-	45,236
Actuarial gain - experience adjustments	(7,301)	-	(7,301)
Recognized in other comprehensive income	37,935	(24,070)	13,865
Contributions from the employer	-	(75,278)	(75,278)
Benefits paid	(100,990)	100,990	-
Company paid	(14,181)	-	(14,181)
Balance at December 31, 2020	1,763,272	(849,418)	913,854
Service cost			
Current service cost	8,058	-	8,058
Net interest expense (income)	8,816	(4,410)	4,406
Recognized in profit or loss	16,874	(4,410)	12,464
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(10,734)	(10,734)
Actuarial loss - changes in demographic assumptions	853	-	853
Actuarial gain - changes in financial assumptions	(20,675)	-	(20,675)
Actuarial gain - experience adjustments	(6,313)	-	(6,313)
Recognized in other comprehensive income	(26,135)	(10,734)	(36,869)
Contributions from the employer	-	(93,760)	(93,760)
Benefits paid	(57,861)	57,861	-
Company paid	(19,841)	-	(19,841)
Balance at December 31, 2021	$ 1,676,309	$ (900,461)	$ 775,848

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans was as follows:

	For the Year Ended December 31	
	2021	**2020**
Operating expenses	$ 12,464	$ 16,628

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

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

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

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

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

	December 31	
	2021	**2020**
Discount rate(s)	0.63%	0.50%
Expected rate(s) of salary increase	1.50%	1.50%

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

	December 31	
	2021	**2020**
Discount rate(s)		
0.25% increase	$ (40,354)	$ (45,236)
0.25% decrease	$ 41,694	$ 46,826
Expected rate(s) of salary increase		
0.25% increase	$ 40,603	$ 45,550
0.25% decrease	$ (39,503)	$ (44,235)

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

	December 31	
	2021	**2020**
Expected contributions to the plan for the next year	$ 30,676	$ 65,395
Average duration of the defined benefit obligation	9.7 years	10.4 years

3) Preferential interest on employees' deposits plan

The Bank had revised the interest rate of the employees' savings deposit since December 21, 2014, in accordance with the regulations of the Financial Management Law No. 10110000850 and the Regulations Governing the Preparation of Financial Reports by Public Banks, and the preferential interest on employee's deposit liabilities were carried out by qualified actuaries.

The amounts included in the consolidated balance sheets in respect of the preferential interest on employee's deposit plan were as follows:

	December 31	
	2021	**2020**
Present value of the preferential interest on deposits	$ 147,633	$ 139,406
Fair value of plan assets	-	-
Deficit	147,633	139,406
Provision for preferential interest on deposits	$ 147,633	$ 139,406

Movements in preferential interest on employees' deposits obligation were as follows:

	Present Value of the Preferential Interest on Employees' Deposits Obligation	**Fair Value of the Plan Assets**	**Net Preferential Interest on Employees' Deposits Liabilities**
Balance at January 1, 2020	$ 131,433	$ -	$ 131,433
Service cost			
Current service cost	11,407	-	11,407
Net interest expense	4,692	-	4,692
Recognized in profit or loss	16,099	-	16,099
Remeasurement			
Actuarial loss - experience adjustments	20,941	-	20,941
Recognized in other comprehensive income	20,941	-	20,941
Company paid	(29,067)	-	(29,067)
Balance at December 31, 2020	139,406	-	139,406
Service cost			
Current service cost	11,077	-	11,077
Net interest expense	4,995	-	4,995
Recognized in profit or loss	16,072	-	16,072

(Continued)

	Present Value of the Preferential Interest on Employees' Deposits Obligation	Fair Value of the Plan Assets	Net Preferential Interest on Employees' Deposits Liabilities
Remeasurement			
Actuarial loss - experience adjustments	$ 22,124	$ -	$ 22,124
Recognized in other comprehensive income	22,124	-	22,124
Company paid	(29,969)	-	(29,969)
Balance at December 31, 2021	$ 147,633	$ -	$ 147,633

(Concluded)

An analysis by function of the amounts recognized in profit or loss in respect of the preferential interest on employees' deposits plan was as follows:

	For the Year Ended December 31	
	2021	2020
Operating expenses	$ 16,072	$ 16,099

The actuarial valuations of the present value of preferential interest on employees' deposits obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2021	2020
Discount rate(s)	4.00%	4.00%
Expected return on employees' deposits	2.00%	2.00%
Excess interest rate	2.00%	2.00%
Preferential deposit withdrawal rate	3.50%	3.50%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of preferential interest on employees' deposits obligation would increase (decrease) as follows:

	December 31	
	2021	2020
Discount rate(s)		
0.25% increase	$ (3,573)	$ (3,381)
0.25% decrease	$ 3,729	$ 3,529
Preferential deposit withdrawal rate		
0.25% increase	$ 3,855	$ 3,647
0.25% decrease	$ (4,015)	$ (3,799)

The sensitivity analysis presented above may not be representative of the actual change in the present value of preferential interest on employees' deposits obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2021	2020
Expected contributions to the plan for the next year	$ -	$ -
Average duration of preferential interest on employees' deposits obligation	10.3 years	10.3 years

4) Other long-term employee benefit liabilities

Other long-term employee benefits of the Bank of the Group are long-term disability benefits. If the employee does not encounter any casualty due to occupational disaster or accidental death, the Bank will pay the pension according to the seniority.

The amounts of interest expense recognized by the Group in the consolidated statements of comprehensive income for long-term employee benefits in 2021 and 2020 were $1,632 thousand and $6,503 thousand, respectively. As of December 31, 2021 and 2020, other long-term employee benefit liabilities were $36,633 thousand and $36,022 thousand, respectively.

b. Movements of the provision for losses on guarantees were as follows:

2021

	12-month ECLs	Lifetime ECL	Credit-impaired Financial Assets	Impairment Loss Assessed under IFRS 9	Difference of Impairment Loss under Regulations	Total
Balance at January 1, 2021	$ 168,958	$ 4,799	$ 36,355	$ 210,112	$ 25,851	$ 235,963
Reconciliation arising from financial instruments recognized at the beginning of the year:						
Transfers to lifetime ECL	(447)	447	-	-	-	-
Transfers to credit-impaired financial assets	(5)	-	5	-	-	-
Transfers to 12-month ECLs	117	(117)	-	-	-	-
Derecognition of financial assets in current period	(112,752)	(4,176)	(269)	(117,197)	-	(117,197)
New financial assets purchased or originated	131,253	3,047	-	134,300	-	134,300
Difference of impairment loss under regulations	-	-	-	-	59,075	59,075
Foreign exchange differences and other changes	(15,244)	3,782	(2,716)	(14,178)	-	(14,178)
Balance at December 31, 2021	$ 171,880	$ 7,782	$ 33,375	$ 213,037	$ 84,926	$ 297,963

2020

	12-month ECLs	Lifetime ECL	Credit-impaired Financial Assets	Impairment Loss Assessed under IFRS 9	Difference of Impairment Loss under Regulations	Total
Balance at January 1, 2020	$ 109,720	$ 1,778	$ 58,621	$ 170,119	$ 4,344	$ 174,463
Reconciliation arising from financial instruments recognized at the beginning of the year:						
Transfers to lifetime ECL	(5)	3,399	(3,394)	-	-	-
Transfers to credit-impaired financial assets	(6)	-	6	-	-	-
Transfers to 12-month ECLs	3,815	(736)	(3,079)	-	-	-
Derecognition of financial assets in current period	(78,990)	(1,042)	(15,768)	(95,800)	-	(95,800)
New financial assets purchased or originated	141,620	3,975	-	145,595	-	145,595
Difference of impairment loss under regulations	-	-	-	-	21,507	21,507
Foreign exchange differences and other changes	(7,196)	(2,575)	(31)	(9,802)	-	(9,802)
Balance at December 31, 2020	$ 168,958	$ 4,799	$ 36,355	$ 210,112	$ 25,851	$ 235,963

In 2021 and 2020, a provision was recognized for bad-debt expense, commitments and guarantees.

c. Movements of the other provision were as follows:

2021

	12-month ECLs	Lifetime ECL	Credit-impaired Financial Assets	Impairment Loss Assessed under IFRS 9	Difference of Impairment Loss under Regulations	Total
Balance at January 1, 2021	$ 9,157	$ 3,263	$ -	$ 12,420	$ 677	$ 13,097
Reconciliation arising from financial instruments recognized at the beginning of the year:						
Transfers to lifetime ECL	-	-	-	-	-	-
Transfers to credit-impaired financial assets	-	-	-	-	-	-
Transfers to 12-month ECLs	-	-	-	-	-	-
Derecognition of financial assets in current period	(9,113)	(3,263)	-	(12,376)	-	(12,376)
New financial assets purchased or originated	8,629	-	-	8,629	-	8,629
Difference of impairment loss under regulations	-	-	-	-	3,549	3,549
Foreign exchange differences and other changes	(44)	-	-	(44)	-	(44)
Balance at December 31, 2021	$ 8,629	$ -	$ -	$ 8,629	$ 4,226	$ 12,855

2020

	12-month ECLs	Lifetime ECL	Credit-impaired Financial Assets	Impairment Loss Assessed under IFRS 9	Difference of Impairment Loss under Regulations	Total
Balance at January 1, 2020	$ 9,638	$ -	$ 7	$ 9,645	$ 2,233	$ 11,878
Reconciliation arising from financial instruments recognized at the beginning of the year:						
Transfers to lifetime ECL	-	-	-	-	-	-
Transfers to credit-impaired financial assets	-	-	-	-	-	-
Transfers to 12-month ECLs	-	-	-	-	-	-
Derecognition of financial assets in current period	(9,638)	-	(7)	(9,645)	-	(9,645)
New financial assets purchased or originated	9,157	3,263	-	12,420	-	12,420
Difference of impairment loss under regulations	-	-	-	-	(1,556)	(1,556)
Balance at December 31, 2020	$ 9,157	$ 3,263	$ -	$ 12,420	$ 677	$ 13,097

In 2021 and 2020, a provision was recognized for bad debts expense, commitments and guarantees.

d. Movements of the loan commitments were as follows:

2021

	12-month ECLs	Lifetime ECL	Credit-impaired Financial Assets	Impairment Loss Assessed under IFRS 9	Difference of Impairment Loss under Regulations	Total
Balance at January 1, 2021	$ 58,968	$ 7,205	$ 2,555	$ 68,728	$ 3,332	$ 72,060
Reconciliation arising from financial instruments recognized at the beginning of the year:						
Transfers to lifetime ECL	(6)	6	-	-	-	-
Transfers to credit-impaired financial assets	(646)	630	16	-	-	-
Transfers to 12-month ECLs	1,769	(1,769)	-	-	-	-
Derecognition of financial assets in current period	(33,456)	(5,398)	(692)	(39,546)	-	(39,546)
New financial assets purchased or originated	20,436	1,488	10,142	32,066	-	32,066
Difference of impairment loss under regulations	-	-	-	-	1,311	1,311
Foreign exchange differences and other changes	(1,142)	414	(16)	(744)	-	(744)
Balance at December 31, 2021	$ 45,923	$ 2,576	$ 12,005	$ 60,504	$ 4,643	$ 65,147

2020

	12-month ECLs	Lifetime ECL	Credit-impaired Financial Assets	Impairment Loss Assessed under IFRS 9	Difference of Impairment Loss under Regulations	Total
Balance at January 1, 2020	$ 48,760	$ 1,848	$ 4,025	$ 54,633	$ 8,724	$ 63,357
Reconciliation arising from financial instruments recognized at the beginning of the year:						
Transfers to lifetime ECL	(5,991)	5,353	638	-	-	-
Transfers to credit-impaired financial assets	(3)	(8)	11	-	-	-
Transfers to 12-month ECLs	1,685	(1,685)	-	-	-	-
Derecognition of financial assets in current period	(8,260)	(141)	(4,025)	(12,426)	-	(12,426)
New financial assets purchased or originated	24,551	1,298	1,917	27,766	-	27,766
Difference of impairment loss under regulations	-	-	-	-	(5,392)	(5,392)
Foreign exchange differences and other changes	(1,774)	540	(11)	(1,245)	-	(1,245)
Balance at December 31, 2020	$ 58,968	$ 7,205	$ 2,555	$ 68,728	$ 3,332	$ 72,060

In 2021 and 2020, a provision was recognized for bad-debt expense, commitments and guarantees.

e. Please refer to Note 38 for the amount of 19,090 thousand and $14,090 thousand for the outstanding compensation provision of the Bank in 2021 and 2020.

30. OTHER LIABILITIES

	December 31	
	2021	2020
Guarantee deposits received	$ 641,997	$ 567,148
Advance receipts	285,762	318,649
Credit transactions	2,782	3,604
Others	75,640	85,910
	$ 1,006,181	$ 975,311

31. EQUITY

a. Share capital

Ordinary shares

	December 31	
	2021	2020
Number of shares authorized (in thousands)	6,150,000	6,150,000
Shares authorized	$ 61,500,000	$ 61,500,000
Number of shares issued and fully paid (in thousands)	4,538,521	4,151,694
Shares issued	$ 45,385,205	$ 41,516,943

Ordinary shares issued have a par value of $10, carry one vote per share and carry the right to receive dividends.

As of January 1, 2020, the Bank had issued ordinary shares totaling $37,088,349 thousand, divided into 3,708,835 thousand ordinary shares at par value of $10 per share. In September 2020, the Bank transferred $1,928,594 thousand of unappropriated earnings to ordinary shares, consisting of 192,859 thousand ordinary shares at par value of $10 per share. In July 2020, the board of directors of the Bank resolved to issue 250,000 thousand ordinary shares with a par value of $10, for a consideration of $10.2 per share issued at premium. On October 13, 2020, the above transaction was approved under ruling reference No. 1090359541 issued by the Banking Bureau of the FSC and the subscription base date was determined as at December 17, 2020. As of December 31, 2020, the Bank had increased the number of ordinary shares to $41,516,943 thousand, consisting of 4,151,694 thousand ordinary shares at par value of $10 per share.

In September 2021, the Bank transferred $1,868,262 thousand of unappropriated earnings to ordinary shares, consisting of 186,826 thousand ordinary shares at par value of $10 per share. In July 2021, the board of directors of the Bank resolved to issue 200,000 thousand ordinary shares with a par value of $10, for a consideration of $11.15 per share issued at premium. On October 18, 2021, the above transaction was approved under ruling reference No. 1100359824 issued by the Banking Bureau of the FSC and the subscription base date was determined as at December 22, 2021. As of December 31, 2021, the Bank had increased ordinary shares to $45,385,205 thousand, divided into 4,538,521 thousand ordinary shares at $10 par value per share.

b. Capital surplus

	December 31	
	2021	2020
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital*		
Issuance of ordinary shares	$ 943,633	$ 713,633
May be used to offset a deficit only		
Issuance of ordinary shares - employee share options	79,040	58,664
Expired employee share options	6,791	6,767
Share of changes in capital surplus of associates	16,813	16,813
Conversion of bank debentures' components	7,729	7,729
	$ 1,054,006	$ 803,606

- * Such capital surplus may be used to offset a deficit; in addition, when the Bank has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Bank's capital surplus and to once a year).

c. Appropriation of earnings and dividend policy

Under the Bank's dividend policy as set forth in the Articles, where the Bank made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve of 30% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Bank's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors, refer to employees' compensation and remuneration of directors in Note 32.

The appropriation of earnings mentioned above shall be retained by the board of directors in accordance with the changing operating environment, operation and investment needs. When dividends are declared, cash dividends must be at least 10% of total dividends declared.

An appropriation of earnings to a legal reserve shall be made until the legal reserve equals the Bank's paid-in capital. The legal reserve may be used to offset deficits. If the Bank has no deficit and the legal reserve has exceeded 25% of the Bank's paid-in capital, the excess may be transferred to capital or distributed in cash.

In addition, the Banking Law limits the appropriation of cash dividends to 15% of the Bank's paid-in capital. But when the legal reserve equals the Bank's paid-in capital, this 15% limit may be waived. If the ratio of own capital to risk assets does not meet the standards set by the competent authority, the appropriation of earnings in cash or other assets should be subject to the restrictions or prohibitions of the relevant regulations.

Under related regulations, a special reserve is appropriated from the balance of the retained earnings at an amount from the net income and unappropriated earnings that is equal to the debit balance of accounts in the shareholders' equity section. Afterward, if there is any reversal of the decrease in shareholders' equity, the Bank is allowed to appropriate retained earnings from the reversed amount.

According to Order No. 1010012865 issued by the FSC (repealed at December 31, 2021), Order No. 1010047490 issued by the FSC (repealed at March 31, 2021), Order No. 1090150022 issued by the FSC, Order No. 10901500221 issued by the FSC and International Financial Reporting Standards and "Q&A on the application of the reference to the special reserve following adoption of IFRSs", retained earnings should be appropriated to or reversed from a special reserve by the Bank. Afterward, if there is any reversal of the decrease in other shareholders' equity, the Bank is allowed to appropriating retained earnings from the reversal amount. According to Order No. 10510001510 issued by the FSC, a special reserve should be appropriated between 0.5% and 1% of net income after tax when banks appropriate earnings of 2016 through 2018. After that, under No. 10802714560 issued by the FSC, the Bank no longer uses special reserve to protect the right of its employee in response to the developments of financial technology since 2019. From the fiscal year of 2019, the Bank can reverse the amount of expenditure of employees' transfer arising from financial technology development within the amount of the abovementioned special reserve from 2016 to 2018.

The appropriations of earnings for 2020 and 2019 had been approved in the shareholders' meetings of the Bank on July 1, 2021 and June 30, 2020, respectively, as follows:

	Appropriation of Earnings		Dividends Per Share (NT$)	
	2020	2019	2020	2019
Legal reserve	$ 1,207,149	$ 1,281,622	$ -	$ -
Special reserve	(565)	-	-	-
Cash dividends	996,407	1,038,474	0.24	0.28
Share dividends	1,868,262	1,928,594	0.45	0.52

The appropriations of earnings for 2021 which had been proposed by the Bank's board of directors on February 24, 2022 were as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 1,463,994	$ -
Special reserve	(601)	-
Cash dividends	1,134,630	0.25
Share dividends	2,269,260	0.50

The appropriations of earnings for 2021 are subject to the resolution of the shareholders' meeting to be held on May 17, 2022.

d. Other equity items

	Exchange Differences on Translation of the Financial Statements of Foreign Operations	Unrealized Gain on Financial Assets at FVTOCI	Total
Balance at January 1, 2021	$ (121,110)	$ 1,424,867	$ 1,303,757
Recognized for the period			
Unrealized gains (losses)			
Equity instruments	-	282,074	282,074
Debt instruments	-	(254,131)	(254,131)
Net remeasurement of loss allowance - debt instruments	-	9,198	9,198
Share from associates accounted for using the equity method	-	2,343	2,343
Cumulative unrealized gain of equity instruments transferred to retained earnings due to disposal	-	(71,656)	(71,656)
Cumulative translation adjustment			
Exchange differences for current period	36,023	-	36,023
Income tax related to other comprehensive income	-	437	437
Balance at December 31, 2021	$ (85,087)	$ 1,393,132	$ 1,308,045

(Continued)

	Exchange Differences on Translation of the Financial Statements of Foreign Operations	Unrealized Gain on Financial Assets at FVTOCI	Total
Balance at January 1, 2020	$ (96,316)	$ 949,508	$ 853,192
Recognized for the period			
Unrealized gains			
Equity instruments	-	230,633	230,633
Debt instruments	-	258,888	258,888
Net remeasurement of loss allowance - debt instruments	-	5,318	5,318
Share from associates accounted for using the equity method	-	9,570	9,570
Cumulative unrealized gain of equity instruments transferred to retained earnings due to disposal	-	(26,059)	(26,059)
Cumulative translation adjustment			
Exchange differences for current period	(24,794)	-	(24,794)
Income tax related to other comprehensive income	-	(2,991)	(2,991)
Balance at December 31, 2020	$ (121,110)	$ 1,424,867	$ 1,303,757

(Concluded)

32. NET PROFIT FROM CONTINUING OPERATIONS

Net profit from continuing operations was attributable to:

a. Net interest

	For the Year Ended December 31	
	2021	2020
Interest revenue		
Notes discounted and loans	$ 9,927,507	$ 9,918,006
Due from banks and call loans to the other banks	74,664	94,839
Investment in securities	1,468,181	1,501,954
Installment plan	362,556	282,384
Rental	344,622	250,214
Revolving interests of credit cards	34,230	37,443
Securities purchased under resale agreements	25,008	36,409
Accounts receivable factoring without recourse	8,281	7,683
Others	436	497
	12,245,485	12,129,429

(Continued)

	For the Year Ended December 31	
	2021	2020
Interest expense		
Deposits	$ (2,251,102)	$ (3,030,849)
Financial debentures	(448,172)	(497,196)
Funds borrowed from the Central Bank and other banks	(197,982)	(178,613)
Due to the Central Bank and other banks	(2,332)	(3,801)
Securities sold under repurchase agreements	(8,191)	(79,062)
Structured instruments	(7,597)	(6,696)
Lease liabilities	(37,147)	(35,308)
Others	(15,332)	(18,811)
	(2,967,855)	(3,850,336)
	$ 9,277,630	$ 8,279,093

(Concluded)

b. Service fee income, net

	For the Year Ended December 31	
	2021	2020
Service fee income		
Insurance brokering	$ 715,091	$ 791,380
Securities brokering	428,523	249,263
Trust business	1,218,880	1,068,056
Loans	695,138	565,057
Guarantee	212,100	154,934
Others	368,485	316,764
	3,638,217	3,145,454
Service fee expense		
Commission	(71,515)	(76,213)
Cross-bank transactions	(38,015)	(37,004)
Others	(153,976)	(126,334)
	(263,506)	(239,551)
	$ 3,374,711	$ 2,905,903

The Group provides custody, trust, investment management and consultancy services to third parties, so the Group’s activities involve the planning, management and trading decisions of financial instruments. For the trust funds or investment portfolios that are managed and used on behalf of the trustee, the independent accounting reports and preparation of financial statements for internal management purposes are not included in the Group’s consolidated financial statements.

c. Gain on financial assets and liabilities at fair value through profit or loss

	For the Year Ended December 31	
	2021	2020
Realized profit or loss		
Commercial papers	$ 65,813	$ 85,066
Shares	151,839	131,664
Beneficiary certificates	32,849	(20,609)
Derivative financial instruments	21,101	72,852
Corporate bonds	2,356	906
	273,958	269,879
Valuation		
Commercial papers	5,640	(11,436)
Shares	254,901	50,578
Beneficiary certificates	106,005	56,859
PEM Group policy assets	19,134	(202,381)
Open-end funds and money market tools	-	103
Derivative financial instruments	72,019	(191,420)
Corporate bonds	3,416	1,428
	461,115	(296,269)
	$ 735,073	$ (26,390)

1) For the years ended December 31, 2021 and 2020, realized profit or loss of gain on financial assets and liabilities at fair value through profit or loss included disposal profit amounted to $113,353 thousand and $129,405 thousand, dividend income amounted to $28,706 thousand and $27,474 thousand and interest revenue amounted to 131,899 thousand and $113,000 thousand, respectively.

2) Net income from exchange rate commodities includes realized and unrealized gains and losses on exchange forward contracts, cross-currency options and cross-currency swaps. The translation gains or losses included net income from exchange rate commodities when significant assets and liabilities denominated in foreign currencies classified as at FVTPL are not designated for hedging relationship.

d. Realized gains on financial assets at fair value through other comprehensive income

	For the Year Ended December 31	
	2021	2020
Dividend income	$ 152,947	$ 87,920
Gain on disposal of bonds	4,713	83,178
	$ 157,660	$ 171,098

e. Reversal of (impairment losses) on financial assets

	For the Year Ended December 31	
	2021	2020
Investments in debt instruments at FVTOCI	$ (9,198)	$ (5,318)
Financial assets at amortized cost	3,238	(2,750)
	$ (5,960)	$ (8,068)

f. Other non-interest gains, net

	For the Year Ended December 31	
	2021	2020
Gains on disposal of properties and equipment	$ 11,163	$ 8
Others	19,013	13,787
	$ 30,176	$ 13,795

g. Provision for bad-debt expenses, commitments and guarantees

	For the Year Ended December 31	
	2021	2020
Bad debts on receivables	$ 273,220	$ 147,059
Bad debts on notes discounted and loans	1,040,130	298,742
Losses on guarantees	62,000	61,500
(Reversal of) loan commitments	(6,616)	10,367
Others	(223)	1,364
	$ 1,368,511	$ 519,032

h. Employee benefits expenses

	For the Year Ended December 31	
	2021	2020
Salaries	$ 3,762,120	$ 3,385,315
Labor and health insurance	230,911	237,088
Pension expense	122,003	118,013
Other employee expenses	190,408	229,907
	$ 4,305,442	$ 3,970,323

i. Employees' compensation and remuneration of directors

According to the Articles of Incorporation of the Bank, the Bank accrues employees' compensation and remuneration of directors at rates of 0.5%-3% and no higher than 2.5%, respectively, of net profit before income tax, employees' compensation and remuneration of directors. The employees' compensation and the remuneration of directors for the years ended December 31, 2021 and 2020, which were approved by the Bank's board of directors on February 24, 2022 and February 25, 2021, respectively, were as follows:

Accrual rate

	For the Year Ended December 31	
	2021	2020
Employees' compensation	0.75%	0.75%
Remuneration of directors	2.50%	2.01%

Amount

	For the Year Ended December 31	
	2021	2020
Employees' compensation	$ 42,277	$ 35,975
Remuneration of directors	$ 140,922	$ 96,195

If there will be a change in the amounts after the annual consolidated financial statements are authorized for issue, the differences will be recorded as a change in the accounting estimate.

There was no difference between the actual amounts of employee's compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2020 and 2019.

Information on the employees' compensation and remuneration of directors resolved by the Bank's board of directors in 2022 and 2021 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

j. Depreciation and amortization expenses

	For the Year Ended December 31	
	2021	2020
Properties and equipment	$ 206,166	$ 215,750
Investment properties	73	89
Right-of-use assets	227,465	216,522
Intangible assets	64,361	58,434
	$ 498,065	$ 490,795

k. Other selling and administrative expenses

	For the Year Ended December 31	
	2021	2020
Taxes	$ 703,241	$ 652,932
Professional service	224,108	203,419
Advertisement	21,762	83,052
Insurance	181,391	167,953
Entertainment	95,311	76,820
Donation	94,127	147,508
Postage	76,614	70,880
Others	584,093	502,598
	$ 1,980,647	$ 1,905,162

33. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

Major components of income tax expense were as follows:

	For the Year Ended December 31	
	2021	2020
Current tax		
In respect of the current period	$ 859,199	$ 714,197
Income tax on unappropriated earnings	290	1,169
Adjustments for prior periods	(19,446)	1,625
Deferred tax	1,187	-
In respect of the current period	(68,295)	15,906
Income tax expense recognized in profit or loss	$ 772,935	$ 732,897

A reconciliation of accounting profit and income tax expense was as follows:

	For the Year Ended December 31	
	2021	2020
Profit before tax from continuing operations	$ 5,569,209	$ 4,758,430
Income tax expense calculated at the statutory rate	$ 1,113,841	$ 951,686
Non-deductible expenses in determining taxable income	5,368	3,806
Tax-exempt income	(328,869)	(229,516)
Income tax on unappropriated earnings	290	1,169
Adjustments for prior years' tax	(19,446)	1,625
Unrecognized deductible temporary differences	(2,359)	3,641
Land value increment tax	1,187	-
Effect of different tax rates of group entities operating in other jurisdictions	2,923	486
Income tax expense recognized in profit or loss	$ 772,935	$ 732,897

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2021	2020
Deferred tax		
In respect of the current period		
Fair value changes of financial assets at FVTOCI	$ 437	$ (2,991)
Remeasurement of defined benefit plans	(2,949)	6,961
Total income tax (expense) benefit recognized in other comprehensive income	$ (2,512)	$ 3,970

c. Current tax assets and liabilities

	December 31 2021	December 31 2020
Current tax assets		
Tax refund receivable	$ -	$ 3,279
Current tax liabilities		
Income tax payable	$ 406,178	$ 162,112

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2021

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax assets				
Temporary differences				
Property, plant and equipment	$ 3,644	$ -	$ -	$ 3,644
Unrealized losses on structure notes payment	253,967	(3,827)	-	250,140
Defined benefit obligations	217,857	(22,884)	(2,949)	192,024
Allowance for doubtful accounts	328,039	68,131	-	396,170
Others	(8,403)	25,340	437	17,374
	$ 795,104	$ 66,760	$ (2,512)	$ 859,352
Deferred tax liabilities				
Temporary differences				
Provision for land value increment tax	$ 111,021	$ (1,535)	$ -	$ 109,486

For the year ended December 31, 2020

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax assets				
Temporary differences				
Property, plant and equipment	$ 3,644	$ -	$ -	$ 3,644
Unrealized losses on structure notes payment	213,491	40,476	-	253,967
Defined benefit obligations	226,754	(15,858)	6,961	217,857
Allowance for doubtful accounts	383,804	(55,765)	-	328,039
Others	(20,653)	15,241	(2,991)	(8,403)
	$ 807,040	$ (15,906)	$ 3,970	$ 795,104

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax liabilities				
Temporary differences				
Provision for land value increment tax	$ 111,021	$ -	$ -	$ 111,021

(Concluded)

e. Unused loss carryforwards and deductible temporary differences for which no deferred tax assets have been recognized in the consolidated balance sheets

	For the Year Ended December 31	
	2021	2020
Deductible temporary differences		
Share of subsidiaries	$ (9,046)	$ 32,139
Allowance for doubtful accounts	271,978	222,048
Unrealized evaluation loss	19,721	46,676
	$ 282,653	$ 300,863

f. Income tax assessments

The income tax returns of Taichung Commercial Bank Co., Ltd., Taichung Bank Insurance Brokers Co., Ltd., Taichung Bank Leasing Corporation Limited, and Taichung Commercial Bank Securities Co., Ltd. through 2019 have been assessed and approved by the tax authorities.

34. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Year Ended December 31	
	2021	2020
Basic earnings per share	$ 1.10	$ 0.98
Diluted earnings per share	$ 1.10	$ 0.98

The weighted average number of shares outstanding used for the earnings per share computation was adjusted retroactively for the issuance of bonus shares. The basic and diluted earnings per share adjusted retrospectively for the year ended December 31, 2020 were as follows:

Unit: NT$ Per Share

	Before Retrospective Adjustment	After Retrospective Adjustment
Basic earnings per share	$ 1.03	$ 0.98
Diluted earnings per share	$ 1.03	$ 0.98

The earnings and weighted average number of ordinary shares outstanding used in the computation of earnings per share were as follows:

Net profit for the period

	For the Year Ended December 31	
	2021	2020
Earnings used in the computation of basic earnings per share	$ 4,796,274	$ 4,025,533
Earnings used in the computation of diluted earnings per share	$ 4,796,274	$ 4,025,533

The weighted average number of ordinary shares outstanding (in thousands of shares) was as follows:

	For the Year Ended December 31	
	2021	2020
Weighted average number of ordinary shares used in the computation of basic earnings per share	4,344,000	4,087,978
Effect of potentially dilutive ordinary shares		
Employees' compensation or bonuses issued to employees	3,981	3,972
Weighted average number of ordinary shares used in the computation of diluted earnings per share	4,347,981	4,091,950

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

35. SHARE-BASED PAYMENT ARRANGEMENTS

According to the Company Act, the Bank remains 15% of shares as provision for subscription by qualified employees when there is issuance of ordinary shares for cash. On October 20, 2021 qualified employees were granted 30,000 thousand options. Each option entitles the holder with the right to subscribe for one ordinary share of the Bank. The options were granted at an exercise price of $11.15.

According to the Company Act, the Bank remains 15% of shares as provision for subscription by qualified employees when there is issuance of ordinary shares for cash. On October 19, 2020 qualified employees were granted 37,500 thousand options. Each option entitles the holder with the right to subscribe for one ordinary share of the Bank. The options were granted at an exercise price of $10.2.

Information on employee share options was as follows:

	For the Year Ended December 31			
	2021		2020	
	Number of Options (In Thousands of Units)	Weighted-average Exercise Price ($)	Number of Options (In Thousands of Units)	Weighted-average Exercise Price ($)
Balance at January 1	-	$ -	-	$ -
Options granted	30,000	11.15	37,500	10.20
Options exercised	(29,966)	11.15	(37,380)	10.20
Options expired	(34)	11.15	(120)	10.20
Balance at December 31	-		-	
Options exercisable, end of the year	-		-	
Weighted-average fair value of options granted ($)	$ 0.68		$ 0.71	

Options granted by Taichung Commercial Bank Co., Ltd. in October 2021 and 2020 are priced using the Black-Scholes pricing model, and the inputs to the model are as follows:

	2021	2020
Grant-date share price	$11.80	$10.80
Exercise price	$11.15	$10.20
Volatility	11.67%	19.98%
Duration	58 days	54 days
Dividend yield	0%	0%
Risk-free interest rate	0.06%	0.05%

Compensation costs recognized were $20,400 thousand and $26,625 thousand for the years ended December 31, 2021 and 2020.

36. RELATED-PARTY TRANSACTIONS

Related Party	Relationship with the Group
China Man-Made Fiber Corporation	Parent company of the Bank
Hsu Tian Investment Co., Ltd.	Legal director of the Bank
Pan Asia Chemical Co., Ltd. and Ho Yang Management Consultant Co., Ltd. (Note 2)	Legal directors of the Bank
Kuei-Fong Wang (Note 1)	Natural director of the Bank
Te-Wei Chia (Note 1)	General manager and legal representatives of the Bank's director
Hsin-Chang Tsai, Li-Woon Lim, Pi-Ta Chen, Chien-An Shin (Note 1)	Independent directors of the Bank
Jin-Yi Lee (Note 2)	Independent director of the Bank

(Continued)

Related Party	Relationship with the Group
Hsin-Ching Chang, Wei-Liang Lin, Ming-Hsiung Huang, Siou-Huei Ye, Shih-Yi Chiang, Li-Tzu Lai (Note 1)	Legal representatives of the Bank's director
Lai-Hsing Tsai, Chien-Hui Huang, Ming-Shan Chuang (Note 2)	Legal representatives of the Bank's director
24 persons including the Chairman and general manager's spouse	The spouses and second-degree relatives, etc. of the Bank's chairman and general managers
33 persons including the director of the Board's spouse	The spouses and children of the Bank's directors
7 persons including Yi-Yuan Tung	Key management personnel
19 persons including associate general manager's spouse	The spouses and children of the Bank's associate general managers
107 persons including Hung-Lung Tsai	Managers of the Bank
11 persons including Kuei-Hsien Wang	The spouses and children of the parent company's chairman and general managers
Taichung Bank Securities Investment Trust Co., Ltd.	Associate accounted for using the equity method
China Fiber Investment Co., Ltd.	Related party in substance
Pan Asia Investment Co., Ltd.	Related party in substance
Taichung Commercial Bank Cultural and Educational Foundation, Taichung Commercial Bank Workers' Welfare Commission	Related party in substance
Deh Hsing Investment Co., Ltd.	Related party in substance
Iolite Company Limited	Related party in substance
Hammock (Hong Kong) Company Limited	Related party in substance
Hebei Hanoshi Contact Lens Co., Ltd.	Related party in substance
Chou Chin Industrial Co., Ltd.	Related party in substance
Chou Chang Co., Ltd.	Related party in substance
Pan Feng Enterprise Co., Ltd.	Related party in substance
Greenworld Food Co., Ltd.	Related party in substance
Nan Chung Petrochemical Corporation	Related party in substance
Je Mi Fang Corporation	Related party in substance
Rai Chia Investment Co., Ltd.	Related party in substance
Xiang Fong Development Co., Ltd.	Related party in substance
Reliance Securities Co., Ltd.	Related party in substance
Sheen Ren Knitting Factory Co., Ltd.	Related party in substance
Ta Fa Investment Co., Ltd.	Related party in substance
Formosa Imperial Wineseller Corp.	Related party in substance
Tou Ming Industry Limited Company	Related party in substance
Jin Bang Ge Industrial Company Limited.	Related party in substance
Ta Yi Development Co., Ltd.	Related party in substance
Yu Hui Limited	Related party in substance
Formosawine Vintners Corporation	Related party in substance
Bomi International Co., Ltd.	Related party in substance
Shanghai Bomi Food Co., Ltd.	Related party in substance
Noble House Global Limited	Related party in substance
Noble House Glory Corporation	Related party in substance
Wang Wanjin Culture and Education Foundation	Related party in substance
Chaoqing Investment Co., Ltd.	Related party in substance

(Continued)

Related Party	Relationship with the Group
Sheng Yuan Ze Investment Limited Company	Related party in substance
Pan Hsu Investment Co., Ltd.	Related party in substance
Precious Wealth International Limited	Related party in substance
Storm Model Management Co., Ltd.	Related party in substance
Bonwell Praise Co., Ltd.	Related party in substance
Chen Teng Public Relations (Shanghai) Company	Related party in substance
Shanghai Bomi Consulting management Limited Company	Related party in substance
Shuo-Jung Co., Ltd.	Related party in substance
Fengteng Co., Ltd.	Related party in substance
Shanghai Nianjia Culture Communication Co., Ltd.	Related party in substance
General Pride Enterprise Co., Ltd.	Related party in substance
Fengqi Investment Co., Ltd.	Related party in substance
Reliance Kuan Chun Venture Capital Co., Ltd.	Related party in substance
Reliance Securities Investment Consultant Co., Ltd.	Related party in substance
Reliance Kuan Chun Venture Management Consulting Co., Ltd.	Related party in substance
Shen Ching Investment Co., Ltd.	Related party in substance
Fu Ching Co., Ltd.	Related party in substance
Lei Fu Life Business Co., Ltd.	Related party in substance
Chi Da Investment Co., Ltd.	Related party in substance
Syu Yi Investment Co., Ltd.	Related party in substance
Yao Shang Investment Co., Ltd.	Related party in substance

(Concluded)

Note 1: 12 directors (including 4 independent directors) were elected at the shareholders' meeting of the Bank on June 30, 2020. The followings were respectively elected as directors: Kuei-Fong Wang and Ming-Hsiung Huang (legal representative of Hsu Tian Investment Co., Ltd.), Wei-Liang Lin (legal representative of Hsu Tian Investment Co., Ltd.), Te-Wei Chia (legal representative of Hsu Tian Investment Co., Ltd.), Shih-Yi Chiang (legal representative of Hsu Tian Investment Co., Ltd.), Hsin-Ching Chang (legal representative of Hsu Tian Investment Co., Ltd.), Siou-Huei Ye (legal representative of Hsu Tian Investment Co., Ltd.), Li-Tzu Lai (legal representative of Hsu Tian Investment Co., Ltd.), Hsin-Chang Tsai (independent directors of the Bank), Li-Woon Lim (independent directors of the Bank), Chien-An Shin (independent directors of the Bank) and Pi-Ta Chen (independent directors of the Bank).

Note 2: Resigned after the shareholders' meeting of the Bank on June 30, 2020.

Significant transactions between the Group and related party are as follows

a. Loans

For the year ended December 31, 2021

	Numbers/ Name	Highest Balance	Balance, End of the Year	Compliance: Performing Loans	Compliance: Overdue Loans	Interest Revenue	Collaterals	The Difference Between Related and Non-related Party
Employees consumption loans	13	$ 6,917	$ 4,644	$ 4,644	$ -	$ 65	Credit loans	None
Loans on mortgage	44	275,841	178,214	178,214	-	1,864	Real estate	None
Other loans	Zeng OO	138	101	101	-	2	Real estate	None
	Lee OO	2,414	2,273	2,273	-	30	Real estate	None
	Zeng OO	4,150	4,140	4,140	-	5	Real estate	None
	Chang OO	4,500	-	-	-	4	Real estate	None
	Liu OO	1,774	322	322	-	9	Real estate	None
	Tsai OO	5,000	-	-	-	8	Real estate	None
	Lin OO	412	321	321	-	-	Real estate	None
	Chiu OO	1,500	-	-	-	13	Real estate	None
	Chen OO	70,000	40,000	40,000	-	540	Real estate	None
	Fang OO	31,032	9,416	9,416	-	187	Real estate	None
	Wang OO	3,000	3,000	3,000	-	43	Real estate	None
	Lin OO	25,600	16,400	16,400	-	300	Real estate	None
	Tsai OO	248	114	114	-	3	Real estate	None
	Liang OO	767	646	646	-	8	Real estate	None
	Ye OO	22,000	11,000	11,000	-	135	Real estate	None
	Huang OO	1,435	1,298	1,298	-	18	Real estate	None
	Wang OO	6,345	6,120	6,120	-	155	Real estate	None
	Zhuang OO	1,314	-	-	-	7	Real estate	None
	Chiu OO	2,935	2,627	2,627	-	33	Real estate	None
	Hsu OO	2,200	2,200	2,200	-	32	Real estate	None
	Huang OO	15,000	15,000	15,000	-	44	Real estate	None

For the year ended December 31, 2020

	Numbers/ Name	Highest Balance	Balance, End of the Year	Compliance: Performing Loans	Compliance: Overdue Loans	Interest Revenue	Collaterals	The Difference Between Related and Non-related Party
Employees' consumption loans	13	$ 5,529	$ 3,897	$ 3,897	$ -	$ 53	Credit loans	None
Loans on mortgage	40	237,517	156,316	156,316	-	1,645	Real estate	None
Other loans	Lee OO	2,552	2,414	2,414	-	35	Real estate	None
	Chang OO	4,500	4,500	4,500	-	67	Real estate	None
	Liu OO	1,911	1,774	1,774	-	24	Real estate	None
	Tsai OO	5,000	5,000	5,000	-	-	Real estate	None
	Lin OO	504	412	412	-	-	Real estate	None
	Chiu OO	1,500	1,500	1,500	-	11	Real estate	None
	Fang OO	25,932	4,616	4,616	-	35	Real estate	None
	Lin OO	18,800	17,600	17,600	-	297	Real estate	None
	Tsai OO	380	248	248	-	6	Real estate	None
	Liang OO	886	767	767	-	11	Real estate	None
	Ye OO	33,000	11,000	11,000	-	153	Real estate	None
	Huang OO	1,570	1,435	1,435	-	23	Real estate	None
	Chiu OO	3,238	2,935	2,935	-	40	Real estate	None
	Hsu OO	2,200	2,200	2,200	-	5	Real estate	None

According to Articles 32 and 33 of the Banking Law, credit loans cannot be made to related party except loans to government and consumers; secured loans to related party shall be provided with adequate collateral, and the terms of credits to related party should be similar to those for third parties.

b. Deposits

	For the Year Ended December 31, 2021		
	Ending Balance	Interest Ratio	Interest Expense
Taichung Bank Securities Investment Trust Co., Ltd.	$ 114,944	0.00-0.79	$ 625
Taichung Commercial Bank Workers' Welfare Commission	141,508	0.01-4.80	6,889
China Man-Made Fiber Corporation	79,817	0.01-0.05	23
Taichung Commercial Bank Cultural and Educational Foundation	8,194	0.01-0.84	67
Formosa Imperial Wineseller Corp.	311	0.04	-
Greenworld Food Co., Ltd.	3,250	0.04	1
Pan Asia Chemical Corporation	54,587	0.01-0.04	10
Yao Shang Investment Co., Ltd	3,201	0.04	1
Chou Chin Industrial Co., Ltd.	14,870	0.01-0.04	1
Chou Chang Co., Ltd.	4,369	0.01	-
Shuo-Jung Co., Ltd.	36,717	0.01	1
Je Mi Fang Corporation	21,492	0.00-0.04	110
Yu Hui Limited	4	0.01	-
Syu Yi Investment Co., Ltd	3,201	0.04	1
Hsu Tian Investment Co., Ltd.	57,479	0.01-0.05	1
Chi Da Investment Co., Ltd	3,201	0.04	1
Reliance Securities Co., Ltd.	10,057	0.00-0.55	67
Pan Hsu Investment Co., Ltd.	6	0.01	-
Pan Asia Investment Co., Ltd.	7	0.01	-
Deh Hsing Investment Co., Ltd.	1	0.04	1
Fengqi Investment Co., Ltd.	6	0.04	-
Others	373,339	0.00-4.80	3,664
	$ 930,561		$ 11,463

	For the Year Ended December 31, 2020		
	Ending Balance	Interest Ratio	Interest Expense
Taichung Bank Securities Investment Trust Co., Ltd.	$ 166,905	0.00-1.05	$ 1,130
Taichung Commercial Bank Workers' Welfare Commission	140,183	0.01-4.80	7,151
China Man-Made Fiber Corporation	83,721	0.01-0.05	27
Taichung Commercial Bank Cultural and Educational Foundation	8,202	0.01-0.84	72
Formosa Imperial Wineseller Corp.	733	0.04	-
Greenworld Food Co., Ltd.	4,259	0.04	1
Pan Asia Chemical Corporation	113,890	0.01-0.04	7
Pan Feng Enterprise Co., Ltd.	260	0.04	-
Chou Chin Industrial Co., Ltd.	11,639	0.01-0.04	2
Chou Chang Co., Ltd.	84	0.01	-
Shuo-Jung Co., Ltd.	17,748	0.01	-
Je Mi Fang Corporation	20,051	0.04-0.81	42
Yu Hui Limited	4	0.01	-
Hsu Tian Investment Co., Ltd.	41,153	0.01-0.05	1

(Continued)

	For the Year Ended December 31, 2020		
	Ending Balance	**Interest Ratio**	**Interest Expense**
Reliance Securities Co., Ltd.	$ 13,748	0.04-0.55	$ 96
Pan Hsu Investment Co., Ltd.	4	0.01	-
Pan Asia Investment Co., Ltd.	6	0.01	-
Deh Hsing Investment Co., Ltd.	6,834	0.04	3
Others	347,616	0.00-4.80	3,851
	$ 977,040		$ 12,383

(Concluded)

The interest rates did not significantly differ from those with ordinary customers except for the interest rates on the Bank's employee deposits at both 4.80% as of December 31, 2021 and 2020, respectively.

c. Financial debentures

The Bank issued, first no due date non-cumulative subordinated financial debenture on 2015, first no due date non-cumulative subordinated financial debenture on 2016, first no due date non-cumulative subordinated financial debenture, second no due date non-cumulative subordinated financial debenture, third no due date non-cumulative subordinated financial debenture, fourth no due date non-cumulative subordinated financial debenture and fifth no due date non-cumulative subordinated financial debenture on 2017, first no due date non-cumulative subordinated financial debenture and second no due date non-cumulative subordinated financial debenture on 2018, and entrusted Concord Securities Co., Ltd. and KGI Securities Co., Ltd. as financial advisors for the issuance and collection of bonds.

As of December 31, 2021, the related party subscribed for the financial debentures issued by the Bank through underwriting brokers as follows:

Counterparty	Subscription	Period
Hsu Tian Investment Co., Ltd.	$ 4,000,000	First no due date non-cumulative subordinated financial debenture on 2015, first no due date non-cumulative subordinated financial debenture on 2016, first no due date non-cumulative subordinated financial debenture and fifth no due date non-cumulative subordinated financial debenture on 2017, first no due date non-cumulative subordinated financial debenture, second no due date non-cumulative subordinated financial debenture on 2018
Others	3,750,000	First no due date non-cumulative subordinated financial debenture on 2015, first no due date non-cumulative subordinated financial debenture on 2016, first no due date non-cumulative subordinated financial debenture, second no due date non-cumulative subordinated financial debenture, third no due date non-cumulative subordinated financial debenture, fourth no due date non-cumulative subordinated financial debenture, fifth no due date non-cumulative subordinated financial debenture on 2017, first no due date non-cumulative subordinated financial debenture and second no due date non-cumulative subordinated financial debenture on 2018

The interest payables on the financial debentures of the above-mentioned related parties were both $47,108 thousand on December 31, 2021 and 2020. The interest expenses were $301,474 thousand and $318,702 thousand in 2021 and 2020, respectively.

d. Service fee income

	For the Year Ended December 31	
	2021	2020
Taichung Bank Securities Investment Trust Co., Ltd.	$ 969	$ 590

The above amounts are for the promotion and channel revenue, etc. The price of transactions with its related party is similar to those of the non-related party.

e. Other expenses

	For the Year Ended December 31	
	2021	2020
Greenworld Food Co., Ltd.	$ 846	$ 1,292
Je Mi Fang Corporation	18	1,472
Pan Feng Enterprise Co., Ltd.	-	161
	$ 864	$ 2,925

The above amounts are other business expenses. The price of transactions with its related party is similar to those of the non-related party.

f. Compensation of directors and key management personnel

For the years ended December 31, 2021 and 2020, the amounts of compensation of directors and key management personnel were as follows:

	For the Year Ended December 31	
	2021	2020
Short-term benefits	$ 312,684	$ 241,346
Post-employee benefits	1,151	1,399
Other long-term benefits	3	17
	$ 313,838	$ 242,762

37. PLEDGED ASSETS

	December 31	
	2021	2020
Call loans to other banks - time deposits	$ 200,000	$ 200,000
Restricted assets - cash in banks	384,756	436,106
Notes receivable	3,036,279	2,426,158
Investments in debt instruments at amortized cost - government bonds	916,400	920,400
Deposit reserves for demand accounts	5,000,000	5,000,000
	$ 9,537,435	$ 8,982,664

Government bonds were pledged to district courts for litigation, the collateral for the overdraft of the clearing account and the compensation reserve for the securities firm and the trust business. The details were as follows:

	December 31	
	2021	**2020**
Guarantee to district court for litigation	$ 356,400	$ 360,400
Collateral for overdraft of clearing account	500,000	500,000
Reserve of trust compensation	60,000	60,000
	$ 916,400	$ 920,400

38. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in Notes 8, 11 and 24, significant commitments and contingencies of the Group as of December 31, 2021 and 2020 were as follows:

a. Significant commitments

	December 31	
	2021	**2020**
Loan commitments (excluding credit card)	$ 146,654,164	$ 143,630,068
Loan commitments - credit card	13,909,975	12,799,065
Guarantee receivables	27,150,584	22,879,091
Trust liabilities	77,982,280	65,050,103
Letters of credit	3,870,866	3,430,243
Lease contract commitment	1,672,014	2,121,644

b. According to Article 17 of the Implementation Rules of Trust Law, the Bank should disclose its balance sheet of trust account and its asset items, which were as follows:

Trust Account Balance Sheet
December 31, 2021

Trust Assets	Amount	Trust Liabilities	Amount
Cash in banks	$ 6,399,616	Securities under custody	
Debentures	7,238,414	payable	$ 6,646,778
Stocks	3,455,339	Trust capital	71,335,502
Funds	47,078,055	Net income	1,210,606
Structured finance instruments	1,643,837	Deferred carryover amounts	(1,210,606)
Real estate			
Land	5,386,698		
Buildings	132,100		
Securities under custody	6,646,778		
Securities trust services	1,443		
Trust assets	$ 77,982,280	Trust liabilities	$ 77,982,280

Trust Account Asset Items
December 31, 2021

Item	Amount
Cash in banks	$ 6,399,616
Debentures	7,238,414
Stocks	3,455,339
Funds	47,078,055
Structured finance instruments	1,643,837
Real estate	
Land	5,386,698
Buildings	132,100
Securities under custody	6,646,778
Securities trust services	1,443
	$ 77,982,280

Trust Account Income Statement
Year Ended December 31, 2021

	Amount
Trust income	
Interest revenue	$ 2,428,466
Trust expense	
Management fee	(1,217,830)
Tax	(30)
Income before income tax	1,210,606
Income tax expense	-
Net income	$ 1,210,606

Trust Account Balance Sheet
December 31, 2020

Trust Asset	Amount	Trust Liabilities	Amount
Cash in banks	$ 4,689,969	Securities under custody	
Debentures	7,976,548	payable	$ 2,918,386
Stocks	2,285,436	Trust capital	62,131,717
Funds	43,580,019	Net income	1,569,531
Structured finance instruments	1,406,286	Deferred carry-over amounts	(1,569,531)
Real estate			
Land	2,056,768		
Buildings	136,691		
Securities under custody	2,918,386		
Trust asset	$ 65,050,103	Trust liability	$ 65,050,103

Trust Account Asset Items
December 31, 2020

Item	Amount
Cash in banks	$ 4,689,969
Debentures	7,976,548
Stocks	2,285,436
Funds	43,580,019
Structured finance instruments	1,406,286
Real estate	
Land	2,056,768
Buildings	136,691
Securities under custody	2,918,386
	$ 65,050,103

Trust Account Income Statement
Year Ended December 31, 2020

	Amount
Trust income	
Interest revenue	$ 2,641,698
Trust expense	
Management fee	(1,072,146)
Tax	(21)
Income before income tax	1,569,531
Income tax expense	-
Net income	$ 1,569,531

c. Maturity analysis of lease commitments and capital expenditures

The lease contract commitments of the Group include operating leases and finance leases.

Operating lease commitment is the minimum lease payment when the Group is lessee or lessor with non-cancellation condition. The lease contract commitments of the operating leases are referred to in Note 19.

The finance lease commitments refer to the total lease investment of the lessor under the finance lease conditions and the present value of the minimum lease payments receivable.

Capital expenditure commitments represent contractual commitments for the acquisition of capital expenditures on construction and equipment.

Considering the expansion of business scale and the increasing number of employees in the future, the Bank held a tender for the construction project of head office through an online open bidding process on February 11, 2019. Dacin Construction Co., Ltd. and Earthpower Co., Ltd. won the bidding, both parties entered into a joint venture agreement worth $11,160,000 thousand on March 29, 2019, and started construction on April 27, 2019. In order to improve construction safety, both parties agreed to change the “reverse drilling steel column well type foundation alternative construction method” and the “raft foundation beam structure optimization alternative plan”. The first supplementary agreement was made on January 8, 2021, and the total contract price after the change is $11,155,943 thousand. In addition, the Bank entered into a contract of planning, design and supervision worth $480,492 thousand with YSL Architects & Associates.

Maturity analysis of lease commitments and capital expenditures is summarized as follows:

Financing lease income

	December 31	
	2021	2020
Year 1	$ 2,468,413	$ 2,259,461
Year 2	1,021,206	785,605
Year 3	218,035	219,267
Year 4	18,903	13,030
Year 5	12,739	13,030
Year 6 onwards	154,537	171,350
	$ 3,893,833	$ 3,461,743

Present value of financing lease income

	December 31	
	2021	2020
Year 1	$ 2,175,166	$ 2,006,629
Year 2	937,949	712,027
Year 3	199,223	188,214
Year 4	10,068	3,457
Year 5	4,354	3,805
Year 6 onwards	90,068	93,881
	$ 3,416,828	$ 3,008,013

Capital expenditure commitment

	December 31	
	2021	2020
Year 1	$ 4,670,691	$ 3,949,454
Year 2	2,532,019	3,309,926
Year 3	14,394	1,236,643
Year 4	-	14,394
	$ 7,217,104	$ 8,510,417

d. The Bank and Pihsiang Energy Technology Co., Ltd. are parties in a consumer consignment litigation. The Taichung District Court of first instance issued a civil judgment on the 2018 case No. 598 that the Bank lost the case on February 4, 2020. The claim of Pihsiang Energy Technology Co., Ltd. against the Bank is $100 million, and the interest shall be calculated at 5% per annum from April 10, 2018 to the settlement date. The litigation costs shall be borne by the defendant (i.e., the Bank). The appointed lawyer of the Bank assessed that the content of the original judgment is contradictory and unprovoked. Therefore, the Bank filed an appeal on February 27, 2020, and is now in the High Court Taichung Branch as 2020 renewed trial No. 78. According to the civil judgment on the 2018 case No. 598 on February 4, 2020, the Bank has prepared in advance the outstanding indemnities (statutory fruits and litigation costs) of the open litigation. Movements of the outstanding loss provision were as follows:

	December 31	
	2021	**2020**
Balance, January 1	$ 14,090	$ -
Loss provision	5,000	14,090
Balance, December 31	$ 19,090	$ 14,090

In 2021, the loss provision recognized interest expense was $5,000 thousand. In 2020, the loss provision recognized interest expense was $13,644 thousand and litigation fees for other selling and administrative expenses were $446 thousand.

39. FINANCIAL INSTRUMENTS

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

Except as detailed in the following table, the carrying amounts of financial instruments recognized in the consolidated financial statements approximate their fair values or that the fair values cannot be reasonably measured. Therefore, those were not disclosed in this note.

1) Fair value hierarchy

December 31, 2021

	Carrying Amount	Fair Value			
		Level 1	**Level 2**	**Level 3**	**Total**
Financial assets					
Investments in debt instrument at amortized cost	$ 110,098,208	$ 86,270,904	$ 24,405,895	$ -	$ 110,676,799
Financial liabilities					
Financial liabilities at amortized cost					
Bank debentures	16,500,000	-	16,636,344	-	16,636,344

December 31, 2020

	Carrying Amount	Fair Value Level 1	Fair Value Level 2	Fair Value Level 3	Fair Value Total
Financial assets					
Investments in debt instruments at amortized cost	$ 113,544,854	$ 89,450,493	$ 25,317,446	$ -	$ 114,767,939
Financial liabilities					
Financial liabilities at amortized cost					
Bank debentures	11,500,000	-	11,663,699	-	11,663,699

2) Valuation techniques and inputs applied for Level 2 fair value measurement

Financial Instruments	Valuation Techniques and Inputs
Non-derivatives	The market transaction price in the non-active market is taken as the fair value.

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

1) Fair value hierarchy

	December 31, 2021 Total	Level 1	Level 2	Level 3
Financial assets at FVTPL				
Derivative financial assets	$ 4,006,983	$ -	$ 4,006,983	$ -
Commercial papers	26,680,732	26,680,732	-	-
Domestic listed shares and emerging market shares	919,500	849,850	69,650	-
Domestic unlisted shares	81,611	-	-	81,611
Beneficiary certificates	757,683	757,683	-	-
Domestic corporate bonds	422,471	422,471	-	-
Others	806,522	-	806,522	-
	$ 33,675,502	$ 28,710,736	$ 4,883,155	$ 81,611
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic unlisted shares	$ 810,234	$ -	$ -	$ 810,234
Domestic listed shares	3,136,272	3,136,272	-	-
Foreign listed shares	308,783	308,783	-	-
Investments in debt instruments				
Domestic corporate bonds	34,101,503	34,101,503	-	-
Domestic government bonds	4,865,736	4,865,736	-	-
Foreign bonds	3,121,222	-	3,121,222	-
Bank debentures	2,204,054	2,204,054	-	-
	$ 48,547,804	$ 44,616,348	$ 3,121,222	$ 810,234
Financial liabilities at FVTPL				
Derivative financial liabilities	$ 512,399	$ -	$ 512,399	$ -

Reconciliation of Level 3 fair value measurements of financial instruments:

Item	Beginning Balance	Valuation Gains (Losses)	Increase		Decrease		Ending Balance
			Buy or Issue	Transfer in	Sell, Disposal	Transfer Out	
Financial assets at FVTPL Unlisted shares	$ 7,508	$ 7,203	$ 66,900	$ -	$ -	$ -	$ 81,611

Item	Beginning Balance	Valuation Gains (Losses)	Increase		Decrease		Ending Balance
			Buy or Issue	Transfer in	Sell, Disposal	Transfer Out	
Financial assets at FVTOCI Unlisted shares	$ 751,556	$ 58,678	$ -	$ -	$ -	$ -	$ 810,234

	December 31, 2020			
	Total	Level 1	Level 2	Level 3
Financial assets at FVTPL				
Derivative financial assets	$ 3,670,250	$ -	$ 3,670,250	$ -
Commercial papers	24,872,947	24,872,947	-	-
Domestic listed shares and emerging market shares	862,462	794,600	67,862	-
Foreign listed shares	88,533	88,533	-	-
Domestic unlisted shares	7,508	-	-	7,508
Beneficiary certificates	363,744	363,744	-	-
Domestic corporate bonds	203,112	203,112	-	-
Others	799,269	-	799,269	-
	$ 30,867,825	$ 26,322,936	$ 4,537,381	$ 7,508
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic unlisted shares	$ 751,556	$ -	$ -	$ 751,556
Domestic listed shares	2,113,147	2,113,147	-	-
Foreign listed shares	311,404	311,404	-	-
Investments in debt instruments				
Domestic corporate bonds	26,959,132	26,959,132	-	-
Domestic government bonds	5,379,466	5,379,466	-	-
Foreign bonds	3,486,270	-	3,486,270	-
Bank debentures	2,008,865	2,008,865	-	-
	$ 41,009,840	$ 36,772,014	$ 3,486,270	$ 751,556
Financial liabilities at FVTPL				
Derivative financial liabilities	$ 785,819	$ -	$ 785,819	$ -

Reconciliation of Level 3 fair value measurements of financial instruments:

Item	Beginning Balance	Valuation Gains (Losses)	Increase		Decrease		Ending Balance
			Buy or Issue	Transfer in	Sell, Disposal	Transfer Out	
Financial assets at FVTPL Unlisted shares	$ -	$ 8	$ 45,000	$ -	$ -	$ 37,500	$ 7,508

Item	Beginning Balance	Valuation Gains (Losses)	Increase		Decrease		Ending Balance
			Buy or Issue	Transfer in	Sell, Disposal	Transfer Out	
Financial assets at FVTOCI Unlisted shares	$ 664,957	$ 86,599	$ -	$ -	$ -	$ -	$ 751,556

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

2) Valuation techniques and inputs applied for Level 2 fair value measurement

Financial Instruments	Valuation Techniques and Inputs
Non-derivatives	The market transaction price in the non-active market is taken as the fair value.
Derivatives	
Option contracts	Valuation model: The execution price, maturity date, market volatility, interest rate and exchange rate set by the contract are used as valuation parameters. The model with closed-form solution is then used for valuation.
Cross-currency swap contracts, Foreign exchange forward contracts	Discounted cash flow: Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and forward rates of contracts, discounted at a rate that reflects the credit risk of various counterparties.
Asset swap contract	The closing price for convertible corporate bond minus bond value. The pure bond value is discounted by the cash flow provided by the convertible corporate bond in accordance with Taiwan Bills Index Rate (TAIBIR).
Structured finance instruments	
Interest rate-linked structured instruments	The counterparty quotes.

3) The quantitative information on fair value of significant unobservable input (Level 3)

The quantitative information on unobservable inputs of the financial instruments classified as Level 3, and held by the Group on December 31, 2021 and 2020, were as follows:

Items	Fair Value on December 31, 2021	Fair Value on December 31, 2020	Valuation Techniques	Significant Unobservable Input	Range (Weighted-average)	Relationship Between Inputs and Fair Value
Financial assets at fair value through profit or loss						
Domestic unlisted shares	$ 81,611	$ 7,508	Seller's quote (Monte Carlo Simulation Method)	Volatility rate	31.00%-32.00%	The lower the volatility rate, the higher the fair value
				Minority equity volatility rate	9.21%-34.14%	The lower the minority equity volatility rate, the higher the fair value
Financial assets at fair value through other comprehensive income						
Domestic unlisted shares	810,234	751,556	Seller's quote (Monte Carlo Simulation Method)	Volatility rate	24.37%-24.39%	The lower the volatility rate, the higher the fair value

4) The assessment of Level 3 fair value

The Group assessed fair value in accordance with valuation report provided by independent company, and compiled the valuation results into a quarterly report presented to the board of directors.

5) Sensitivity analysis of Level 3 fair value if reasonable possible alternative assumptions may be used.

The Group adopts multiple approaches to estimate the volatility rate of quantitative information on its significant unobservable input. The sensitivity analysis based on category of assets is as follows:

December 31, 2021

Significant Unobservable Input	Sensitivity Rate	Impact
Liquidity discount ratio	Increase 10%	$ (20,627)
	Decrease 10%	20,627

December 31, 2020

Significant Unobservable Input	Sensitivity Rate	Impact
Liquidity discount ratio	Increase 10%	$ (16,463)
	Decrease 10%	16,463

c. Categories of financial instruments

	December 31	
	2021	2020
Financial assets		
Financial assets at FVTPL	$ 33,675,502	$ 30,867,825
Financial assets at amortized cost (Note 1)	674,488,002	650,251,212
Financial assets at FVTOCI		
Equity instruments	4,255,289	3,176,107
Debt instruments	44,292,515	37,833,733
Financial liabilities		
Financial liabilities at FVTPL	512,399	785,819
Financial liabilities at amortized cost (Note 2)	705,617,774	675,549,880

Note 1: The balances include financial assets at amortized cost, which comprise cash and cash equivalents, due from the Central Bank and call loans to other banks, investments in debt instruments at amortized cost, securities purchased under resale agreements, receivables, notes discounted and loans, restricted assets, refundable deposits, receipts under payment for shares underwriting and other financial assets.

Note 2: The balances include financial liabilities at amortized cost, which comprise due to the Central Bank and other banks, funds borrowed from the Central Bank and other banks, securities sold under repurchase agreements, payables, deposits and remittances, bank debentures, other financial liabilities, and guarantee deposits received.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Overview

The financial risk management objectives of the Group is to achieve the goal of balancing risk tolerance, business objectives and external legal restrictions. These risks include market risks (including interest rate, exchange rate, equity securities and product price) and liquidity risks of on and off-balance sheet business.

The Group has formulated a relevant risk management policy, which has been approved by the board of directors to effectively identify, measure, monitor and control credit risk, market risk and liquidity risk.

Risk Management Organizational Structure

The board of directors is the highest decision-making unit for the Group's corporate risk management and assumes the ultimate responsibility for risk management. The Group has a risk management committee and a risk management department, which grants risk authority and confers responsibilities on the relevant departments to ensure the smooth operation of risk management. The responsibilities of the committee are as follows:

a. Consideration of the risk management programme.

b. Consideration and review of risk limits.

c. Consideration of the bill on institutionalization of risk management.

d. Report to the board of directors regularly.

   Members of the risk management committee set up various risk management measurement indicators according to the nature of their business and the scope of their duties, and the risk management department should report to the risk management committee to provide a reference for senior decision-making.

   1) Market risk

      a) The source and definition of market risk

         Market risks refer to the loss due to the changes in market price, such as the changes of the market interest rate, the exchange rate, the share price and the product price.

      b) Market risk management policy

         The objective of the Group market risk management is to develop a sound and effective market risk management mechanism that is consistent with the size, nature and complexity of the Group's business to ensure that the risks borne by the Group can be properly managed and market risks are effectively identified, measured, monitored and controlled, and strike a balance between the level of risk tolerance and the expected level of compensation.

      c) Market risk management process

         i. Identification and measurement

            The relevant market risks should be assessed through appropriate procedures to consider whether the risk is within an acceptable risk range before new products, business activities, processes and systems are rolled out or operated. The relevant units should use the methods of business analysis or product analysis to identify the sources of market risks, define the market risk factors of each financial commodity and make appropriate specifications.

Market risk measurement can use a variety of effective measures to properly measure risk, including but not limited to the following methods: Statistical basis of measures, sensitivity analysis and situational analysis. The risk management department should measure the risk of the site on a daily basis and conduct regular stress tests to measure the amount of abnormal losses that may occur under the current or historical extremes.

ii. Monitoring and reporting

The risk management department should report to the risk management committee and the board of directors regularly on the implementation of the Group's market risk management, including the Group's market risk allocation, risk level, profit and loss status, quota usage and compliance with relevant market risk management regulations and suggestions. The authorities also set up relevant limit management, stop loss mechanism, overrun treatment and exception management methods to effectively monitor market risks. In the event of an overrun or exception, it should be notified immediately to facilitate the immediate response.

d) Interest rate risk

i. Definition of interest rate risk

Interest rate risk refers to the change in interest rate, which causes the Group to bear the risk of changes in the fair value of the interest rate risk or the loss of surplus liquidity. The main sources of risk include deposits and interest rate-related securities.

ii. Measurement methods and management procedures

The Group monitors the interest rate risk system, sets the scope of the indicators to regularly monitor and report the results to the asset and liability management committee, the risk management committee and the board of directors, and adjusts according to the overall operating conditions of the Group. In addition, the Group measures the interest rate risk by DV01, assuming that the interest rate curve has a parallel shift of 100 basis points, the degree of impact on earnings and equity is used to control the interest rate risk.

iii. The effect of interest rate benchmark reform

For the financial instruments of the Group affected by changes in interest rate benchmark, the linked indicator interest rates include USD LIBOR. It is expected that the US Secured Overnight Financing Rate (SOFR) will replace the USD LIBOR. However, there is a fundamental difference between the replacement interest rate and LIBOR. LIBOR is a forward-looking interest rate indicator that implies market expectations for future interest rate trends, and includes inter-Group credit discounts. Each alternative interest rate is a retrospective interest rate indicator calculated with reference to actual transaction data, and does not include a credit discount. Therefore, when an existing contract is modified from a linked LIBOR to a linked alternative interest rate, additional adjustments must be made to the aforementioned differences to ensure that the interest rate basis before and after the modification is economically equivalent.

The Group has formulated a LIBOR conversion plan to deal with risk management policy adjustments, internal process adjustments, information system updates, financial instrument evaluation model adjustments, and related accounting or tax issues that are required to meet the changes in interest rate benchmark. On December 31, 2021, the Group has identified all the information systems and internal processes that need to be updated, and completed some of the updates.

As of December 31, 2021, the financial instruments of the Group that have been affected by the change in interest rate benchmark and have not yet converted to alternative interest rate benchmark are summarized as follows:

	Amount	
Non-derivative Financial	**Financial Assets**	**Financial Liabilities**
Notes discounted and loans, net		
USD LIBOR	$ 7,379,000	$ -
Funds borrowed from Central Bank and other banks		
USD LIBOR	-	470,577
Financial assets at amortized cost		
USD LIBOR	7,488,000	-
	$ 14,867,000	$ 470,577

		Amount	
Derivative Financial	**Nominal Amount**	**Financial Assets**	**Financial Liabilities**
Interest rate-linked structured instrument contracts			
USD LIBOR	$ 934,511	$ 37,978	$ 37,978

e) Exchange rate risk

i. Definition of exchange rate risk

Exchange rate risk is the gain or loss resulting from the conversion of two different currencies at different times. The Group's exchange rate risk is mainly due to the changes in spot and forward foreign exchange rates of the business operations. Since the foreign exchange transactions are mostly based on the principle of flattening the customer's position for the day, the exchange rate risk is relatively small.

ii. Measurement methods and management procedures

The Group adopts the quota management mechanism for the exchange rate risk system, sets the business quota and overnight limit for each currency, controls the maximum net foreign exchange position that can be held by all levels of personnel, and sets the maximum transaction amount according to the counterparty, and monitors it regularly. The results will be reported to the risk management committee and the board of directors for discussion.

In addition, the Group assesses the degree of impact on earnings and equity under the hypothetical scenarios when the USD/NTD, CNY/NTD, and AUD/NTD separately appreciates/depreciates by 3%, in order to control exchange rate risk.

f) Equity securities price risk

i. Definition of equity securities price risk

The market risk of the Group's equity securities is the individual risk arising from changes in the market price of individual equity securities and the general market risk arising from changes in the overall market price. The main risks include listed shares and beneficiary certificates.

ii. Measurement methods and management procedures

The Group adopts a quota management mechanism for the equity securities price risk, ensuring that all levels are traded within the authorized amount, and sets up relevant mechanisms for stop loss control, and regularly reports the monitoring results to the risk management committee and the board of directors for discussion.

In addition, the Group assesses the degree of impact on earnings and equity under the hypothetical scenarios when the price of equity securities rises/falls by 15% in order to control the risk of equity securities.

g) Market risk sensitivity analysis

Interest risk

The Group assumed that when other factors remain unchanged, if the yield curve increased/decreased by 100 basis points, the income before income tax of the Group as of December 31, 2021 and 2020 would have increased/decreased by $937,186 thousand and $876,160 thousand respectively, and other equity would have decreased/increased by $1,564,751 thousand and $1,796,491 thousand, respectively.

Exchange rate risk

The Group assumed that when other factors remain unchanged, if the exchange rate of USD/NTD, CNY/NTD, and AUD/NTD appreciated/depreciated by 3%, the income before income tax as of December 31, 2021 and 2020 would have increased/decreased by $12,738 thousand and decreased/increased by $3,336 thousand, respectively, and other equity would have increased/decreased by $117,820 thousand and $125,310 thousand, respectively.

Equity securities price risk

The Group assumed that when other factors remain unchanged, if the price of equity securities increased/decreased by 15%, the income before income tax as of December 31, 2021 and 2020 would have increased/decreased by $263,819 thousand and $198,337 thousand, respectively, and other equity would have increased/decreased by $638,293 thousand and $476,416 thousand, respectively.

The summary of sensitivity analysis was as follows:

December 31, 2021			
Main Risk	**Range of Change**	**Influence Amount**	
		Other Equity	**Income**
Interest risk	Interest rate curve rises 100BPS	$ (1,564,751)	$ 937,186
	Interest rate curve falls 100BPS	1,564,751	(937,186)
Exchange rate risk	USD/NTD, CNY/NTD, AUD/NTD increase by 3%	117,820	12,738
	USD/NTD, CNY/NTD, AUD/NTD decrease by 3%	(117,820)	(12,738)
Equity securities price risk	Equity securities prices rise by 15%	638,293	263,819
	Equity securities prices fall by 15%	(638,293)	(263,819)

December 31, 2020			
Main Risk	**Range of Change**	**Influence Amount**	
		Other Equity	**Income**
Interest risk	Interest rate curve rises 100BPS	$ (1,796,491)	$ 876,160
	Interest rate curve falls 100BPS	1,796,491	(876,160)
Exchange rate risk	USD/NTD, CNY/NTD, AUD/NTD increase by 3%	125,310	(3,336)
	USD/NTD, CNY/NTD, AUD/NTD decrease by 3%	(125,310)	3,336
Equity securities price risk	Equity securities prices rise by 15%	476,416	198,337
	Equity securities prices fall by 15%	(476,416)	(198,337)

2) Credit risk

a) The source and definition of credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Group. Credit risk exists in both on and off-balance sheet items. The on-balance sheet exposures to credit risks are mainly from notes discounted and loans, the credit card business, due from other banks and call loans to other banks, acceptances, investments in debt instruments and derivatives. The off-balance sheet exposures to credit risks are mainly from financial guarantees, letter of credits and loan commitments.

b) Credit risk management policy

Before launching new products or businesses, the Group ensures compliance with all applicable rules and regulations and identifies relevant credit risks. On December 31, 2021, the ratio of loans with collateral to the total amount of loans was approximately 77%. The ratio of financing guarantees to commercial letters of collateral held was approximately 27%, and the collateral required for loans, loan commitments or guarantees is usually in the forms of cash, inventories, liquid securities or other asset in circulation. If the customers default, the Group will execute its rights on collateral in accordance with the terms of contracts.

c) Credit risk management program

The measurement and management of credit risks from the Group's main businesses were as follows:

i. Loan's business (including loan commitments and guarantees)

i) Determination that credit risk has increased significantly since the initial recognition.

The Group assesses the change in the probability of default of loans during the lifetime on each reporting date to determine if the credit risk has increased significantly since the initial recognition. In order to make this assessment, the Group's considerations show the reasonable and supportable information that the credit risk has increased significantly since the initial recognition (including forward-looking information). The main considerations include:

Quantitative indicators

- Changes in external credit ratings of Taiwan Corporate Credit Rating Index (TCRI)

  The TCRI rating of the listed cabinet company corresponding to the external rating has been reduced from the investment grade to the non-investment grade, that is, the credit risk has significantly increased since the initial recognition.

- Information on overdue status

  When the contract amount is overdue for more than one month, it is determined that the credit risk of the financial asset has increased significantly since the initial recognition.

Qualitative indicators

- Unfavorable changes in the current or projected operating, financial or economic conditions that are expected to result in significant changes in the ability of the debtor to perform debt obligations.

- Significant changes in actual or expected results of the debtor's operations.

- The credit risk of other financial instruments from the same debtor has increased significantly.

ii) Definition of default and credit-impaired financial assets

The definition of financial asset default is the same as that of financial asset credit impairment. If one or more of the following conditions are met, the Group determines that the financial asset has defaulted and becomes credit impaired:

Quantitative indicators

- Changes in external TCRI credit ratings

  The TCRI rating of the listed cabinet company is default grade, which means that the credit has been deducted since the initial recognition.

- Information on overdue status

  When the contract amount is overdue for more than three months, it is determined that the credit of the financial asset has been impaired since the initial recognition.

Qualitative indicators

If there is evidence that the borrower will not be able to pay the contract, or that the borrower has significant financial difficulties, such as:

- The debtor has gone bankrupt or may have called for bankruptcy or financial restructuring.

- Other debt instrument contracts of the debtor have defaulted.

- Due to the economic or contractual reasons associated with the debtor's financial difficulties, the debtor's creditors give the borrower an unconfirmed concession and report the overdue loan.

The aforementioned default and credit impairment definitions are used to consolidate all financial assets held by the Group and are consistent with the definitions used for the internal credit risk management purposes of the financial assets, and are also applied to the relevant impairment assessment model.

iii) Measurement of expected credit losses

In order to assess the expected credit losses, the Group divides the credit assets into the following combinations according to the credit risk characteristics such as the use of borrowing, industrial nature, collateral type and borrowing status.

Product Portfolio	
Corporate loans	Corporate loans - secured
	Corporate loans - unsecured
Consumer loans	House mortgage
	Consumer loans - secured
	Consumer loans - unsecured
	Credit loans
	Debit card
	Credit card

The Group evaluates loss allowance of financial assets, which credit risk does not significantly increase after initial recognition based on 12-month expected credit losses. The Group evaluates loss allowance of financial assets, which credit risk significantly increases after initial recognition based on lifetime expected credit losses.

In order to evaluate expected credit losses, the Group takes into consideration the debtor's probability of default (PD) within the next 12 months, which includes the loss given default (LGD), the results are then multiplied by the exposure at default (EAD), while also considering the effect of time value of money to calculate the expected credit losses during the duration of 12 months.

PD is the default percentage of a borrower. LGD is the loss ratio once a borrower defaults. The Group applied PD and LGD to evaluate loan business impairment based on each portfolio's historical information calculated internally (i.e. credit loss experience), and adjusted historical data based on current observable information and forward-looking macroeconomic information calculated by using direct estimation method.

The Group evaluates the loan default risk by using direct estimation method. The Group calculates 12-month and lifetime ECLs of financing commitments based on direct estimation method. The Group uses credit conversion factor to calculate the portion of financing commitments expected to be used in 12 months after the record date and the credit duration to calculate the default exposure amount of ECLs.

<u>Consideration of forward-looking estimation</u>

In estimating the expected credit losses, the Group uses forward-looking economic factors that affect credit risk and expected credit losses to consider forward-looking information. Forward-looking information is based on the Taiwan National Development Council's regular promulgation of the "Benefit Strategy Signal" of Taiwan's overall prosperity as indicators, which are divided into boom expansion period, contraction period and flat period. The Group evaluates the economic situation to adjust the default probability every quarter, and then incorporates it into the overall expected credit loss assessment.

ii. Debt instrument investments

The Group considers the historical default loss rate provided by the external rating agencies and the current financial status of the debtor to calculate 12-month and lifetime ECLs of financing commitments in debt instrument investments.

The securities held by the Group recognize the impairment loss according to the lifetime ECLs of financing commitments. The credit quality of the Group's securities was as follows:

i) The determination that the credit risk has increased significantly since the initial recognition

The Group assesses the change in the probability of default of debt instrument investments during the lifetime on each reporting date to determine if the credit risk has increased significantly since the initial recognition. In order to make this assessment, the Group's considerations show the reasonable and supportable information that the credit risk has increased significantly since the initial recognition. The main considerations include:

<u>Quantitative indicators</u>

- At the time of initial recognition, the issuer's credit rating is above the investment grade, but at the financial reporting date, the issuer's credit rating is reduced to a non-investment grade.

- For debt instrument investments on the initial recognition date, the issuer's credit rating is below the non-investment grade and the credit rating on the reporting date has not changed.

- When the issuer's credit rating is a non-investment grade, the reported daily credit rating is reduced to a certain extent.

Qualitative indicators

- The credit rating of the issuer indicates that its credit risk has increased significantly.

- The fair value of the debt instrument investments has significantly and adversely changed on the reporting date.

ii) Definition of default and credit-impaired financial assets

If the debt instrument investment meets one or more of the following conditions, it determines that the financial asset has defaulted and becomes credit impaired.

Quantitative indicators

- Debt instrument investments, such as bonds, have become credit impaired since they were purchased.

- The default rate for credit rating of the issuer or debt instrument investments will be adjusted on the reporting date.

Qualitative indicators

- The issuer modifies the issue conditions of the debt instrument investments due to financial difficulties or fails to pay the principal or interest according to the conditions of the issue.

- The issuer or the guarantee institution has ceased operations or has applied for reorganization, bankruptcy, dissolution, and sale of major assets that have a significant impact on the company's continued operations.

Measurement of expected credit losses

- In order to evaluate expected credit losses, the Group takes into consideration the debtor's probability of default (PD) within the next 12 months, which includes the loss given default (LGD), the results are then multiplied by the exposure at default (EAD), while also considering the effect of time value of money to calculate the expected credit losses during the duration of 12 months.

- Comparing the risk of default on the debt instrument with the default risk at the time of initial recognition, and considering the reasonable and corroborative information for a significant increase in credit risk since the initial recognition, to determine whether the financial instrument's credit risk has increased significantly since the initial recognition.

  - Those who meet the normal credit risk status will estimate the expected loss amount based on the one-year probability of default (PD).

  - Those who meet the significant increase in credit risk status must consider the duration of the assets and calculate the probability of default (PD) for each duration. If the cash flow of the contract in the future period (i.e., the default exposure amount of each period) can be assessed, the cash flow method is used to assess the expected amount of credit loss, and if the cash flow of each period cannot be assessed, the current risk calculation method is used.

- Those who meet the abnormal credit risk status are considered to be 100%, and will not consider the probability of default in each duration. Only consider the relevant recoverable amount and evaluate the overall expected credit loss amount.

- Debt instrument investments' probability of default is the value released by external credit rating agencies, which implies the possibility of future market fluctuations.

d) Credit risk hedging or mitigation policies

i. Collaterals

The Group implements a series of policies and measures to reduce credit risks when granting of credit. One of the commonly used methods is to require borrowers to provide collaterals. To enforce the rights to collaterals, the Group manages and assesses the collaterals according to the procedures adopted in determining the scope of collateralization and valuation of collaterals.

The main types of collateral for granting credit are as follows:

i) Real estate.

ii) Chattels and rights of pledge.

iii) Guarantee from external agency.

To enhance guarantee of transaction risk, the Group's demand for collaterals depends on the nature of derivative transactions as follows:

i) Guarantee of amount invested: Asking different ratio of guarantee based on the credit rating scale of clients.

ii) Guarantee of high-risk transactions: Asking for collaterals when option contracts are under resale agreement.

iii) Performance bond (loss on investment position): Asking for collaterals when loss on investment position exceeds the limit of approved market value.

The Group closely observed the value of pledged financial assets and evaluated which financial assets had been impaired in order to recognize allowance for impairment. Credit-impaired financial assets and their pledged values which eliminate potential loss, are as follows:

December 31, 2021

	Total Book Value	Allowance for Impairment Loss	Total Value of Exposure	Fair Value of Collateral
Financial assets that were impaired				
Notes discounted and loans	$ 8,698,694	$ (1,857,339)	$ 6,841,355	$ 6,841,355
Receivables	801,948	(239,926)	562,022	534,495
Guarantees and letters of credit	88,571	(33,375)	55,196	37,864
Debt instruments	7,554	(7,554)	-	-
Others	85,019	(12,005)	73,014	-
Total financial assets that were impaired	$ 9,681,786	$ (2,150,199)	$ 7,531,587	$ 7,413,714

December 31, 2020

	Total Book Value	Allowance for Impairment Loss	Total Value of Exposure	Fair Value of Collateral
Financial assets that were impaired				
Notes discounted and loans	$ 8,410,617	$ (1,856,155)	$ 6,554,462	$ 6,554,462
Receivables	313,418	(174,311)	139,107	135,350
Guarantees and letters of credit	93,398	(36,355)	57,043	38,599
Debt instruments	7,668	(7,668)	-	-
Others	42,651	(2,555)	40,096	-
Total financial assets that were impaired	$ 8,867,752	$ (2,077,044)	$ 6,790,708	$ 6,728,411

ii. Credit risk concentration limits and control

To avoid the concentration of credit risks, the Group has included credit limits for the same person (entity) and for the same related-party corporation (group) based on the credit risk arising from loans, securities investment and derivatives transactions.

Meanwhile, for trading and banking book investments, the Group has set a ratio, which is the credit limit of a single issuer in proportion to the total securities position. The Group has also included credit limits for a single counterparty and a single group.

In addition, to manage the concentration risk of the financial assets, the Group has set credit limits by industry, conglomerate, country and transactions collateralized by shares, and integrated within one system to supervise the concentration of credit risk in these categories. The Group monitors concentration of each asset and controls various types of credit risk concentration in a single transaction involving counterparties, groups, related-party corporations, industries and nations.

iii. Other credit enhancements

To reduce its credit risks, the Group stipulates in its credit contracts the term for offsetting which clearly stated that the Group reserves the right to offset the borrowers' debt against their deposits in the Group.

e) Maximum exposure to credit risk

The maximum exposures of assets on the consolidated balance sheets to credit risks without consideration of guarantees or other credit enforcement instruments approximate the assets' carrying amounts. The maximum exposures of off-balance sheet items to credit risks without consideration of guarantees or other credit enforcement instrument were as follows:

	December 31	
	2021	**2020**
Irrevocable loan commitments	$ 8,946,143	$ 9,034,662
Credit card commitments	13,909,975	12,799,065
Guarantee receivables	27,150,584	22,879,091
Letters of credit	3,870,866	3,430,243

The management of the Group believes their abilities to minimize the credit risk exposures of the off-balance sheet items are mainly attributed to their rigorous evaluation of extended credit and the periodic reviews of these credits.

f) Credit risk concentration of the Group

When the counterparty of financial product transactions is concentrated on one person, or when there are several counterparties but they are mostly engaged in similar economic activities and have similar economic characteristics, causing their abilities to fulfill contract obligations to be similarly affected by economic or other situations, credit risk concentration is deemed to have occurred. The characteristics of significant credit risk concentration include the nature of the debtor's activities. The Group's transactions are not concentrated on a single customer or counterparty but spread among counterparties with similar industry types and operating regions. The contract amounts of significant credit risk concentration were as follows:

	December 31	
Counterparty	**2021**	**2020**
Private enterprise	$ 272,232,887	$ 258,337,959
Natural person	251,463,839	233,179,736
Government agencies	-	2,000,000
Others	2,194,108	2,115,584
	$ 525,890,834	$ 495,633,279

Credit Risk Profile by Group or Industry	December 31 2021	December 31 2020
Natural person	$ 251,463,839	$ 233,179,736
Manufacturing	82,428,014	79,457,394
Commercial	55,055,686	55,547,537
Real estate and leasing	68,116,161	64,886,449
Construction industry	21,651,987	18,197,580
Servicing	10,721,758	11,949,359
Finance and insurance	20,517,085	16,104,068
Transportation warehousing and information communication	9,110,025	8,304,507
Others	6,826,279	8,006,649
	$ 525,890,834	$ 495,633,279

Credit Risk Profile by Region	December 31 2021	December 31 2020
Domestic	$ 494,778,509	$ 464,495,184
Asia	18,613,232	18,134,544
North America	9,615,136	9,234,010
Others	2,883,957	3,769,541
	$ 525,890,834	$ 495,633,279

Credit Risk Profile by Collateral	December 31 2021	December 31 2020
Unsecured	$ 83,184,331	$ 73,988,829
Secured		
Real estate	389,570,276	373,358,179
Letter of bank guarantee	18,341,803	17,302,660
Chattel	6,481,073	6,075,503
Debenture	16,708,301	15,051,165
Notes receivable	1,906,758	1,656,269
Stocks	5,375,785	4,634,756
Others	4,322,507	3,565,918
	$ 525,890,834	$ 495,633,279

g) Write-off policy

If one of the following events have occurred, overdue loans and delinquent receivables should have the estimated recoverable amount deducted and should then be written off as bad debts:

- The debtor may not recover all or part of the obligatory claim due to dissolution, disappearance, settlement, bankruptcy or other reasons.

- The appraisal value of collateral and asset of the main and subordinate debtors are very low, or the compensation is not available after deducting the amount of the first mortgage, or it is not beneficial that execution fee is close to or may exceed the Bank’s reimbursable amount.

- The collateral and the assets of the main and subordinate debtors are auctioned off at multiple auctions, of which the Bank did not receive any benefit.

- Overdue loans and delinquent receivables which have been overdue for more than 2 years have been collected but not yet received.

- The minimum payable amount of credit card which is overdue for six months that should be written off in three months.

h) Information of credit quality

i. Notes discounted, loans and receivables

December 31, 2021

	Notes Discounted and Loans				
	Stage 1 12-month ECLs	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Difference of Impairment Loss under Regulations	Total
Product category					
Corporate loans	$ 227,290,646	$ 2,322,566	$ 6,118,651	$ -	$ 235,731,863
Consumer loans	238,225,115	9,920,228	2,579,934	-	250,725,277
Others	29,546	1,028	109	-	30,683
Total book value	465,545,307	12,243,822	8,698,694	-	486,487,823
Allowance for doubtful accounts	(1,465,291)	(608,655)	(1,857,339)	-	(3,931,285)
Difference of impairment loss under regulations	-	-	-	(2,750,165)	(2,750,165)
	$ 464,080,016	$ 11,635,167	$ 6,841,355	$ (2,750,165)	$ 479,806,373

	Receivables				
	Stage 1 12-month ECLs	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Difference of Impairment Loss under Regulations	Total
Product category					
Corporate loans	$ 12,160,742	$ 311,725	$ 712,609	$ -	$ 13,185,076
Consumer loans	1,683,488	22,751	37,488	-	1,743,727
Others	60,904,209	14	51,851	-	60,956,074
Total book value	74,748,439	334,490	801,948	-	75,884,877
Allowance for doubtful accounts	(108,467)	(7,900)	(239,926)	-	(356,293)
Difference of impairment loss under regulations	-	-	-	(104,485)	(104,485)
	$ 74,639,972	$ 326,590	$ 562,022	$ (104,485)	$ 75,424,099

	Irrevocable Loan Commitments				
	Stage 1 12-month ECLs	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Difference of Impairment Loss under Regulations	Total
Product category					
Corporate loans	$ 7,175,795	$ 33,250	$ 85,019	$ -	$ 7,294,064
Consumer loans	1,652,079	-	-	-	1,652,079
Total book value	8,827,874	33,250	85,019	-	8,946,143
Allowance for doubtful accounts	(40,877)	(661)	(12,005)	-	(53,543)
Difference of impairment loss under regulations	-	-	-	(4,221)	(4,221)
	$ 8,786,997	$ 32,589	$ 73,014	$ (4,221)	$ 8,888,379

	Credit Card Commitments				
	Stage 1 12-month ECLs	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Difference of Impairment Loss under Regulations	Total
Product category					
Consumer loans	$ 13,827,884	$ 82,091	$ -	$ -	$ 13,909,975
Total book value	13,827,884	82,091	-	-	13,909,975
Allowance for doubtful accounts	(5,046)	(1,915)	-	-	(6,961)
Difference of impairment loss under regulations	-	-	-	(422)	(422)
	$ 13,822,838	$ 80,176	$ -	$ (422)	$ 13,902,592

	Guarantee Receivables				
	Stage 1 12-month ECLs	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Difference of Impairment Loss under Regulations	Total
Product category					
Corporate loans	$ 26,971,681	$ 90,332	$ 88,571	$ -	$ 27,150,584
Total book value	26,971,681	90,332	88,571	-	27,150,584
Allowance for doubtful accounts	(171,880)	(7,782)	(33,375)	-	(213,037)
Difference of impairment loss under regulations	-	-	-	(84,926)	(84,926)
	$ 26,799,801	$ 82,550	$ 55,196	$ (84,926)	$ 26,852,621

	Letters of Credit				
	Stage 1 12-month ECLs	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Difference of Impairment Loss under Regulations	Total
Product category					
Corporate loans	$ 3,870,866	$ -	$ -	$ -	$ 3,870,866
Total book value	3,870,866	-	-	-	3,870,866
Allowance for doubtful accounts	(8,629)	-	-	-	(8,629)
Difference of impairment loss under regulations	-	-	-	(4,226)	(4,226)
	$ 3,862,237	$ -	$ -	$ (4,226)	$ 3,858,011

December 31, 2020

	Notes Discounted and Loans				
	Stage 1 12-month ECLs	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Difference of Impairment Loss under Regulations	Total
Product category					
Corporate loans	$ 222,080,175	$ 2,875,763	$ 5,459,606	$ -	$ 230,415,544
Consumer loans	217,504,666	11,981,206	2,951,357	-	232,437,229
Others	23,787	499	(346)	-	23,940
Total book value	439,608,628	14,857,468	8,410,617	-	462,876,713
Allowance for doubtful accounts	(1,725,305)	(925,826)	(1,856,155)	-	(4,507,286)
Difference of impairment loss under regulations	-	-	-	(1,828,105)	(1,828,105)
	$ 437,883,323	$ 13,931,642	$ 6,554,462	$ (1,828,105)	$ 456,541,322

	Receivables				
	Stage 1	Stage 2	Stage 3	Difference of Impairment Loss under	
	12-month ECLs	Lifetime ECL	Lifetime ECL	Regulations	Total
Product category					
Corporate loans	$ 9,499,476	$ 347,443	$ 224,116	$ -	$ 10,071,035
Consumer loans	2,164,465	23,982	37,115	-	2,225,562
Others	61,766,888	11	52,187	-	61,819,086
Total book value	73,430,829	371,436	313,418	-	74,115,683
Allowance for doubtful accounts	(91,312)	(9,199)	(174,311)	-	(274,822)
Difference of impairment loss under regulations	-	-	-	(49,220)	(49,220)
	$ 73,339,517	$ 362,237	$ 139,107	$ (49,220)	$ 73,791,641

	Irrevocable Loan Commitments				
	Stage 1	Stage 2	Stage 3	Difference of Impairment Loss under	
	12-month ECLs	Lifetime ECL	Lifetime ECL	Regulations	Total
Product category					
Corporate loans	$ 7,906,111	$ 45,900	$ 42,651	$ -	$ 7,994,662
Consumer loans	1,040,000	-	-	-	1,040,000
Total book value	8,946,111	45,900	42,651	-	9,034,662
Allowance for doubtful accounts	(54,238)	(5,349)	(2,555)	-	(62,142)
Difference of impairment loss under regulations	-	-	-	(2,536)	(2,536)
	$ 8,891,873	$ 40,551	$ 40,096	$ (2,536)	$ 8,969,984

	Credit Card Commitments				
	Stage 1	Stage 2	Stage 3	Difference of Impairment Loss under	
	12-month ECLs	Lifetime ECL	Lifetime ECL	Regulations	Total
Product category					
Consumer loans	$ 12,726,008	$ 73,057	$ -	$ -	$ 12,799,065
Total book value	12,726,008	73,057	-	-	12,799,065
Allowance for doubtful accounts	(4,730)	(1,856)	-	-	(6,586)
Difference of impairment loss under regulations	-	-	-	(796)	(796)
	$ 12,721,278	$ 71,201	$ -	$ (796)	$ 12,791,683

	Guarantee Receivables				
	Stage 1	Stage 2	Stage 3	Difference of Impairment Loss under	
	12-month ECLs	Lifetime ECL	Lifetime ECL	Regulations	Total
Product category					
Corporate loans	$ 22,707,521	$ 78,172	$ 93,398	$ -	$ 22,879,091
Total book value	22,707,521	78,172	93,398	-	22,879,091
Allowance for doubtful accounts	(168,958)	(4,799)	(36,355)	-	(210,112)
Difference of impairment loss under regulations	-	-	-	(25,851)	(25,851)
	$ 22,538,563	$ 73,373	$ 57,043	$ (25,851)	$ 22,643,128

	Letters of Credit				
	Stage 1 12-month ECLs	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Difference of Impairment Loss under Regulations	Total
Product category					
Corporate loans	$ 3,360,243	$ 70,000	$ -	$ -	$ 3,430,243
Total book value	3,360,243	70,000	-	-	3,430,243
Allowance for doubtful accounts	(9,157)	(3,263)	-	-	(12,420)
Difference of impairment loss under regulations	-	-	-	(677)	(677)
	$ 3,351,086	$ 66,737	$ -	$ (677)	$ 3,417,146

ii. Debt instrument investments

December 31, 2021

	Financial Assets at FVTOCI			
	Stage 1 12-month ECLs	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Product category (Note)				
Investment grade bond	$ 44,322,406	$ -	$ -	$ 44,322,406
Non-investment grade bond	-	-	-	-
Total book value	44,322,406	-	-	44,322,406
Allowance for impairment	(29,891)	-	-	(29,891)
Difference of impairment loss under regulations	-	-	-	-
	$ 44,292,515	$ -	$ -	$ 44,292,515

	Investments in Debt Instruments at Amortized Cost			
	Stage 1 12-month ECLs	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Product category (Note)				
Investment grade bond	$ 46,331,317	$ -	$ -	$ 46,331,317
Non-investment grade bond	-	-	7,554	7,554
Others (NCDs issued by the CBC)	63,790,000	-	-	63,790,000
Total book value	110,121,317	-	7,554	110,128,871
Allowance for impairment	(23,109)	-	(7,554)	(30,663)
Difference of impairment loss under regulations	-	-	-	-
	$ 110,098,208	$ -	$ -	$ 110,098,208

Note: The bond rating is based on the original credit rating of Moody’s, Fitch (Fitch), Standard & Poor’s (S&P) and China Credit Rating.

The breakdown below shows the Group's investments in debt instruments classified as financial assets at FVTOCI and financial assets at amortized cost:

December 31, 2021

	Financial Assets at FVTOCI	Financial Assets at Amortized Cost
Total book value	$ 44,159,489	$ 110,128,871
Loss allowance	(29,891)	(30,663)
Amortized cost	44,129,598	110,098,208
Fair value adjustment	162,917	-
	$ 44,292,515	$ 110,098,208

The Group's current credit risk rating mechanism and the total book value of the investments in debt instruments of each credit rating are as follows:

Credit Rating	Definition	Recognition Basis	Expected Credit Loss	Total Book Value At December 31, 2021	
				Financial Assets at FVTOCI	Financial Assets at Amortized Cost
Normal (Stage 1)	The debtor has a low credit risk and is fully capable of paying off contractual cash flows.	12-month expected credit losses	0.00%-0.42%	$ 44,159,489	$ 110,121,317
Abnormal (Stage 2)	Credit risk has increased significantly since the initial recognition.	Lifetime expected credit losses (no credit impaired)		-	-
Default (Stage 3)	There is evidence that the credit is impaired.	Lifetime expected credit losses (credit impaired)	100%	-	7,554
Write offs	There is evidence that the debtor is facing serious financial difficulties and the Bank cannot reasonably expect to recover the debt.	Write-off		-	-

With respect to the Group's investments in debt instruments at FVTOCI and at amortized cost, information on the changes in their loss allowance summarized by credit risk rating is as follows:

	Credit Rating		
	Normal (12-month Expected Credit Losses)	Abnormal (Lifetime ECL and Not Credit Impaired)	Default (Lifetime ECL with Credit Impaired)
Financial assets at FVTOCI			
Balance, January 1, 2021	$ 20,708	$ -	$ -
Change in credit rating			
Normal turned to abnormal	-	-	-
Abnormal turned to default	-	-	-
Default turned to write off	-	-	-

(Continued)

	Credit Rating		
	Normal (12-month Expected Credit Losses)	**Abnormal (Lifetime ECL and Not Credit Impaired)**	**Default (Lifetime ECL with Credit Impaired)**
Purchase of new debt instruments	$ 11,833	$ -	$ -
Dispose	(1,341)	-	-
Model/risk parameter change	-	-	-
Exchange rate and other changes	(1,309)	-	-
Loss allowance, December 31, 2021	$ 29,891	$ -	$ -
Financial assets at amortized cost			
Balance, January 1, 2021	$ 26,472	$ -	$ 7,668
Change in credit rating			
Normal turned to abnormal	-	-	-
Abnormal turned to default	-	-	-
Default turned to write off	-	-	-
Purchase of new debt instruments	1,523	-	-
Dispose	(3,819)	-	-
Model/risk parameter change	-	-	-
Exchange rate and other changes	(1,067)	-	(114)
Loss allowance, December 31, 2021	$ 23,109	$ -	$ 7,554

(Concluded)

December 31, 2020

	Financial Assets at FVTOCI			
	Stage 1 12-month ECLs	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Product category (Note)				
Investment grade bond	$ 37,854,441	$ -	$ -	$ 37,854,441
Non-investment grade bond	-	-	-	-
Total book value	37,854,441	-	-	37,854,441
Allowance for impairment	(20,708)	-	-	(20,708)
Difference of impairment loss under regulations	-	-	-	-
	$ 37,833,733	$ -	$ -	$ 37,833,733

	Investments in Debt Instruments at Amortized Cost			
	Stage 1 12-month ECLs	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Product category (Note)				
Investment grade bond	$ 48,601,326	$ -	$ -	$ 48,601,326
Non-investment grade bond	-	-	7,668	7,668
Others (NCDs issued by the CBC)	64,970,000	-	-	64,970,000
Total book value	113,571,326	-	7,668	113,578,994
Allowance for impairment	(26,472)	-	(7,668)	(34,140)
Difference of impairment loss under regulations	-	-	-	-
	$ 113,544,854	$ -	$ -	$ 113,544,854

Note: The bond rating is based on the original credit rating of Moody’s, Fitch (Fitch), Standard & Poor’s (S&P) and China Credit Rating.

The breakdown below shows the Group’s investments in debt instruments classified as financial assets at FVTOCI and financial assets at amortized cost:

December 31, 2020

	Financial Assets at FVTOCI	Financial Assets at Amortized Cost
Total book value	$ 37,437,409	$ 113,578,994
Loss allowance	(20,708)	(34,140)
Amortized cost	37,416,701	113,544,854
Fair value adjustment	417,032	-
	$ 37,833,733	$ 113,544,854

The Group’s current credit risk rating mechanism and the total book value of the investments in debt instruments of each credit rating are as follows:

Credit Rating	Definition	Recognition Basis	Expected Credit Loss	Total Book Value At December 31, 2020	
				Financial Assets at FVTOCI	Financial Assets at Amortized Cost
Normal (Stage 1)	The debtor has a low credit risk and is fully capable of paying off contractual cash flows.	12-month expected credit losses	0.00%-0.44%	$ 37,437,409	$ 113,571,326
Abnormal (Stage 2)	Credit risk has increased significantly since the initial recognition.	Lifetime expected credit losses (no credit impaired)		-	-
Default (Stage 3)	There is evidence that the credit is impaired.	Lifetime expected credit losses (credit impaired)	100%	-	7,668
Write offs	There is evidence that the debtor is facing serious financial difficulties and the Bank cannot reasonably expect to recover the debt.	Write-off		-	-

With respect to the Group's investments in debt instruments at FVTOCI and at amortized cost, information on the changes in their loss allowance summarized by credit risk rating is as follows:

	Credit Rating		
	Normal (12-month Expected Credit Losses)	**Abnormal (Lifetime ECL and Not Credit Impaired)**	**Default (Lifetime ECL with Credit Impaired)**
Financial assets at FVTOCI			
Balance, January 1, 2020	$ 15,405	$ -	$ -
Change in credit rating			
Normal turned to abnormal	-	-	-
Abnormal turned to default	-	-	-
Default turned to write off	-	-	-
Purchase of new debt instruments	8,900	-	-
Dispose	(4,556)	-	-
Model/risk parameter change	-	-	-
Exchange rate and other changes	959	-	-
Loss allowance, December 31, 2020	$ 20,708	$ -	$ -
Financial assets at amortized cost			
Balance, January 1, 2020	$ 24,185	$ -	$ 17,477
Change in credit rating			
Normal turned to abnormal	-	-	-
Abnormal turned to default	-	-	-
Default turned to write off	-	-	-
Purchase of new debt instruments	1,777	-	-
Dispose	(2,178)	-	(9,136)
Model/risk parameter change	-	-	-
Exchange rate and other changes	2,688	-	(673)
Loss allowance, December 31, 2020	$ 26,472	$ -	$ 7,668

3) Liquidity risk

a) The source and definition of liquidity risk:

Liquidity risk refers to the potential loss resulting from the shortage of funds in acquiring assets or repaying debts on maturity, such as the cash outflow arising from the depositors' withdrawal of deposits, loan drawdown, other interests, expenses, or off-balance sheet transactions. To ensure sufficient capital liquidity, measures that can be taken include enough cash buffer in stock or readily realizable marketable securities, allocation of the period, absorbing deposits or financial borrowings, etc.

b) The Group's liquidity risk policies

The Group establishes a strategy based on the conservatism principle to diversify the source and duration of funds, participates in the fund's lending market and maintains strong relationship with fund providers to ensure the stability and reliability of funding sources.

The Group formulates relevant standards including risk identification, measurement, monitoring and reporting in order to control and grasp the potential adverse effects, regularly performs stress tests and analyzes the crisis situation to mitigate impact of excessive capital flows, establishes a limit monitoring mechanism, and sets management indicators such as liquidity ratios, cash flow gaps, etc.

The Group's liquidity risk management unit is the Asset and Liability Management Committee (hereinafter referred to as the "Committee"). The Committee must adopt necessary monitoring steps to maintain adequate liquidity and ensure that certain committees should regularly report to the board of directors for effective management of liquidity risks.

Maturity analysis of non-derivative financial liabilities

The Group disclosed the analysis of cash outflows from non-derivative financial liabilities by the residual maturities as of the balance sheet date. The amounts used in the maturity analyses of derivative financial liabilities are based on contractual cash flows, so some of these amounts may not correspond to the amounts shown on the consolidated balance sheets.

December 31, 2021	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Due to the Central Bank and other banks	$ 3,900,014	$ -	$ 730	$ 52,956	$ -	$ 3,953,700
Funds borrowed from the Central Bank and other banks	1,653,991	2,555,307	1,406,005	1,148,161	3,695,692	10,459,156
Securities sold under repurchase agreements	401,059	804,865	-	-	-	1,205,924
Payables	9,108,609	1,514,852	523,948	388,301	276,052	11,811,762
Deposits and remittances	44,500,411	77,736,118	76,585,695	150,354,178	310,138,163	659,314,565
Bank debentures	-	-	-	65,375	16,500,000	16,565,375
Lease liabilities	14,789	29,210	42,950	82,878	797,308	967,135
Other items of cash outflow on maturity	1,824,823	370,311	41,499	233,960	819,573	3,290,166

December 31, 2020	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Due to the Central Bank and other banks	$ 6,349,048	$ 520,616	$ 730	$ 166,944	$ -	$ 7,037,338
Funds borrowed from the Central Bank and other banks	1,539,096	2,216,952	1,356,893	1,369,444	2,028,267	8,510,652
Securities sold under repurchase agreements	500,808	1,800,700	-	-	-	2,301,508
Payables	5,001,989	1,109,106	200,384	458,730	273,148	7,043,357
Deposits and remittances	45,141,230	72,625,586	74,402,845	159,652,783	285,008,498	636,830,942
Bank debentures	-	-	-	64,553	11,500,000	11,564,553
Lease liabilities	23,102	45,988	67,624	132,372	863,279	1,132,365
Other items of cash outflow on maturity	1,240,211	430,793	110,947	158,947	322,063	2,262,961

Maturity analysis of derivative financial liabilities

a) Derivative instruments settled at net amounts

Derivative instruments settled at net amounts include:

Foreign exchange derivative instruments: Foreign exchange forward contracts and cross-currency option contracts.

The Group assesses the maturity dates of derivative contracts to understand the basic elements of all derivative financial instruments shown on the consolidated balance sheets. The amounts used in the consolidated balance sheets are based on contractual cash flows. Therefore, some amounts may not correspond to the amounts shown on the consolidated balance sheets. The maturity analysis of derivative financial liabilities was as follows:

December 31, 2021	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Derivative financial liabilities at FVTPL						
Foreign currency derivatives	$ 20,678	$ 50,214	$ 67,220	$ 77,111	$ -	$ 215,223
Total	$ 20,678	$ 50,214	$ 67,220	$ 77,111	$ -	$ 215,223

December 31, 2020	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Derivative financial liabilities at FVTPL						
Foreign currency derivatives	$ 24,773	$ 44,804	$ 43,391	$ 69,429	$ -	$ 182,397
Total	$ 24,773	$ 44,804	$ 43,391	$ 69,429	$ -	$ 182,397

b) Derivative instruments settled at gross amounts

Derivative instruments settled at gross amounts include:

Foreign exchange derivatives instruments: Foreign exchange forward contracts and cross-currency swap contracts.

The Group disclosed the analysis of derivative instruments to be settled at gross amount by the residual maturities as of the balance sheet date. The Group assesses the maturity dates of derivative contracts to understand the basic elements of all derivative financial instruments shown in the balance sheets. The amounts used in the maturity analyses of derivative financial liabilities are based on contractual cash flows, so some of these amounts may not correspond to the amounts shown on the consolidated balance sheets. The maturity analysis of derivative financial liabilities to be settled at gross amounts was as follows:

December 31, 2021	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Derivative financial liabilities at FVTPL						
Foreign currency derivatives						
Outflows	$ 1,860,409	$ 8,130,465	$ 847,551	$ 3,691,713	$ -	$ 14,530,138
Inflows	1,845,858	8,057,050	831,979	3,615,157	-	14,350,044
Total outflows	1,860,409	8,130,465	847,551	3,691,713	-	14,530,138
Total inflows	1,845,858	8,057,050	831,979	3,615,157	-	14,350,044
Net flows	$ (14,551)	$ (73,415)	$ (15,572)	$ (76,556)	$ -	$ (180,094)

December 31, 2020	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Derivative financial liabilities at FVTPL						
Foreign currency derivatives						
Outflows	$ 2,614,662	$ 3,270,267	$ 2,811,080	$ 3,880,455	$ -	$ 12,576,464
Inflows	2,594,219	3,212,438	2,682,555	3,698,415	-	12,187,627
Total outflows	2,614,662	3,270,267	2,811,080	3,880,455	-	12,576,464
Total inflows	2,594,219	3,212,438	2,682,555	3,698,415	-	12,187,627
Net flows	$ (20,443)	$ (57,829)	$ (128,525)	$ (182,040)	$ -	$ (388,837)

4) Maturity analysis of off-balance-sheet items

The following table shows the Group's maturity analysis of off-balance sheet items based on the residual maturities from the consolidated balance sheets. For the financial guarantee contract issued, the maximum amount of guarantee is included in the earliest period that may be required to perform the guarantee. The amounts in the table below were prepared on contractual cash flow basis; therefore, some disclosed amounts would not match with the consolidated balance sheets.

December 31, 2021	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Loan commitments	$ 10,420,397	$ 16,346,728	$ 27,465,124	$ 61,833,906	$ 44,497,984	$ 160,564,139
Letters of credit	1,149,591	2,504,565	195,332	21,378	-	3,870,866
Guarantee receivables	6,880,119	6,232,979	1,557,578	3,017,885	9,462,023	27,150,584
Lease contract commitment	1,427,851	149,460	12,454	82,249	-	1,672,014
Total	$ 19,877,958	$ 25,233,732	$ 29,230,488	$ 64,955,418	$ 53,960,007	$ 193,257,603

December 31, 2020	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Loan commitments	$ 7,704,768	$ 19,126,700	$ 29,632,011	$ 62,958,367	$ 37,007,287	$ 156,429,133
Letters of credit	979,316	2,071,735	347,453	31,739	-	3,430,243
Guarantee receivables	6,861,342	5,126,641	705,627	2,513,448	7,672,033	22,879,091
Lease contract commitment	1,814,198	222,188	10,582	64,393	10,283	2,121,644
Total	$ 17,359,624	$ 26,547,264	$ 30,695,673	$ 65,567,947	$ 44,689,603	$ 184,860,111

5) Cash flow and fair value risk of interest rate fluctuation

The floating-rate assets/liabilities held by the Group may be exposed to risks of future cash inflow/outflow. Since the risk is considered substantial, it is therefore hedged by the Group.

41. TRANSFERS OF FINANCIAL ASSETS

The Transferred Financial Assets That Do Not Qualify for Derecognition

Most of the transferred financial assets of the Group that are not derecognized in their entirety are securities sold under repurchase agreements. According to these transactions, the right of receiving cash flows from the transferred financial assets would be transferred to other entities and the associated liabilities of the Group's obligation to repurchase the transferred financial assets at a fixed price in the future would be recognized. As the Group is restricted to use, sell or pledge the transferred financial assets throughout the term of transaction, and is still exposed to interest rate risks and credit risks on these instruments, the transferred financial assets are not derecognized in their entirety. The details of financial assets that were not derecognized in their entirety and the associated financial liabilities were as follows:

December 31, 2021					
Category of Financial Assets	Carrying Amount of Transferred Financial Assets	Carrying Amount of Associated Financial Liabilities	Fair Value of Transferred Financial Assets	Fair Value of Associated Financial Liabilities	Fair Value of Net Position
Investments in debt instruments at amortized cost					
Securities sold under repurchase agreements	$ 1,211,468	$ 1,205,559	$ 1,241,778	$ 1,205,559	$ 36,219

December 31, 2020					
Category of Financial Assets	Carrying Amount of Transferred Financial Assets	Carrying Amount of Associated Financial Liabilities	Fair Value of Transferred Financial Assets	Fair Value of Associated Financial Liabilities	Fair Value of Net Position
Investments in debt instruments at amortized cost					
Securities sold under repurchase agreements	$ 2,342,355	$ 2,300,077	$ 2,392,483	$ 2,300,077	$ 92,406

42. OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Group did not hold financial instruments covered by Section 42 of the IAS 32 "Financial Instruments: Presentation" endorsed by the Financial Supervisory Commission; thus, it made an offset of financial assets and liabilities and reported the net amount in the consolidated balance sheets.

The Group engages in transactions on the following financial assets and liabilities that are not subject to balance sheet offsetting based on IAS 32 but are under master netting arrangements or similar agreements. These agreements allow both the Group and its counterparties to opt for the net settlement of financial assets and financial liabilities. If one party defaults, the other party may choose net settlement.

The netting information of financial assets and financial liabilities is set out below:

December 31, 2021

Financial Assets	Gross Amounts of Recognized Financial Assets	Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheets	Net Amounts of Financial Assets Presented in the Balance Sheets	Related Amounts Not Offset in the Balance Sheets: Financial Instruments	Related Amounts Not Offset in the Balance Sheets: Cash Collateral Received	Net Amount
Securities purchased under resale agreements	$ 11,258,439	$ -	$ 11,258,439	$ 11,258,439	$ -	$ -

Financial Liabilities	Gross Amounts of Recognized Financial Liabilities	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheets	Net Amounts of Financial Liabilities Presented in the Balance Sheets	Related Amounts Not Offset in the Balance Sheets: Financial Instruments	Related Amounts Not Offset in the Balance Sheets: Cash Collateral Pledged	Net Amount
Securities sold under repurchase agreements	$ 1,205,559	$ -	$ 1,205,559	$ 1,205,559	$ -	$ -

December 31, 2020

Financial Assets	Gross Amounts of Recognized Financial Assets	Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheets	Net Amounts of Financial Assets Presented in the Balance Sheets	Related Amounts Not Offset in the Balance Sheets: Financial Instruments	Related Amounts Not Offset in the Balance Sheets: Cash Collateral Received	Net Amount
Securities purchased under resale agreements	$ 12,773,121	$ -	$ 12,773,121	$ 12,773,121	$ -	$ -

Financial Liabilities	Gross Amounts of Recognized Financial Liabilities	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheets	Net Amounts of Financial Liabilities Presented in the Balance Sheets	Related Amounts Not Offset in the Balance Sheets: Financial Instruments	Related Amounts Not Offset in the Balance Sheets: Cash Collateral Pledged	Net Amount
Securities sold under repurchase agreements	$ 2,300,077	$ -	$ 2,300,077	$ 2,300,077	$ -	$ -

43. INFORMATION ABOUT THE BANK

a. Asset quality

Category			Dec 31, 2021 Non-performing Loan (Note 1)	Dec 31, 2021 Total Loan	Dec 31, 2021 NPL Ratio (Note 2)	Dec 31, 2021 Allowance For Loan Losses	Dec 31, 2021 Coverage Ratio (Note 3)	Dec 31, 2020 Non-performing Loan (Note 1)	Dec 31, 2020 Total Loan	Dec 31, 2020 NPL Ratio (Note 2)	Dec 31, 2020 Allowance For Loan Losses	Dec 31, 2020 Coverage Ratio (Note 3)
Corporate loans	Secured		$ 306,832	$ 152,601,348	0.20%	$ 1,526,137	497.39%	$ 452,737	$ 153,180,159	0.30%	$ 1,532,063	338.40%
	Unsecured		117,494	83,104,653	0.14%	2,298,392	1,956.18%	96,665	77,217,829	0.13%	2,597,748	2,687.37%
Consumer loans	Mortgage (Note 4)		32,377	64,795,172	0.05%	998,712	3,084.63%	55,380	57,329,436	0.10%	905,827	1,635.66%
	Cash card		-	2	-	1	-	-	10	-	1	-
	Microcredit (Note 5)		1,018	957,115	0.11%	59,858	5,879.96%	456	893,160	0.05%	82,028	17,988.60%
	Other (Note 6)	Secured	257,503	154,572,466	0.17%	1,444,616	561.01%	361,301	150,343,195	0.24%	831,404	230.11%
		Unsecured	28,535	29,060,838	0.10%	353,147	1,237.59%	16,001	22,789,618	0.07%	385,922	2,411.86%
Loans			743,759	485,091,594	0.15%	6,680,863	898.26%	982,540	461,753,407	0.21%	6,334,993	644.76%

Category	Dec 31, 2021 Overdue Receivable	Dec 31, 2021 Accounts Receivable	Dec 31, 2021 Delinquency Ratio	Dec 31, 2021 Allowance for Credit Losses	Dec 31, 2021 Coverage Ratio	Dec 31, 2020 Overdue Receivable	Dec 31, 2020 Accounts Receivable	Dec 31, 2020 Delinquency Ratio	Dec 31, 2020 Allowance for Credit Losses	Dec 31, 2020 Coverage Ratio
Credit card	$ 2,573	$ 738,561	0.35%	$ 27,274	1,060.01%	$ 3,192	$ 742,507	0.43%	$ 27,906	874.25%
Accounts receivable without recourse (Note 7)	-	271,434	-	4,645	-	-	154,805	-	5,805	-

Non-reportable overdue loans and receivables

	December 31, 2021		December 31, 2020	
	Non-reportable NPL Balance	**Non-reportable Overdue Receivable Balance**	**Non-reportable NPL Balance**	**Non-reportable Overdue Receivable Balance**
Non-reportable amount upon performance of debt negotiation program (Note 8)	$ 1,157	$ 627	$ 1,568	$ 820
Amount received from performance of debt negotiation program (Note 9)	10,515	17,630	8,303	19,280
Total	11,672	18,257	9,871	20,100

Note 1: The amount recognized as non-performing loans (NPL) is in compliance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans". Non-performing credit loans represent the amounts of non-performing loans reported to the FSC, as required by the FSC in its letter dated July 6, 2005 (Ref. No. 0944000378).

Note 2: Non-performing loan ratio = Non-performing loans ÷ Outstanding loan balance; Non-performing credit loan ratio = Non-performing loans ÷ Accounts receivable balance.

Note 3: Allowance for doubtful accounts ratio = Allowance for doubtful accounts in loans ÷ Overdue loans; Allowance for doubtful accounts ratio of credit card = Allowance for doubtful accounts in credit cards ÷ Overdue loans.

Note 4: Home mortgage refers to financing obtained to buy, build, or fix houses owned by the borrowers' spouse or children, with the house used as loan collateral.

Note 5: Microcredit is covered by the FSC pronouncement dated December 19, 2005 (Ref No. 09440010950) and is excluded from credit card and cash card loans.

Note 6: "Others" under consumer loans refers to secured or unsecured loans other than mortgage loans, cash cards, microcredit, and credit cards.

Note 7: As required by the FSC in its letter dated July 19, 2005 (Ref No. 094000494), a provision for bad debts is recognized once no compensation is made by a factor or insurance company for accounts receivable factored without recourse.

Note 8: Accounts under "loans not required to be classified as NPL upon performance of a debt negotiation program" and "accounts receivable not required to be classified as overdue receivable upon debt negotiation program" were processed according the FSC pronouncement dated April 25, 2006 (Ref No. 09510001270).

Note 9: Accounts under "loans not required to be classified as NPL upon performance of a debt discharge program and rehabilitation program" and "accounts receivable not required to be classified as overdue receivable upon debt discharge program and rehabilitation program" were processed according the FSC pronouncement dated September 15, 2008 (Ref No. 09700318940).

b. Concentration of credit extensions

(In Thousands of New Taiwan Dollars, %)

Year	December 31, 2021		
Top 10 Rank (Note 1)	**Group (Note 2)**	**Total Credit (Note 3)**	**Percentage of Net Worth (%)**
1	Bank A 016700 real estate development activities	$ 4,547,089	7.17
2	Bank B 016700 real estate development activities	2,920,143	4.60
3	Bank C 016700 real estate development activities	2,604,314	4.10
4	Bank D 016700 real estate development activities	2,171,767	3.42
5	Bank E 012411 smelting and refining of iron and steel	2,114,558	3.33
6	Bank F 010892 manufacture of macaroni, noodles, couscous and similar farinaceous products	1,919,501	3.02
7	Bank G 014290 civil engineering constructions	1,791,518	2.82
8	Bank H 015510 short-term accommodation activities	1,716,097	2.70
9	Bank I 012699 manufacture of other electronic parts and components not elsewhere classified	1,692,553	2.67
10	Bank J 015010 ocean transportation	1,607,055	2.53

Year	December 31, 2020		
Top 10 Rank (Note 1)	**Group (Note 2)**	**Total Credit (Note 3)**	**Percentage of Net Worth (%)**
1	Bank A 016700 real estate development activities	$ 4,673,280	8.15
2	Bank C 016700 real estate development activities	2,453,570	4.28
3	Bank B 016811 real estate activities for sale and rental with own or leased property	2,448,265	4.27
4	Bank E 012411 smelting and refining of iron and steel	2,349,850	4.10
5	Bank D 016700 real estate development activities	2,257,493	3.94
6	Bank K 016700 real estate development activities	1,839,582	3.21
7	Bank F 010892 manufacture of macaroni, noodles, couscous and similar farinaceous products	1,833,471	3.20
8	Bank L 012630 printed circuit board manufacturing	1,761,013	3.07
9	Bank M 014612 wholesale of brick, sand, cement and products	1,608,781	2.81
10	Bank N 013822 hazardous industrial waste treatment	1,370,909	2.39

Note 1: The ranking is arranged in descending order of the outstanding loan balance, excluding all the government entities and nation-owned enterprises. If the borrower is a member company of a group, then the disclosed amount will be the total granted loan amount for that entire group. (i.e., Group A real estate development activities).

Note 2: According to Article 6 of the “Supplementary Provisions to the Stock Exchange Corporation Criteria for the Review of Securities Listings”, Group refers to the entity that has a controlling or subordinate relationship with the counterparty that obtained loans from the Bank.

Note 3: Credit balance means the sum of all the loans (including import bill negotiated, discounted export bills negotiated, overdrafts, short-term secured and unsecured loans, securities margin loan receivables, medium-term secured and unsecured loans, long-term secured and unsecured loans and delinquent receivables), exchange bills negotiated, accounts receivable factored without recourse, acceptances receivable, and guarantees issued.

c. Interest rate sensitivity information

Interest Rate Sensitivity
December 31, 2021

(In Thousands of New Taiwan Dollars, %)

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest-sensitive assets	$ 517,659,733	$ 9,375,584	$ 10,814,138	$ 99,617,497	$ 637,466,952
Interest-sensitive liabilities	138,013,894	358,827,497	95,835,145	12,243,899	604,920,435
Interest sensitivity gap	379,645,839	(349,451,913)	(85,021,007)	87,373,598	32,546,517
Net equity					63,459,985
Ratio of interest-sensitive assets to liabilities					105.38%
Ratio of interest sensitivity gap to net equity					51.29%

December 31, 2020

(In Thousands of New Taiwan Dollars, %)

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest-sensitive assets	$ 494,400,748	$ 11,473,341	$ 12,395,589	$ 89,911,813	$ 608,181,491
Interest-sensitive liabilities	141,248,259	332,636,992	104,373,534	7,963,232	586,222,017
Interest sensitivity gap	353,152,489	(321,163,651)	(91,977,945)	81,948,581	21,959,474
Net equity					57,321,753
Ratio of interest-sensitive assets to liabilities					103.75%
Ratio of interest sensitivity gap to net equity					38.31%

Note 1: The above amounts included only the New Taiwan dollar amounts held by the head office and branches of the Bank (i.e., excluding foreign currency).

Note 2: Interest rate-sensitive assets and liabilities mean the revenues or costs of interest-earning assets and interest-bearing liabilities affected by interest rate changes.

Note 3: Interest rate sensitivity gap = Interest rate-sensitive assets - Interest rate-sensitive liabilities.

Note 4: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets ÷ Interest rate-sensitive liabilities (in New Taiwan dollars).

Interest Rate Sensitivity
December 31, 2021

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

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest-sensitive assets	$ 1,508,953	$ 263,646	$ 124,857	$ 266,753	$ 2,164,209
Interest-sensitive liabilities	658,739	1,373,881	184,159	40	2,216,819
Interest sensitivity gap	850,214	(1,110,235)	(59,302)	266,713	(52,610)
Net equity					2,292,547
Ratio of interest-sensitive assets to liabilities					97.63%
Ratio of interest sensitivity gap to net equity					(2.29%)

December 31, 2020

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

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest-sensitive assets	$ 1,301,782	$ 251,958	$ 97,215	$ 346,387	$ 1,997,342
Interest-sensitive liabilities	446,709	1,232,085	310,522	-	1,989,316
Interest sensitivity gap	855,073	(980,127)	(213,307)	346,387	8,026
Net equity					2,039,993
Ratio of interest-sensitive assets to liabilities					100.40%
Ratio of interest sensitivity gap to net equity					0.39%

Note 1: The above amounts included only the U.S. dollar amounts held by the head office, domestic branches, OBU and overseas branches of the Bank and excluded contingent assets and contingent liabilities.

Note 2: Interest rate-sensitive assets and liabilities mean the revenues or costs of interest-earning assets and interest-bearing liabilities affected by interest rate changes.

Note 3: Interest rate sensitivity gap = Interest rate-sensitive assets - Interest rate-sensitive liabilities.

Note 4: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets ÷ Interest rate-sensitive liabilities (in U.S. dollars)

d. Profitability

Unit: %

Items		December 31, 2021	December 31, 2020
Return on total assets	Pretax	0.73	0.67
	After tax	0.64	0.57
Return on net equity	Pretax	9.03	8.59
	After tax	7.94	7.41
Profit margin		38.06	37.52

Note 1: Return on total assets = Income before (after) income tax ÷ Average total assets

Note 2: Return on equity = Income before (after) income tax ÷ Average equity

Note 3: Net income ratio = Income after income tax ÷ Total net revenues

Note 4: Income before (after) income tax represents income for the years ended December 31, 2021 and 2020.

e. Maturity analysis of assets and liabilities

Maturity Analysis of Assets and Liabilities
December 31, 2021

(In Thousands of New Taiwan Dollars)

	Total	Period Remaining until Due Date and Amount Due					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year
Major capital inflow on maturity	$ 690,862,419	$ 79,528,105	$ 64,951,354	$ 35,311,526	$ 55,348,265	$ 107,707,741	$ 348,015,428
Major capital outflow on maturity	821,876,223	29,606,148	31,996,179	85,726,703	106,179,429	183,229,351	385,138,413
Gap	(131,013,804)	49,921,957	32,955,175	(50,415,177)	(50,831,164)	(75,521,610)	(37,122,985)

December 31, 2020

(In Thousands of New Taiwan Dollars)

	Total	Period Remaining until Due Date and Amount Due					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year
Major capital inflow on maturity	$ 660,315,443	$ 91,325,237	$ 54,943,741	$ 32,175,308	$ 53,461,993	$ 105,310,358	$ 323,098,806
Major capital outflow on maturity	782,299,588	27,709,161	30,881,366	82,879,363	103,396,608	188,375,958	349,057,132
Gap	(121,984,145)	63,616,076	24,062,375	(50,704,055)	(49,934,615)	(83,065,600)	(25,958,326)

Note: The above amounts included only the New Taiwan dollar amounts held by the head office and domestic branches of the Bank (excluding foreign currency).

Maturity Analysis of Assets and Liabilities
December 31, 2021

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year
Major capital inflow on maturity	$ 2,789,842	$ 602,590	$ 472,159	$ 278,131	$ 385,425	$ 1,051,537
Major capital outflow on maturity	3,345,308	525,117	1,021,530	533,336	885,719	379,606
Gap	(555,466)	77,473	(549,371)	(255,205)	(500,294)	671,931

December 31, 2020

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year
Major capital inflow on maturity	$ 2,453,883	$ 324,701	$ 263,584	$ 348,501	$ 333,487	$ 1,183,610
Major capital outflow on maturity	3,092,693	437,764	787,792	584,280	986,987	295,870
Gap	(638,810)	(113,063)	(524,208)	(235,779)	(653,500)	887,740

Note 1: The above amounts included only the U.S. dollar amounts held by the head office, domestic branches, OBU and overseas branches of the Bank and excluded contingent assets and contingent liabilities.

Note 2: When the OBU’s assets account for 10% of total assets of the Bank, the Bank should provide complimentary disclosed information.

44. CAPITAL MANAGEMENT

a. The purpose of capital management is to meet the criteria set by administration which is the basic goal of the Group’s capital management. The calculation method of the relevant qualified eligible capital and legal capital should be handled in accordance with the regulations of the competent authority.

   To maintain the ratio of eligible capital to risk-weighted assets above the target level, the capital management structure of the Group should be properly planned depending on the conditions of capital market, the characteristics of various capital instruments, the efficiency of capital utilization and the impact of operational performance.

b. The Group follows the relevant regulations of the competent authority and the internal operating procedures of the Bank, to regularly disclose relevant information on capital adequacy and report to the competent authority on a quarterly basis.

   Self-owned capital of the Bank is divided into Tier 1 capital and Tier 2 capital according to principles of capital adequacy management.

1) The term “Net Tier 1 Capital” shall mean the aggregate amount of net common Equity Tier 1 and net additional Tier 1 Capital.

   a) The common equity Tier 1 capital consists of the common shares and additional paid-in capital in excess of par - common shares, the capital collected in advance, the capital reserves, the statutory surplus reserves, the special reserves, the accumulated profit or loss, the non-controlling interests and other items of interest.

   b) Additional Tier 1 capital consists of non-cumulative perpetual preferred shares and its capital share premium, the non-cumulative perpetual subordinated debts, the non-cumulative perpetual preferred shares and its capital share premium, and the non-cumulative perpetual subordinated debts which are issued by banks’ subsidiaries, and are not directly or indirectly held by banks.

2) Tier 2 capital

   The Tier 2 capital consists of cumulative perpetual preferred shares and its capital share premium, the cumulative perpetual subordinated debts, the convertible subordinated debts, the long-term subordinated debts, the non-perpetual preferred shares and its capital share premium, when applying International Financial Reporting Standards in real estate and using the fair value method or the re-estimated value method as the deemed cost for the first time, the difference in amount between the deemed cost and the book value recognized in retained earnings, the 45% of unrealized gains on changes in the fair value of investment properties using the fair value method, as well as the 45% of unrealized gains on available-for-sale financial assets, the operational reserves and loan-loss provisions and the cumulative perpetual preferred shares and its capital share premium, the cumulative perpetual subordinated debts, the convertible subordinated debts, the long-term subordinated debts, and the non-perpetual preferred shares and its capital share premiums, which are issued by banks’ subsidiaries, and are not directly or indirectly held by banks.

c. Capital adequacy ratio (CAR)

(Unit: In Thousands of New Taiwan Dollars, %)

Items			Year December 31, 2021	December 31, 2020
Eligible capital	Common equity		$ 62,409,217	$ 56,213,035
	Other Tier 1 capital		11,458,719	11,459,213
	Tier 2 capital		10,993,346	5,546,094
	Eligible capital		84,861,282	73,218,342
Risk-weighted assets	Credit risk	Standardized approach	486,145,054	485,553,191
		Internal ratings-based approach	-	-
		Securitization	-	-
	Operational risk	Basic indicator approach	23,351,900	22,082,050
		Standardized approach/alternative standardized approach	-	-
		Advanced measurement approach	-	-
	Market risk	Standardized approach	10,622,413	9,782,200
		Internal model approach	-	-
	Risk-weighted assets		520,119,367	517,417,441
Capital adequacy ratio (%)			16.32%	14.15%
Ratio of common equity to risk-weighted assets (%)			12.00%	10.86%
Ratio of Tier 1 capital to risk-weighted assets (%)			14.20%	13.08%
Leverage ratio (%)			9.08%	8.75%

Note 1: Eligible capital and risk-weighted assets are calculated under the "Regulations Governing the Capital Adequacy Ratio of Banks" and "Explanation of Methods for Calculating the Eligible Capital and Risk-Weighted Assets of Banks".

Note 2: Annual financial statements should include capital adequacy ratio of the current and prior year. Semi-annual financial statements in addition to exposing the current and prior year's financial status, should also include the capital adequacy ratio at the end of prior year.

Note 3: Formulas used were as follows:

1) Eligible capital = Common equity + Other Tier 1 capital + Tier 2 capital.

2) Risk-weighted assets = Risk-weighted asset for credit risk + Capital requirements for operational risk and market risk x 12.5.

3) Capital adequacy ratio = Eligible capital ÷ Risk-weighted assets.

4) Ratio of the common equity to risk-weighted assets = Common equity ÷ Risk-weighted assets.

5) Ratio of Tier 1 capital to risk-weighted assets = (Common equity + Other Tier 1 capital) ÷ Risk-weighted assets.

6) Leverage ratio = Tier 1 capital ÷ Exposure measurement.

Note 4: Exempt from disclosure in the preparation of the first and third quarters of the financial reports.

45. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

Details of significant assets and liabilities denominated in foreign currencies were as follows:

	December 31, 2021						
	USD	CNY	JPY	AUD	EUR	Others	Total
Financial assets in foreign currencies							
Cash and cash equivalents	$ 5,215,275	$ 812,902	$ 342,361	$ 178,519	$ 89,890	$ 1,119,524	$ 7,758,471
Due from the Central Bank and call loans to other banks	1,181,979	86,880	-	140,560	-	225,289	1,634,708
Financial assets at fair value through profit or loss	1,203,661	-	-	-	1,098	5,439	1,210,198
Financial assets at fair value through other comprehensive income	1,373,965	1,938,370	-	117,670	-	-	3,430,005
Notes discounted and loans	32,874,107	874,568	1,234,805	75,300	1,215,774	615,252	36,889,806
Receivables	996,226	3,323,823	109,965	10,772	11,751	33,762	4,486,299
Financial assets at amortized cost	18,899,657	3,213,098	-	1,344,923	-	779,584	24,237,262
Other assets	301,792	-	-	-	-	896	302,688
Financial liabilities in foreign currencies							
Funds borrowed from Central Bank and other banks	-	2,803,782	-	-	-	-	2,803,782
Deposits and remittances	60,943,986	3,721,575	901,938	1,980,233	703,282	1,918,283	70,169,297
Financial liabilities at fair value through profit or loss	280,123	19,722	-	-	1,162	5,438	306,445

(Continued)

	December 31, 2021						
	USD	CNY	JPY	AUD	EUR	Others	Total
Other financial liabilities	$ 467,255	$ -	$ -	$ -	$ -	$ 117,238	$ 584,493
Payables	742,228	142,482	106,541	1,314	7,629	3,529	1,003,723
Lease liabilities	-	35,879	-	-	-	4,524	40,403
Provisions	22,520	-	-	-	-	-	22,520
Other liabilities	156,307	26,646	2,524	-	16,918	-	202,395
New Taiwan dollars exchange rate	27.68	4.34	0.24	20.08	31.32		

(Concluded)

	December 31, 2020						
	USD	CNY	JPY	AUD	EUR	Others	Total
Financial assets in foreign currencies							
Cash and cash equivalents	$ 3,859,375	$ 487,676	$ 369,085	$ 135,056	$ 137,767	$ 496,070	$ 5,485,029
Due from the Central Bank and call loans to other banks	73,057	86,340	-	-	-	374,987	534,384
Financial assets at fair value through profit or loss	1,189,924	-	-	-	3,509	90,688	1,284,121
Financial assets at fair value through other comprehensive income	1,736,382	1,928,804	-	132,488	-	-	3,797,674
Notes discounted and loans	31,203,325	1,112,690	413,612	81,659	1,176,027	1,017,500	35,004,813
Receivables	805,151	2,967,309	209,852	14,156	445,269	68,749	4,510,486
Financial assets at amortized cost	18,565,402	3,842,754	-	1,428,655	-	941,953	24,778,764
Other assets	495,580	86,340	-	-	-	1	581,921
Financial liabilities in foreign currencies							
Due to the Central Bank and other banks	702,478	-	408,753	-	-	-	1,111,231
Funds borrowed from Central Bank and other banks	-	2,222,528	-	-	-	-	2,222,528
Deposits and remittances	54,085,876	4,231,763	635,885	2,261,598	563,925	2,236,821	64,015,868
Financial liabilities at fair value through profit or loss	304,098	36,706	-	-	3,780	2,154	346,738
Other financial liabilities	-	-	-	-	-	107,246	107,246
Payables	1,093,982	193,025	198,722	162,732	61,890	59,780	1,770,131
Lease liabilities	-	41,981	-	-	-	5,529	47,510
Securities sold under repurchased agreements	1,096,485	-	-	-	-	-	1,096,485
Provisions	21,174	-	-	-	-	-	21,174
Other liabilities	109,079	7,932	234	-	8,518	-	125,763
New Taiwan dollars exchange rate	28.10	4.32	0.27	21.65	34.55		

46. CASH FLOW INFORMATION

Changes in Liabilities Arising from Financing Activities

For the year ended December 31, 2021

	Opening Balance	Cash Inflows (Outflows)	Non-cash Changes: New Leases	Non-cash Changes: End of Lease Term	Closing Balance
Funds borrowed from the Central Bank and other banks	$ 8,510,652	$ 1,948,504	$ -	$ -	$ 10,459,156
Commercial papers	1,588,567	475,109	-	-	2,063,676
Guarantee deposits received	567,148	74,849	-	-	641,997
Bank debentures	11,500,000	5,000,000	-	-	16,500,000
Lease liabilities	1,006,781	(214,271)	255,729	(195,021)	853,218
	$ 23,173,148	$ 7,284,191	$ 255,729	$ (195,021)	$ 30,518,047

For the year ended December 31, 2020

	Opening Balance	Cash Inflows (Outflows)	Non-cash Changes: New Leases	Non-cash Changes: End of Lease Term	Closing Balance
Funds borrowed from the Central Bank and other banks	$ 6,092,040	$ 2,418,612	$ -	$ -	$ 8,510,652
Commercial papers	1,174,083	414,484	-	-	1,588,567
Guarantee deposits received	582,064	(14,916)	-	-	567,148
Bank debentures	14,000,000	(2,500,000)	-	-	11,500,000
Lease liabilities	895,285	(203,293)	367,498	(52,709)	1,006,781
	$ 22,743,472	$ 114,887	$ 367,498	$ (52,709)	$ 23,173,148

47. OTHER SIGNIFICANT EVENT

Due to the impact of the COVID-19 pandemic, future economic and financial developments are uncertain. The Group strengthened its management towards the provision of loans, monitored and assessed financial information (including net revenue, expected impairment loss, operating expenses and capital adequacy ratio, etc.) by applying stress testing under additional pressure. Based on the information available as of the balance sheet date, the epidemic did not have significant influence on the Group’s ability to continue as a going concern, asset impairment and financing risk.

48. OPERATING SEGMENT FINANCIAL INFORMATION

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. The Group’s reportable segments are as follows:

Northern area
Central area
Southern area
OBU
Overseas branch
Head office and others

a. Segment revenues and results

The analysis of the Group’s revenue and results from continuing operations by reportable segment is as follows:

	Northern Area	Central Area	Southern Area	OBU	Overseas Branch	Head Office and Others	Adjustment and Write-off	Total
For the year ended December 31, 2021								
Interest revenue	$ 3,002,623	$ 4,471,362	$ 2,569,486	$ 1,267,089	$ 80,267	$ 3,256,453	$ (2,401,795)	$ 12,245,485
Interest expense	(1,228,900)	(1,296,470)	(794,441)	(502,415)	(19,460)	(1,527,964)	2,401,795	(2,967,855)
Net revenue	1,773,723	3,174,892	1,775,045	764,674	60,807	1,728,489	-	9,277,630
Net income and loss other than interest								
Service fee income	593,441	958,288	597,235	114,082	10,532	1,101,133	-	3,374,711
Gain on financial instruments	21,571	79,039	28,016	48,466	-	709,089	-	886,181
Others	15,295	24,561	19,351	58,903	2,902	137,246	(74,906)	183,352
Provision for bad debts expense, commitments and guarantee liabilities	(193,069)	(10,799)	(602,217)	15,166	(5,868)	(571,724)	-	(1,368,511)
Operating expenses	(827,655)	(1,472,978)	(981,283)	(39,427)	(33,417)	(3,504,300)	74,906	(6,784,154)
Income (loss) before income tax	$ 1,383,306	$ 2,753,003	$ 836,147	$ 961,864	$ 34,956	$ (400,067)	$ -	$ 5,569,209

(Continued)

	Northern Area	Central Area	Southern Area	OBU	Overseas Branch	Head Office and Others	Adjustment and Write-off	Total
For the year ended December 31, 2020								
Interest revenue	$ 3,189,983	$ 4,614,512	$ 2,837,530	$ 1,489,165	$ 78,408	$ 2,455,061	$ (2,535,230)	$ 12,129,429
Interest expense	(1,435,971)	(1,384,983)	(913,793)	(742,619)	(21,988)	(1,886,212)	2,535,230	(3,850,336)
Net revenue	1,754,012	3,229,529	1,923,737	746,546	56,420	568,849	-	8,279,093
Net income and loss other than interest								
Service fee income	486,272	839,754	536,540	95,460	8,306	939,571	-	2,905,903
Gain on financial instruments	16,526	53,201	21,316	107,264	-	(64,961)	-	133,346
Others	14,912	23,231	19,490	(33,078)	15,673	360,486	(75,314)	325,400
Provision for bad debts expense, commitments and guarantee liabilities	(399,504)	(45,289)	10,680	(15,302)	(12,054)	(57,563)		(519,032)
Operating expenses	(807,104)	(1,459,005)	(1,004,667)	(38,396)	(27,649)	(3,104,773)	75,314	(6,366,280)
Income (loss) before income tax	$ 1,065,114	$ 2,641,421	$ 1,507,096	$ 862,494	$ 40,696	$ (1,358,391)	$ -	$ 4,758,430

(Concluded)

This measure is provided to the chief operating decision maker for resources allocation and measurement of segment performance.

b. Segment assets

Segment Assets	December 31 2021	December 31 2020
Northern area	$ 145,565,777	$ 139,108,081
Central area	206,673,851	196,947,682
Southern area	85,045,094	99,754,054
OBU	54,677,735	56,666,372
Overseas branch	3,118,161	2,615,256
Head office and others	277,597,775	241,678,576
	$ 772,678,393	$ 736,770,021

c. Revenue from major products and services

The Group is mainly involved in the business of earning interest revenue; therefore, no product or service information is available.

d. Geographical information

Location	For the Year Ended December 31 2021	For the Year Ended December 31 2020
Taiwan	$ 13,426,219	$ 11,422,810
Asia	294,688	218,244
America	967	2,688
	$ 13,721,874	$ 11,643,742

e. Information about major customers

The interest revenue of the Group from any single customer does not exceed 10% of the total interest revenue; therefore, information on major customers is not available.

49. ADDITIONAL DISCLOSURES

a. Information about significant transactions and investees:

Disclosures of relevant information in accordance with Article 18 of Regulations Governing the Preparation of Financial Reports by Public Banks are as follows:

No.	Item	Note
1	Marketable securities acquired and disposed of at costs or prices of at least NT$300 million or 10% of the paid-in capital.	None
2	Acquisition of individual real estate at costs of at least NT$300 million or 10% of the paid-in capital.	None
3	Disposal of individual real estate at prices of at least NT$300 million or 10% of the paid-in capital.	None
4	Allowance of service fees to Related party amounting to at least NT$5 million.	None
5	Receivables from Related party amounting to at least NT$300 million or 10% of the paid-in capital.	None
6	Sale of nonperforming loans.	None
7	Financial asset securitization and real estate securitization.	None
8	Other significant transactions which may affect the decisions of users of financial reports.	None

b. The related information of the Group's investees (Note):

No.	Item	Note
1	Related information and proportionate share in investees.	Table 1
2	Financing provided.	Table 2
3	Endorsement/guarantee provided.	Table 3
4	Marketable securities held.	Table 4
5	Marketable securities acquired and disposed of at costs or prices of at least NT$300 million or 10% of the paid-in capital	None
6	Derivative transactions.	Note 8
7	Other significant transactions which may affect the decisions of users of financial reports.	None

Note: Subsidiaries are exempt from disclosure if they belong to the financial, insurance, and securities industries, and the main business items of business registration include fund loans to others, endorsements, and trading of securities.

c. Investment in mainland China: Table 5 (attached).

d. Business relationships and significant transactions between the parent company and subsidiaries: Table 6 (attached).

e. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 7).

TAICHUNG COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

THE RELATED INFORMATION AND PROPORTIONATE SHARE IN INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company (Note 1)	Location	Main Businesses and Products	Percentage of Ownership	Carrying Value	Investment Gain (Loss)	Proportionate Share of the Bank and Its Affiliates in Investees (Note 1)				Note
							Shares (In Thousands)	Pro Forma Shares (Note 2)	Total: Shares (In Thousands)	Total: Percentage of Ownership	
Taichung Commercial Bank Co., Ltd.	Taichung Bank Insurance Brokers Co.	Taichung City	Insurance broker industry	100.00	$ 1,901,022	$ 217,094	128,600	-	128,600	100.00	
	Taichung Bank Securities Investment Trust Co., Ltd.	Taipei City	Securities investment trust industry	38.46	165,124	(592)	19,783	-	19,783	63.41	
	Taichung Commercial Bank Securities Co., Ltd.	Taichung City	Securities industry	100.00	1,962,752	462,797	146,748	-	146,748	100.00	
	Taichung Bank Leasing Corporation Limited	Taipei City	Leasing business	100.00	2,035,325	100,258	198,964	-	198,964	100.00	
Taichung Bank Leasing Corporation Limited	TCCBL Co., Ltd. (B.V.I.)	British Virgin Islands	Financial leasing and investment business	100.00	826,294	41,185	30,000	-	30,000	100.00	
TCCBL Co., Ltd. (B.V.I.)	Taichung Bank Financial Leasing (Suzhou) Co., Ltd.	Suzhou	Financial leasing business	100.00	781,584	40,289	-	-	-	100.00	
Taichung Commercial Bank Securities Co., Ltd.	Taichung Bank Venture Capital Co., Ltd.	Taipei City	Venture capital business	100.00	208,594	(6,138)	21,000	-	21,000	100.00	

Note 1: Shares or pro forma shares held by the Bank, directors, supervisors, president, vice president and affiliates have all been included in accordance with the Company Act.

Note 2: a. Pro forma shares are shares assumed to be obtained through buying equity-based securities or entering into equity-linked derivative contracts for purposes defined in Article 74 of the Banking Law.
b. Equity-based securities, such as convertible bonds and warrants, are covered by Article 11 of “Securities and Exchange Law Enforcement Rules.”
c. Derivative contracts, such as share options, are those conforming to the definition of derivatives in International Financial Reporting Standard 9.

Note 3: This table of “information of investees’ names, locations, etc.” can only be seen in the second and fourth quarter’s financial statements.

TAICHUNG COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note 1)	Lender	Borrower	Financial Statement Account (Note 2)	Related Party	Highest Balance for the Period (Note 3)	Ending Balance (Note 8)	Actual Amount Borrowed	Interest Rate (%)	Nature of Financing (Note 4)	Business Transaction Amount (Note 5)	Reasons for Short-term Financing (Note 6)	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 7)	Aggregate Financing Limit (Note 7)	Note
													Item	Value			
1	Taichung Bank Leasing Corporation Limited	Wan Ku Fu Co., Ltd.	Other receivables	Not related	$ 121,829	$ 51,018	$ 51,018	4-10	Necessary for short-term financing	$ -	Business turnover	$ 510	Real estate	$ 86,610	$ 203,533	$ 814,130	Note 9
		Da Fang Skill Color Marketing Consultant Co., Ltd.	Other receivables	Not related	180,000	176,294	176,294	4-10	Necessary for short-term financing	-	Business turnover	1,763	Real estate	180,000	203,533	814,130	Note 9
		Qiyi Integrated Marketing Co., Ltd.	Other receivables	Not related	180,000	174,424	174,424	4-10	Necessary for short-term financing	-	Business turnover	1,744	Real estate	326,301	203,533	814,130	Note 9
		TCCBL Co., Ltd. (B.V.I.)	Other receivables - related party	Related	9,534	9,250	9,250	-	Necessary for short-term financing	-	Business turnover	93	None	-	203,533	814,130	Note 9
2	TCCBL Co., Ltd. (B.V.I.)	Cross Border Profits Limited	Other receivables	Not related	5,395	-	-	4-10	Necessary for short-term financing	-	Business turnover	-	Margin	2,768	82,629	330,518	Note 10

Note 1: The description of the number column is as follows:

a. Issuer: 0.
b. The invested company is numbered sequentially by the Arabic number 1 according to the company.

Note 2: Items such as accounts receivable, corporate receivables, shareholder transactions, prepayments, provisional payments, etc., which are provided by financing are required to be filled in this field.

Note 3: The annual fund is provided to others to the highest balance.

Note 4: Nature of financing should be filled with business contracts or those who have short-term financing.

Note 5: Nature of the loan of the business contracts should be filled with the amount of business transactions. The amount of business transactions refers to the amount of business transactions between the company that lends the funds and the target of last year's loan.

Note 6: Nature of the loan required for short-term financing should specify the reasons for the loans and the use of funds for the loan, such as repayment of loans, purchase of equipment, business turnover, etc.

Note 7: The company shall fill in the borrowing limit and total limit for individual objects according to the operating procedures and explains the calculation method of the total limit in the column Note.

Note 8: If the board of directors of the public offering company according to Article 14 (1) of the Public Offering Company's Financing and Endorsement Guarantee Processing Guidelines will make a resolution, the amount of the resolution of the board of directors shall be included in the announcement balance to disclose its risk; however, if the funds are repaid, the balance after repayment should be disclosed to reflect the adjustment of risk. If the public offering company authorizes the chairman of the board to allocate or repay the loan in a certain amount and within one year according to the resolution of the board of directors in accordance with Article 14(2) of the handling criteria, the fund's loan and the amount approved by the board of directors shall be the declared balance. Although the funds will be repaid afterwards, the consideration may still be re-loaned. Therefore, the fund loan and the amount approved by the board of directors should still be used as the announced balance.

Note 9: Taichung Bank Leasing Corporation Limited should not exceed 10% of its own net value for a single enterprise. The total amount of financing provided to others is limited to 40% of the net value of Taichung Bank Leasing Corporation Limited

Note 10: TCCBL Co., Ltd. (B.V.I.) should not exceed 10% of its own net value for a single enterprise. The total amount of financing provided to others is limited to 40% of the net value of TCCBL Co., Ltd. (B.V.I.).

TAICHUNG COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorser/Guarantor	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party (Note 1)	Maximum Amount Endorsed/ Guaranteed During the Period (Note 2)	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 1)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries (Note 3)	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent (Note 3)	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China (Note 3)
		Name	Relationship										
1	Taichung Bank Leasing Corporation Limited	TCCBL Co., Ltd. (B.V.I.)	Direct shareholding of 100% of subsidiary	$ 12,211,950	$ 632,228	$ 539,780	$ -	$ -	26.52	$ 20,353,250	-	-	-
2	Taichung Bank Leasing Corporation Limited	Taichung Bank Financial Leasing (Suzhou) Co., Ltd.	Indirect shareholding of 100% of subsidiary	12,211,950	2,587,868	2,438,244	1,627,280	-	119.80	20,353,250	-	-	Y

Note 1: According to Taichung Bank Leasing Corporation Limited’s “Operating Procedures to Fund Endorsement and Guarantee”, the endorsement limit to single company cannot surpass six times of Taichung Bank Leasing Corporation Limited’s audited net worth. The endorsement limits to all subsidiaries cannot surpass 10 times of Taichung Bank Leasing Corporation Limited’s audited net worth.

Note 2: The maximum balance guaranteed for endorsement of others during the year.

Note 3: It is a guarantor of the listed parent company to the endorsement of the subsidiary, the subsidiary company's endorsement to the listed parent company and the endorsement of the mainland area must be filled with Y.

TABLE 4

TAICHUNG COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars or Shares)

Name of Holding Company	Type and Name of Marketable Securities	Relationship	Financial Statements Account	December 31, 2021				Note
				Shares	Carrying Amount (Note)	Percentage of Ownership	Market Value or Net Asset Value (Note)	
Taichung Commercial Bank Co., Ltd.	Domestic unlisted shares							
	Taichung Bank Leasing Corporation Limited	Subsidiary	Investment accounted for using the equity method	198,964	$ 2,035,325	100	$ 2,035,325	
	Taichung Bank Insurance Brokers Co., Ltd.	Subsidiary	Investment accounted for using the equity method	128,600	1,901,022	100	1,901,022	
	Taichung Bank Securities Co., Ltd.	Subsidiary	Investment accounted for using the equity method	146,748	1,962,752	100	1,962,752	
	Taichung Bank Securities Investment Trust Co., Ltd.	Association	Investment accounted for using the equity method	12,000	165,124	38	165,124	
Taichung Bank Leasing Corporation Limited	Foreign unlisted shares							
	TCCBL Co., Ltd. (B.V.I.)	Sub-subsidiary	Investment accounted for using the equity method	30,000	826,294	100	826,294	
TCCBL Co., Ltd. (B.V.I.)	Foreign unlisted shares							
	Taichung Bank Financial Leasing (Suzhou) Co., Ltd.	Sub-subsidiary	Investment accounted for using the equity method	-	781,584	100	781,584	
Taichung Bank Securities Co., Ltd.	Domestic unlisted shares							
	Taichung Bank Venture Capital Co., Ltd.	Sub-subsidiary	Investment accounted for using the equity method	21,000	208,594	100	208,594	

Note: The financial industry, the insurance industry and the securities industry are exempt from disclosure.

TAICHUNG COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2021	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2021	% Ownership of Direct or Indirect Investment	Investment Gain	Carrying Value as of December 31, 2021	Accumulated Inward Remittance of Earnings as of December 31, 2021
					Outflow	Inflow					
Taichung Bank Financial Leasing (Suzhou) Co., Ltd.	Financial leasing business	$ 893,373 (CNY 186,329 thousand)	Investment in mainland China companies through an existing company established in a third region.	$ 893,373 (CNY 186,329 thousand)	$ -	$ -	$ 893,373 (CNY 186,329 thousand)	100	$ 40,289 (CNY 9,304 thousand)	$ 781,584 (CNY 179,923 thousand)	$ -

Accumulated Investment in Mainland China as of December 31, 2021	Investment Amount Approved by the Investment Commission, MOEA	Maximum Investment Allowable (Note 2)
$893,373	$893,373	$1,221,195

Note 1: Recognition of investment gains and losses based on the financial statements audited by the parent company's accountant.

Note 2: Based on the Investment Commission's "Regulation on the Examination of Investment or Technical Cooperation in Mainland China", investments are limited to the regulation of Taichung Bank Leasing Corporation Limited's calculation.

Note 3: Foreign currency involved translation into the New Taiwan dollar at the spot rate and average exchange rate on the date of the financial statements (CNY1=NT$4.34, CNY1=NT$4.33).

TAICHUNG COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

BUSINESS RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS BETWEEN THE PARENT COMPANY AND SUBSIDIARIES
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Transaction Company	Counterparty	Transaction Flow (Note 2)	Description of Transactions			
				Financial Statement Account	Amount (Note 3)	Trading Terms	Transaction Amount/Total Consolidated Net Revenue or Total Consolidated Assets (%) (Note 4)
0	Taichung Commercial Bank Co., Ltd.	Taichung Insurance Brokers Co.	a	Deposits and remittances	$ 1,397,479	The terms for the transactions between the company and related parties are similar to those for unrelated parties.	-
		Taichung Insurance Brokers Co.	a	Service fee income	200,000	The terms for the transactions between the company and related parties are similar to those for unrelated parties.	1
		Taichung Insurance Brokers Co.	a	Receivables	16,663	The terms for the transactions between the company and related parties are similar to those for unrelated parties.	-
		Taichung Commercial Bank Securities Co., Ltd.	a	Deposits and remittances	574,319	The terms for the transactions between the company and related parties are similar to those for unrelated parties.	-
		Taichung Commercial Bank Securities Co., Ltd.	a	General and administrative	37,530	The terms for the transactions between the company and related parties are similar to those for unrelated parties.	-
		Taichung Bank Leasing Corporation Limited.	a	Deposits and remittances	174,719	The terms for the transactions between the company and related parties are similar to those for unrelated parties.	-
		Taichung Bank Venture Capital Co., Ltd.	a	Deposits and remittances	119,955	The terms for the transactions between the company and related parties are similar to those for unrelated parties.	-
							-
1	Taichung Commercial Bank Securities Co., Ltd.	Taichung Commercial Bank Co., Ltd.	b	Right-of-use assets	17,099	The terms for the transactions between the company and related parties are similar to those for unrelated parties.	-
		Taichung Commercial Bank Co., Ltd.	b	Lease liabilities	17,341	The terms for the transactions between the company and related parties are similar to those for unrelated parties.	-

(Continued)

Note 1: The parent company and subsidiaries are numbered as follows:

a. Parent company: 0.
b. Subsidiaries are numbered sequentially from 1.

Note 2: Transaction flows are as follows:

a. From parent company to subsidiary,
b. From subsidiary to parent company, and
c. Between subsidiaries.

Note 3: Have been eliminated on consolidation.

Note 4: Percentage to the consolidated total assets is calculated by dividing the amount of a particular asset or liability account by the consolidated total assets as of December 31, 2021. Percentage to the consolidated total revenues is calculated by dividing the amount of a particular revenue or cost or expense account by the consolidated total operating revenues for the year ended December 31, 2021.

Note 5: Referring to transactions exceeding $10,000 thousand.

(Concluded)

TAICHUNG COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2021

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
China Man-Made Fiber Corporation	987,604,374	21.76
Pan Asia Chemical Corporation	253,260,640	5.58

Note 1: According to Article 25 of the Banking Act of the Republic of China, the same person or same related party who individually, jointly or collectively acquires more than 5% of a bank's outstanding voting shares shall report such fact to the authorities within 10 days from the date of acquisition.

Note 2: If the shares of the major shareholders in the above table are held by trustees, the shareholdings should be separately disclosed by the trust accounts opened by the trustee. As for shareholders' handling of insider shareholding declarations with more than 10% of their shares in accordance with the Securities Exchange Act, their shareholdings include their own shareholdings plus those shares held under trust accounts with the right to utilize the trust assets, etc. For more information on insider shareholding declarations, please refer to the market observation post system website of the TWSE.